

ROBB EVANS & ASSOCIATES LLC
Receiver of the Assets of
DebtWorks, Inc. and
Andris Pukke

SPECIAL REPORT OF THE RECEIVER
DATED SEPTEMBER 19, 2005

The purpose of this report is to update the Court about Mr. Pukke's continuing violations of the Preliminary Injunction Order and certain suspicious financial transactions the Receiver has been investigating since its first report.

The Suspicious Circumstances of the Purchase of a Single Family Residence in Laguna Beach, California

On July 8, 2005 Peter Baker¹ completed a transaction to purchase a \$6,450,000 home located at 69 Emerald Bay in Laguna Beach. The Receiver has conducted an extensive investigation surrounding the purchase of this property.

Mr. Pukke testified at his July 12, 2005 deposition that Angela Chittenden is his girlfriend who resides with him at 31 Linda Isle, Newport Beach, California. On May 20, 2005 Angie Crittenden [sic] or assignee executed a residential purchase agreement for the property. On May 26, 2005 Peter Baker issued a check drawn on his account at Citibank for \$193,500 to Mariners Escrow as a deposit. That check was returned due to insufficient funds. Mr. Baker's Citibank bank statement for the period beginning May 10, 2005 shows a beginning balance of \$922.49. On June 2, 2005 Stephen Todd Cook² wire transferred \$250,000 to Mr. Baker's account. The check to Mariners Escrow was processed again on June 7, 2005.

On May 27, 2005 Angie Crittenden [sic] and Peter Baker executed amended escrow instructions providing that the property would be vested to Peter C. Baker.

The Receiver met with the listing agent (who represented the seller) for this property to discuss the circumstances of the listing, negotiations, contract and sale of the property.

¹ Mr. Pukke testified at his July 12, 2005 deposition that Peter Baker is a friend he met at high school.

² As discussed in the Receiver's first report, Mr. Cook is listed as the Member of Prudent Choice LLC and he lives rent-free in one of Mr. Pukke's multi-million dollar homes.

The agent was presented with a picture of Angela Chittenden from her website. He identified her as the named buyer on the contract. He stated that Ms. Chittenden initially viewed the property with a male, but he could not remember the name of the individual. The agent was then shown a picture of Andris Pukke. He indicated that the picture certainly resembled the individual who accompanied Ms. Chittenden on three visits to the property.

Ms. Chittenden and the male companion, believed to be Mr. Pukke, told the agent that they lived at 31 Linda Isle, Newport Beach, CA, but were looking at homes in Emerald Bay for a permanent residence. They informed the agent that Ms. Chittenden was pregnant and that they needed a home that would be more appropriate for children. They further stated that the male companion, believed to be Mr. Pukke, was in the midst of a contentious divorce and that they would like the contract signed by Ms. Chittenden, so that the companion's wife would not find out about the transaction. The listing agent told the Receiver that he never met Mr. Baker.

The Receiver's investigator has confirmed that Mr. Baker continues to reside at a rented home in Corona Del Mar and that the home at 69 Emerald Bay is vacant and without furnishings.

The Receiver is continuing to investigate the source of funds for the purchase of this property. The Receiver recently served Ms. Chittenden and Mr. Baker with deposition subpoenas and their depositions are scheduled for October 5, 2005 and October 7, 2005, respectively.

Mr. Pukke's Attempt to Pay a Pre-Receivership Gambling Debt

On September 13, 2005, the Receiver obtained various documents in response to the Receiver's subpoena to Harrah's Entertainment Inc. dba Rio Suite Hotel & Casino (Rio) in Las Vegas. One of the documents indicates that on August 13, 2005, Pukke's \$25,000 credit limit at Rio was "zeroed" due to a \$5,000 NSF check being presented to the Hard Rock Casino (Tab 1). The Receiver contacted the Director of Cage Operations at the Hard Rock Casino in Las Vegas who confirmed that in August, 2005, Mr. Pukke had presented a \$5,000 NSF check on his personal account at Branch Banking & Trust (BB&T) in attempted repayment of a "marker" taken by that casino on February 4, 2005. Most major casinos in Las Vegas subscribe to a reporting service, which continuously reports on bad checks presented by gamblers, therefore this information would have been disclosed to Rio from that source. Even assuming Mr. Pukke somehow believed he had money in this account to cover the check, such a payment would have violated the asset freeze provision of the Preliminary Injunction Order and would

have been an improper payment on a pre-receivership, pre-bankruptcy debt (the debt to the Hard Rock Casino was not disclosed on Pukke's bankruptcy schedules).

Additional Violations of the Preliminary Injunction Order

On June 2, 2005 Infinity Resources Group made a payment of \$6,559.77 on Mr. Pukke's credit card account at Chevy Chase Bank. This is a different violation of this Court's Order from the credit card payment made on May 11, 2005 as discussed in the Receiver's first report.

Mr. Pukke has not turned over his 60% ownership in Dolphin Development Co. Ltd. As previously disclosed, Dolphin Development Co. Ltd. is actively selling residential lots in Belize without the Receiver's permission or this Court's approval.

Payments to Purported Insurance Companies

The Receiver's first report discussed payments purportedly made for insurance policies. Mr. Pukke asserted through his counsel that his accounting firm, Ribis, Jones & Maresca, P.A. (Ribis), had all of the insurance documents. In response to the Receiver's demand, Ribis turned over those documents. The following paragraphs outline the elements of these policies, all of which appear very suspicious.

International Benefit Life Insurance Corporation, Ltd., loss of management contract income indemnity policy number 30201

This policy was effective December 29, 2000 through December 29, 2001 and insured DW Management Corporation. The premium was \$149,470 with a maximum monthly indemnity benefit of \$25,000 for 24 months (Tab 2). Robin H. Cotterell signed the policy as president of this insurance company.

An Internet search under "International Benefit Life Insurance Corporation, Ltd." produced no results. The company is not listed on a directory of insurers in Nevis, West Indies, where it is supposedly located.

The policy purportedly insures against loss of income, in the event that one or more management contracts become non-performing as a result of bankruptcy, insolvency or court-ordered cessation of payments under a contract. Ribis provided the Receiver only one executed management contract and one unexecuted amendment to another management contract which was not provided. The management contract and unexecuted amendment were with Infinity and DebtWorks, respectively.

This policy appears suspicious for several reasons. The insuring clause, conditions, and exclusions are vague, open ended and not the typical language of an insurance

policy, especially given the amounts involved and the ready availability of boilerplate insurance forms. For example, the insuring clause is entirely vague as to whether the insurer will pay \$25,000 per month for each contract lost or in the aggregate. The policy uses a term "Reportable Remuneration" which is not defined in the policy. The exclusions do not appear to relate to the risk insured and are hopelessly vague. The insurer is supposedly located in the West Indies, the insured located in the United States, yet the governing law is Nauru, a tiny South Pacific island nation which has been used in the creation of offshore banks and corporations. Nauru is on the Financial Action Task Force's list of non-cooperative countries for failure to address deficiencies in money laundering control. The policy requires a 25% premium of the maximum benefit, i.e. approximately \$150,000 for a maximum of \$600,000 in coverage, assuming \$25,000 is the maximum aggregate monthly benefit.

DW Management Corp. paid the purported premium of \$149,470 on December 29, 2000. A bank in Dublin, Ireland processed this check. DW Management Corp. paid this company an additional \$300,000 in \$100,000 increments on June 7, 2001, August 22, 2001, and November 29, 2001, respectively. The Bank of Nevis processed all three of these checks. There is no support in the policy for these payments and Ribis did not turn over any documents to support these payments.

Old Pacific Insurance Ltd., loss of management contract income indemnity policy no. 30313

This policy was effective December 29, 2001 through December 29, 2002 and insured D.W. Management Corporation. The premium was \$150,000 with a maximum monthly indemnity benefit of \$25,000 for 24 months (Tab 3). Robin H. Cotterell also signed the policy as president of this insurance company.

As with the other policy, this one appears to be suspicious as well. "Old Pacific" purports to be located on the island of Rarotonga in the Cook Islands, yet a Yellow Page search and a search of businesses on that island do not disclose the company. As with the other policy, the terms are entirely vague (including whether the \$25,000 monthly payment is for each lost contract or in the aggregate), the exclusions do not appear to relate to the risk, and certain terms are needlessly repeated, such as when the insured must cancel the policy to get the premium back. The insurance company is supposedly located in the Cook Islands, premiums and claims are to be sent to Nevis in the West Indies, yet the law of Nauru applies and all actions must be litigated in Nauru. There is a clause that says that the policy is "incontestable" (usually meaning that the insurer may not rescind for misinformation given at inception), yet the policy has a list of representations and a clause that permits rescission for fraud or misrepresentation in the application. Insurance policies do not typically contain inconsistent clauses on key issues. There are terms that do not apply to the perils insured against, including a provision that states that the insurance policy

applies to "lenses, under warranty or sale contract, installed and intended to function in the continental United States of America."

The Receiver has not located the payment instrument for this premium.

Old Pacific Insurance Ltd., loss of license indemnity policy no. 30312

This policy was effective from December 29, 2001 through December 28, 2002 and insured DebtWorks. The premium was \$457,000 with a maximum monthly indemnity benefit of \$30,000 for 24 months. (Tab 4). Robin H. Cotterell also signed this policy as president.

The insuring clause provides that the insurer "agrees to pay the policy owner the specified monthly indemnity benefits for a period of 24 months, if the named insured has a loss of income as a result of 15 % or more of their contract clients having their license to consult, consolidate, negotiate or mediate consumer debt restructuring revoked or have their license suspended for any cause or condition, except as excluded by this policy." This policy also appears vague and contains various clauses that do not apply to the perils insured against, including "lenses, under warranty or sale contract, installed and intended to function in the continental United States of America." The premium of \$457,000 is 63% of the maximum benefit of \$720,000. The policy contained an April 1, 2002 endorsement pursuant to which the policy was amended to increase the maximum monthly indemnity to \$60,000 for 24 months for an additional premium of \$250,000. Therefore, the total premium paid, \$707,000, was 49% of the maximum benefit of \$1,440,000.

The \$457,000 payment for this policy was wired to H.E. Capital's account at Lloyds Bank in the United Kingdom. The Receiver is not yet in possession of the \$250,000 check that was issued to Old Pacific. According to the books and records turned over to the Receiver by Penny Wilson and bank records obtained by the Receiver, DebtWorks and DW Management paid \$4,579,862 to Old Pacific or H. E. Capital³ from November 29, 2001 to December 31, 2002. Of that amount only \$857,000 is supported by these purported policies. Mr. Pukke's accountants did not turn over any support for the additional payments of \$3,722,862.

The Receiver's preliminary investigation of Mr. Cotterell indicates that he is located in Nevis and is the head of Hanver Trust Company. In recent years Mr. Cotterell has been associated with individuals who have been charged with various legal actions involving money laundering and securities fraud. Under Tab 5 is a December 4, 2004 article from a Cincinnati newspaper the Receiver obtained from the Internet. Also under Tab 5 is a September 30, 2002 article from Offshore Alert the Receiver obtained from the Internet. Both of these articles discuss Mr. Cotterell.

³Payments of \$3,129,000 to H. E. Capital in the Dominican Republic were discussed in the Receiver's first report.

Security Trust Insurance Company, Ltd., loss of license indemnity policy no. L-11278

This policy was effective December 27, 1999 through December 27, 2000 and insured DebtWorks. The premium was \$498,882.26 with a maximum monthly benefit of \$25,000 for 24 months, a maximum aggregate benefit of \$600,000 (Tab 6). The premium is 83% of the maximum benefit.

The application form for this policy shows the premium payment is to be made to Caduceus Life Insurance Company Limited in the U.S. Virgin Islands. The policy purportedly insures against loss of license in Michigan, except as excluded by the policy. This policy also appears suspicious under the circumstances.

An additional policy insuring DW Management Corp. against loss of management contract income was issued by Security Trust Insurance Company on December 28, 1999. The premium of \$77,452.80 is 79% of the maximum benefit.

The Receiver continues to investigate all of these purported insurance transactions and the funds that were transferred offshore in connection with these purported transactions.

Infinity Resources Group

The Receiver's first report documented the unorthodox lending practices of Mr. Pukke. After taking control of the books and records of Infinity, the Receiver reconciled disbursements from Infinity's bank account to the loan history contained in the loan processing software. Three notable discrepancies were discovered during the reconciliation process.

On July 1, 2002 Infinity made a \$135,000 advance to Penny Wilson, the former controller of DebtWorks. This loan was charged off on August 29, 2002. A note in the loan file says "charged off as per AP." On July 16, 2003 Infinity made a \$50,000 advance to Penny Wilson's company, Artemis Financial LLC. This advance was not booked on the loan system. As Infinity's bookkeeping functions were performed by one of its employees, this \$50,000 payment is suspicious.

On January 23, 2004 and on May 17, 2004 checks of \$100,000 and \$50,000 respectively were issued to Eriks Pukke, Mr. Pukke's brother. Neither of these advances was booked on the loan system.

Between January 26, 2005 and March 23, 2005 three advances totaling \$50,000 were made to Angela Chittenden. These advances were not booked on the loan system and are in addition to the \$440,000 Ms. Chittenden received from DebtWorks as documented in the Receiver's first report.

Conclusion

The Receiver is conducting discovery in multiple domestic and international jurisdictions in an attempt to further uncover the true nature and extent of Mr. Pukke's financial dealings.

Respectfully submitted,

/s/

Robb Evans & Associates LLC
Receiver