

**NEWS RELEASE**  
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**FOR IMMEDIATE RELEASE**  
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**Morris Polich & Purdy LLP Helps Obtain \$256,527,000 Judgment In Class Action Lawsuit**

Los Angeles, CA --- Morris Polich & Purdy LLP successfully represented plaintiffs against one of the nation's leading credit counseling firms and its founders for non-compliance with the Credit Repair Organizations Act (CROA) and other claims. The company misleadingly claimed to consumers that it was a non-profit organization, but those claims have now been adjudged false and fraudulent. The \$256,527,000 class action judgment against John and Richard Puccio and several other entities related to the credit counseling organization issued following summary judgment being entered against the defendants by United States District Court Judge Michael A Ponsor of the Massachusetts District.

Advertisements for credit counseling have bombarded viewers and listeners of the Internet, TV, and late-night Radio for the past ten years: "Are you in debt? We are a non-profit organization that will negotiate with your creditors to lower your interest rates and improve your credit." Such a claim, according to David J. Vendler, a partner at Morris Polich & Purdy LLP, is common of credit counseling organizations. "What consumers never knew was that the majority of these "non-profit" debt counseling entities were a sham, and were really operated as for-profit commercial enterprises" says Vendler.

*Zimmermann v. Cambridge Credit Counseling, Inc.* was originally filed in 2003, and was initially dismissed on the defendants' Rule 12 motion on the ground that the credit counseling entity could not be held liable under the CROA due to its non-profit 501(c)(3) status. In a case of first impression nationwide, however, the First Circuit reversed, holding that credit repair companies are not automatically excluded from the definition of a "credit repair organization" simply because they are organized as non profit tax exempt entities. The court held that, in order to be immune from suit under the CROA, the defendant must prove that it actually operates in a manner consistent with both of those statuses.

The named plaintiffs were a Virginia couple who paid approximately \$1,000 in 2002 for a customized debt management program with Cambridge Credit Counseling Corporation. "The success rates for debt management plans are terrible," Vendler says, "yet Congress nonetheless chose to make credit counseling a requirement to filing bankruptcy as part of the new Bankruptcy Reform Act."

After several months on the Cambridge debt management program, the Zimmermanns owed more money to creditors, and had worse credit scores, than before they contacted Cambridge. They sued the company, its owners John and Richard Puccio, as well as several related entities for violations of the CROA, alleging that Cambridge's non profit status was a sham, and that John and Richard Puccio had, through a complex series of corporate maneuvers, personally made millions from America's most vulnerable consumers, i.e. those already severely overburdened by debt, who are willing to do and pay almost anything to avoid bankruptcy.

The Zimmermanns' case is not the only class action suit handled by Vendler and Morris Polich & Purdy. A similar case alleging nonprofit fraud in the credit counseling industry was settled for approximately \$35,000,000 (with the FTC as a co-plaintiff) in 2005. The main defendant in that case was Andris Pukke, a convicted felon, who founded Ameridebt, Inc., Debticated Consumer Counseling, Inc. and several other ostensibly "non-profit" tax exempt credit counseling entities.

There have been Congressional hearings regarding such rampant abuses in the credit counseling industry, and the IRS has revoked the tax-exempt status of many credit counseling agencies, but the actual consumers/victims have seen little relief. While Vendler is sure that the full amount of the judgment will never be satisfied, he is confident that consumers will be reimbursed for at least a portion of their losses. Also, because of the injunctive relief that was entered as part of the judgment, he is sure that the perpetrators of this fraud will never be allowed to repeat it.

Morris Polich & Purdy LLP was co-counsel in both cases with the Charlottesville, Virginia office of Michie Hamlett Lowry Rasmussen & Tweel PLLC, as well as Charlottesville attorney Gregory Duncan. Massachusetts attorney Steven G. Hennessy also represents plaintiffs in the Zimmermann case.

### **About MPP**

Morris Polich & Purdy LLP is a law firm that works with its clients on a national basis. We represent clients in every state, as well as many U.S. possessions. We also have a wealth of international affiliations.

Our dedication to clients, combined with a wealth of experience, both in the trial and appellate courts, are the qualities that distinguish us from other law firms. Our attorneys are known for their vast experience and success. We provide superior legal services in a manner consistent with our clients' best interests and goals. We are committed to expertise in all our areas of practice, knowing our clients' businesses and providing client service at the highest level.