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U.S. DISTRICT COURT
DISTRICT OF MARYLAND

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**UNITED STATES DISTRICT COURT
DISTRICT OF MARYLAND**

CLERK'S OFFICE
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BY _____ DEPUTY

FEDERAL TRADE COMMISSION)
600 Pennsylvania Avenue, Northwest)
Washington, District of Columbia 20580)

Plaintiff,)

v.)

BALLENGER GROUP, LLC)
321 Ballenger Center Drive)
Frederick, Maryland 21703)
Frederick County, and)

BALLENGER HOLDINGS, LLC)
321 Ballenger Center Drive)
Frederick, Maryland 21703)
Frederick County)

Defendants.)

Civil Action No.:

Complaint for Injunctive and
Other Equitable Relief

**COMPLAINT FOR INJUNCTIVE
AND OTHER EQUITABLE RELIEF**

The Federal Trade Commission alleges:

1. This is an action under Sections 5(a) and 13(b) of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. §§ 45(a) and 53(b), to secure permanent injunctive relief and other equitable relief, including rescission, reformation, restitution, and disgorgement, against Defendants for engaging in unfair or deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the FTC Act, as amended, 15 U.S.C. § 45(a).

JURISDICTION AND VENUE

2. This Court has subject matter jurisdiction over this matter pursuant to 15 U.S.C. §§ 45(a) and 53(b), and 28 U.S.C. §§ 1331, 1337(a), and 1345.

3. Venue is proper in the United States District Court for the District of Maryland under 28 U.S.C. §§ 1391(b) and (c), and 15 U.S.C. § 53(b).

PARTIES

4. Plaintiff, the Federal Trade Commission, is an independent agency of the United States Government created and given statutory authority and responsibility by the FTC Act, as amended, 15 U.S.C. §§ 41-58. The Commission is charged with enforcing Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), which prohibits unfair or deceptive acts or practices in or affecting commerce. The Commission is authorized by Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), to initiate federal district court proceedings to enjoin violations of the FTC Act and to secure such equitable relief as may be appropriate in each case, including, but not limited to, restitution and disgorgement.

5. Ballenger Group, LLC ("Ballenger Group") is a Delaware corporation with its principal place of business at 321 Ballenger Center Drive, Frederick, Maryland. Ballenger Group provides comprehensive client servicing for credit counseling organizations. Ballenger Group transacts business in this District.

6. Ballenger Holdings, LLC ("Ballenger Holdings") is a Delaware corporation with its principal place of business at 321 Ballenger Center Drive, Frederick, Maryland. From January 1, 2003 to October 31, 2003, Ballenger Holdings owned 51% of the stock of Ballenger Group. As of October 31, 2003, Ballenger Holdings owns 100% of the stock of Ballenger Group.

DEFENDANTS' BUSINESS PRACTICES

7. Since January 1, 2003, Ballenger Group has been the sole servicing company for AmeriDebt, Inc. ("AmeriDebt"), a Maryland non-stock corporation that styles itself as a non-profit credit counseling organization dedicated to assisting consumers having difficulties with their personal finances. AmeriDebt provides debt management plans ("DMPs") to its consumer clients. DMPs allow consumers to pay the credit counseling organization one consolidated monthly payment for all of their unsecured debts that are included in the plan. After the monthly payment is collected, the organization disburses payments to the creditors on the plan. Creditors often offer reduced interest rates and waiver of certain fees to consumers who pay through a DMP.

8. Although AmeriDebt's advertising and promotional materials claim that it will provide counseling services and teach consumers how to handle their finances in the future, in fact AmeriDebt provides no such services or education. Instead, AmeriDebt enrolls all of its clients in DMPs, and its dealings with consumers consist of describing the DMPs and enrolling consumers on the plans.

9. AmeriDebt represents, both in advertisements and in oral statements by its sales personnel, that it does not charge up-front fees for enrolling in the DMPs. In fact, AmeriDebt typically retains its clients' first payment on the DMP and disburses none of it to creditors. In addition, AmeriDebt describes itself as a nonprofit organization, but the fees it charges generate substantial profits for associated for-profit entities and individuals.

10. Once AmeriDebt has enrolled the consumer in the DMP, AmeriDebt sends the consumer's file to its servicing company for performance of all services related to the DMP. Since January 1, 2003, Ballenger Group has been the servicing company for all of AmeriDebt's DMP

accounts, and this relationship has been the source of most of its revenue. As AmeriDebt's servicer, Ballenger has handled communications with creditors and consumers, including setting up repayment terms with creditors, fielding incoming calls from consumers, making outgoing calls to consumers and creditors, updating consumers' information, collecting payments from consumers, and disbursing payments to creditors. Its customer service employees answer telephone calls identifying themselves as "AmeriDebt."

11. Ballenger Group took over the servicing operations formerly performed by DebtWorks Inc. ("DebtWorks"), a for-profit company wholly owned by Andris Pukke ("Pukke"), who also assisted in the founding of AmeriDebt. Since that time, Ballenger Group has provided all of the services that DebtWorks formerly provided, operating out of DebtWorks' former offices, employing DebtWorks' former employees, and working under the direction of several officers and directors who previously held positions at DebtWorks. Ballenger Group was formed on December 27, 2002. On January 1, 2003, DebtWorks transferred substantially all of its assets to Ballenger Group in exchange for 100% of Ballenger Group stock. Simultaneously, Defendant Ballenger Holdings purchased 51% of the stock with a loan from DebtWorks. Ballenger Holdings then purchased the remaining 49% with another DebtWorks loan on October 31, 2003.

12. In the course of providing services to the AmeriDebt operation, Ballenger Group has repeated to consumers by telephone some of the representations made by AmeriDebt. For example, Ballenger Group employees have advised consumers that their payments would be paid to creditors and that AmeriDebt is a non-profit entity.

FEDERAL TRADE COMMISSION ACT VIOLATIONS

Count I: Deceptive Omission That AmeriDebt Retains All or a Substantial Portion of a Consumer's First Payment as a Fee

13. Plaintiff incorporates by reference all the foregoing paragraphs.

14. Defendants have represented, expressly or by implication, that consumers' payments will be disbursed to creditors. Defendants have failed to disclose that AmeriDebt keeps all or a substantial portion of a consumer's first payment as a fee. This fact would be material to consumers. Defendants' failure to disclose this fact, in light of the representations made, was, and is, a deceptive practice.

Count II: Misrepresentation That AmeriDebt Is a Non-Profit Entity

15. Plaintiff incorporates by reference all of the foregoing paragraphs.

16. Defendants have represented, expressly or by implication, that AmeriDebt is a non-profit entity.

17. In truth and in fact, AmeriDebt is not a non-profit entity because it generates profits for associated for-profit entities and individuals. Therefore, Defendants' representations were, and are, false or misleading.

CONSUMER INJURY

18. Consumers have suffered, and will continue to suffer, substantial injury as a result of Defendants' violations of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

PRAYER FOR RELIEF

WHEREFORE, Plaintiff requests that this Court, as authorized in Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), and pursuant to its own equitable powers:

1. Enter judgment against Defendants and in favor of plaintiff for each violation charged in the Complaint;

2. Permanently enjoin and restrain Defendants from violating the FTC Act as alleged herein;

3. Award such relief as the Court finds necessary to redress injury to consumers resulting from Defendants' violations of the FTC Act, including, but not limited to, the rescission of contracts, the refund of monies, and the disgorgement of ill-gotten monies; and

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4. Award Plaintiff such other and additional equitable relief as the Court may determine to be just and proper.

Dated: November 19, 2003

Respectfully Submitted,
FEDERAL TRADE COMMISSION
WILLIAM E. KOVACIC
General Counsel

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