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CENTRAL DIST. OF CALIF.
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15 UNITED STATES DISTRICT COURT
 16 CENTRAL DISTRICT OF CALIFORNIA

17 FEDERAL TRADE COMMISSION,
 18 Plaintiff,

19 v.

20 JOHN BECK AMAZING PROFITS,
 LLC, a California limited liability
 21 company; JOHN ALEXANDER, LLC, a
 California limited liability company; JEFF
 22 PAUL, LLC, a California limited liability
 company, also d/b/a SHORTCUTS TO
 23 MILLIONS, LLC; MENTORING OF
 AMERICA, LLC, a California limited
 24 liability company; FAMILY PRODUCTS,
 LLC, a California limited liability
 25 company; DOUGLAS GRAVINK, an
 individual; GARY HEWITT, an
 26 individual; JOHN BECK, an individual;
 JOHN ALEXANDER, an individual; and
 27 JEFF PAUL, an individual,

28 Defendants.

Case no. **CV 09-4719**

COMPLAINT FOR INJUNCTIVE
 AND OTHER EQUITABLE
 RELIEF

CBM
 (FFMx)

1
2 Plaintiff Federal Trade Commission (“FTC” or “Commission”) for its
3 complaint alleges:

4 1. The FTC brings this action under Sections 13(b) and 19 of the
5 Federal Trade Commission Act (“FTC Act”), 15 U.S.C. §§ 53(b) and 57b, and the
6 Telemarketing and Consumer Fraud and Abuse Prevention Act (“Telemarketing
7 Act”), 15 U.S.C. §§ 6101-6108, to obtain preliminary and permanent injunctive
8 relief, rescission of contracts, restitution, disgorgement, and other equitable relief
9 for Defendants’ deceptive acts or practices in violation of Section 5(a) of the FTC
10 Act, 15 U.S.C. § 45(a), and the FTC’s Telemarketing Sales Rule (“TSR”), 16
11 C.F.R. Part 310, as amended by 68 Fed. Reg. 4580, 4669 (January 29, 2003).

12 JURISDICTION AND VENUE

13 2. This Court has subject matter jurisdiction pursuant to 15 U.S.C.
14 §§ 45(a), 53(b), 57b, 6102(c), and 6105(b), and 28 U.S.C. §§ 1331, 1337(a), and
15 1345.

16 3. Venue is proper in this district under 15 U.S.C. § 53(b) and 28 U.S.C.
17 § 1391(b), and (c).

18 PLAINTIFF

19 4. Plaintiff **Federal Trade Commission** is an independent agency of the
20 United States Government created by statute. 15 U.S.C. §§ 41-58. The
21 Commission is charged with, *inter alia*, enforcing Section 5(a) of the FTC Act, 15
22 U.S.C. § 45(a), which prohibits unfair or deceptive acts or practices in or affecting
23 commerce. The FTC is also charged with enforcing the Telemarketing Act, 15
24 U.S.C. §§ 6101-6108. Pursuant to the Telemarketing Act, the FTC promulgated
25 and enforces the TSR, 16 C.F.R. Part 310, which prohibits deceptive or abusive
26 telemarketing acts or practices. The FTC is authorized to initiate federal district
27 court proceedings, by its own attorneys, to enjoin violations of the FTC Act and
28 the TSR, and to secure such equitable relief as may be appropriate in each case,

1 including rescission of contracts, restitution, and disgorgement. 15 U.S.C.
2 §§ 53(b), 57b, 6102(c), and 6105(b).

3 DEFENDANTS

4 5. Defendant **John Beck Amazing Profits, LLC**, is a California limited
5 liability company with its principal place of business at 7030 Hayvenhurst, Van
6 Nuys, CA 91406. John Beck Amazing Profits, LLC markets the John Beck
7 system. John Beck Amazing Profits, LLC transacts or has transacted business
8 within the Central District of California.

9 6. Defendant **John Alexander, LLC** is a California limited liability
10 company with its principal place of business at 7030 Hayvenhurst, Van Nuys, CA
11 91406. John Alexander, LLC markets the John Alexander system. John
12 Alexander, LLC transacts or has transacted business within the Central District of
13 California.

14 7. Defendant **Jeff Paul, LLC** is a California limited liability company
15 with its principal place of business at 7030 Hayvenhurst, Van Nuys, CA 91406.
16 Jeff Paul, LLC also does business as Shortcuts to Millions, LLC. Jeff Paul, LLC
17 markets the Jeff Paul system. Jeff Paul, LLC transacts or has transacted business
18 within the Central District of California.

19 8. Defendant **Mentoring of America, LLC** is a California limited
20 liability company with its principal place of business at 7030 Hayvenhurst, Van
21 Nuys, CA 91406. Mentoring of America, LLC telemarkets and sells personalized
22 coaching programs for the John Beck, John Alexander, and Jeff Paul systems that
23 purportedly teach consumers to earn more money faster than if they use these
24 systems without the coaching programs. Mentoring of America, LLC transacts or
25 has transacted business within the Central District of California.

26 9. Defendant **Family Products, LLC** is a California limited liability
27 company with its principal place of business at 7030 Hayvenhurst, Van Nuys, CA
28 91406. Family Products, LLC is the sole member of Defendants John Beck

1 Amazing Profits, LLC; John Alexander, LLC; and Mentoring of America, LLC.
2 Family Products, LLC transacts or has transacted business within the Central
3 District of California.

4 10. Family Products, LLC advertises, markets, telemarkets, and sells
5 “John Beck’s Free & Clear Real Estate System” (the “John Beck system”) that
6 purports to teach consumers how to purchase homes for “pennies on the dollar” at
7 government tax sales and then earn substantial amounts of money by selling or
8 renting the homes for profit.

9 11. Family Products, LLC also advertises, markets, telemarkets, and sells
10 “John Alexander’s Real Estate Riches in 14 Days” (the “John Alexander system”)
11 that purports to teach consumers how to earn substantial amounts of money using
12 a so-called “inverse purchase system.”

13 12. Family Products, LLC also advertises, markets, telemarkets, and sells
14 “Jeff Paul’s Shortcuts to Internet Millions” (the “Jeff Paul system”) that purports
15 to teach consumers how to earn substantial amounts of money through proven,
16 turnkey Internet-based businesses.

17 13. Defendants **Gary Hewitt** and **Douglas Gravink** are the sole
18 members of Defendants Family Products, LLC and Jeff Paul, LLC also d/b/a
19 Shortcuts to Millions. Hewitt and Gravink both reside in the Central District of
20 California and transact business there. At all times material to this complaint,
21 Hewitt and Gravink have formulated, directed, controlled, participated in, assisted
22 in, or facilitated the acts or practices set forth in this complaint.

23 14. Hereinafter, the term “**Defendants**” refers to John Beck Amazing
24 Profits, LLC; John Alexander, LLC; Jeff Paul, LLC; Mentoring of America, LLC;
25 Family Products, LLC; Gary Hewitt; and Douglas Gravink.

26 SYSTEM INVENTOR DEFENDANTS

27 15. Defendant **John Beck** (“Beck”) created the John Beck system. Beck
28 also helped create and is featured in the infomercial for the John Beck system,

1 which has been broadcast in the Central District of California. Beck has transacted
2 business within the Central District of California. At all times material to this
3 complaint, Beck has formulated, directed, controlled, participated in, assisted in,
4 or facilitated the acts or practices set forth in this complaint as alleged in Count
5 One.

6 16. Defendant **John Alexander** (“Alexander”) created the John
7 Alexander system. Alexander also helped create and is featured in the infomercial
8 for the John Alexander system, which has been broadcast in the Central District of
9 California. Alexander has transacted business within the Central District of
10 California. At all times material to this complaint, Alexander has formulated,
11 directed, controlled, participated in, assisted in, or facilitated the acts or practices
12 set forth in this complaint as alleged in Count Three.

13 17. Defendant **Jeff Paul** (“Paul”) created the Jeff Paul system. Paul also
14 helped create and is featured in the infomercial for the Jeff Paul system, which has
15 been broadcast in the Central District of California. Paul has transacted business
16 within the Central District of California. At all times material to this complaint,
17 Paul has formulated, directed, controlled, participated in, assisted in, or facilitated
18 the acts or practices set forth in this complaint as alleged in Count Five.

19 18. Hereinafter, the term “**Inventor Defendants**” refers to John Beck,
20 John Alexander, and Jeff Paul.

21 COMMON ENTERPRISE

22 19. Defendants John Beck Amazing Profits, LLC; John Alexander, LLC;
23 Jeff Paul, LLC also d/b/a Shortcuts to Millions, LLC; Mentoring of America,
24 LLC; and Family Products, LLC (the “**Corporate Defendants**”) have operated
25 together as a common enterprise while engaging in the deceptive acts and practices
26 described herein, through an interrelated network of companies that have common
27 ownership, officers, managers, addresses, and/or business functions.

28 20. Individual Defendants Hewitt and Gravink have formulated, directed,

1 controlled, had authority to control, or participated in the acts and practices of the
2 Corporate Defendants that constitute the common enterprise.

3 COMMERCE

4 21. At all times material to this complaint, the Defendants and the
5 Inventor Defendants have maintained a substantial course of trade in or affecting
6 commerce, as “commerce” is defined in Section 4 of the FTC Act, 15 U.S.C. § 44.

7 DEFENDANTS’ BUSINESS PRACTICES

8 **Introduction**

9 22. Defendants have marketed, via infomercials aired nationwide and
10 Internet websites, the John Beck, John Alexander, and Jeff Paul systems. Each
11 infomercial advertises a “system” that costs \$39.95, plus shipping and handling
12 costs. The systems consist of written materials, DVDs, and/or CDs. Consumers
13 usually order one of the systems by calling a toll-free telephone number appearing
14 in the infomercial advertising that system. Consumers may also order the systems
15 via websites located at www.johnbeck.tv, www.johnalexander.tv, and
16 www.jeffpaul.tv. Thousands of consumers across the United States have
17 purchased the John Beck, John Alexander, or Jeff Paul system from Defendants.

18 23. Defendants’ telemarketers conduct outbound and inbound telephone
19 calls in which they offer personal coaching services to consumers who have
20 previously purchased any of the three systems. The personal coaching services for
21 the three systems range in price from as little as \$195 to as much as \$14,995.
22 Thousands of consumers across the United States have purchased personal
23 coaching services for the John Beck, John Alexander, or Jeff Paul system from
24 Defendants

25 **John Beck’s Free & Clear Real Estate System**

26 24. Since at least January 2004, Defendants have aired at least two
27 versions of the “John Beck’s Free & Clear Real Estate System” infomercial. The
28 infomercial for the John Beck system has at times been the most frequently

1 broadcast infomercial in the United States.

2 25. The John Beck system infomercials represent that consumers located
3 anywhere in the United States can use the John Beck system to quickly and easily
4 earn substantial amounts of money by purchasing homes, at tax sales in their area,
5 “free and clear” for just “pennies on the dollar,” and then turning around and
6 selling these homes for full market value, or renting them out for a profit.

7 26. For example, one version of the John Beck infomercial, which aired
8 from at least 2005 through September 2007 (the “2005 infomercial”), opens with a
9 picture of a home and a voiceover that says:

10 ANNOUNCER: How would you like to own this home
11 [picture of home shown] for just \$534? Now, we’re not
12 talking about a down payment of \$534 with hundreds of
13 dollars in mortgage payments on top of that every
14 month. That’s right. We’re talking about owning this
15 home, free and clear of any monthly mortgage payments,
16 for just \$534.

17 After showing a photo of a different home, the voiceover then states:

18 ANNOUNCER: Or this one for only \$200? [picture of
19 home shown] All of these homes and the many more
20 examples you’ll see throughout this program were all
21 purchased for pennies on the dollar at local government
22 tax sales that most people don’t even know exist.

23 Later, a consumer endorser states:

24 FEMALE: You can buy property for \$200 to \$300 and
25 turn around and sell it for several thousand dollars.
26 [pictures of homes shown] You can do it consistently,
27 you can do it over and over again, and you can do it in
28 all 50 states.

1 The infomercial voiceover later states:

2 ANNOUNCER: In Real Estate for Pennies on the
3 Dollar, you'll learn how to immediately take advantage
4 of these little known government tax sales to purchase
5 homes for as little as two to three cents on the dollar and
6 own them free and clear. You can live in these homes
7 [pictures of homes shown] yourself with no mortgage
8 payments, resell them for unbelievable profits, or rent
9 them out to generate a great source of extra spendable
10 cash. There are currently well over a million tax sale
11 properties available in counties all across America and
12 John Beck's North American Tax Sale Directory will
13 give you everything you need to locate the upcoming tax
14 sales in your area.

15 John Beck later states:

16 JOHN BECK: That's correct. You see, right now, the
17 cities and counties need to get rid of these properties so
18 badly that they've gone out of their way to make it easy
19 to buy them. A lot of counties in the U.S. now even
20 allow you to buy tax sale properties online.

21 27. A more recent version of the infomercial, which began airing in about
22 October 2007 (the "2007 infomercial"), also opens with a picture of a home and a
23 voiceover that says:

24 ANNOUNCER: The average home in America now
25 costs more than \$219,000. But you're about to learn
26 how you can start buying homes like these [pictures of
27 homes shown] for just a few hundred dollars and own
28 them free and clear with no additional monthly

1 payments.

2 While the voiceover is speaking, several pictures of homes are shown, along with
3 the following superscripts: “Purchased for only \$531.96”; “Purchased for only
4 \$336.73”; and “Purchased for only \$166.18.”

5 28. The infomercial later states:

6 MICHELLE BOUDREAU: I’d like to introduce you to
7 John Beck, the man who, believe it or not, can teach you
8 how you can buy homes all across the country for as
9 little as just a few hundred dollars.

10 * * *

11 ANNOUNCER: John’s property vault is filled with a
12 nationwide list of more than 2.2 million of the most up-
13 to-date government tax foreclosure properties available.
14 In just minutes, you can pick the area you’re interested
15 in and find the perfect properties for you.

16 * * *

17 ANNOUNCER: Government tax foreclosure sales are
18 coming to your area – offering you the opportunity to
19 purchase homes like these [pictures of homes shown] by
20 simply paying off the back taxes. While the voiceover is
21 speaking, pictures of homes are shown, with superscript
22 stating, “Purchased for Only \$553.80 With No Monthly
23 Payments!” and “Purchased for only \$317.67 With No
24 Monthly Payments!”

25 29. Although the infomercial mentions that the John Beck system can be
26 used to purchase other types of property (such as unimproved land), the emphasis
27 in the infomercial is clearly on using the system to buy homes.

28 30. Both John Beck infomercials show many images of homes that were

1 supposedly acquired “free and clear” for just “pennies on the dollar” using the
2 John Beck system. Images of homes are also shown in the background while
3 consumer endorsers are speaking. During each thirty-minute John Beck
4 infomercial, images of homes are shown more than seventy times, a rate of
5 approximately one home every 26 seconds.

6 31. Superimposed on many of the images of homes shown in the John
7 Beck infomercials are the supposed purchase price and, in some instances, the
8 supposed assessed value of the homes. According to the infomercials, virtually all
9 of the homes shown were purchased for less than \$1,000 each at government tax
10 sales. The infomercials show assessed values ranging from \$55,000 to more than
11 \$200,000. All or nearly all of the homes shown were supposedly purchased for
12 only two or three pennies on the dollar.

13 32. The John Beck infomercials contain numerous express claims about
14 the potential earnings consumers can expect if they purchase and use the John
15 Beck system. For example, the infomercials show Inventor Defendant Beck and
16 consumer endorsers making statements such as:

17 MALE: I’ve only been using John’s system for three
18 months and already profited over \$50,000.

19 * * *

20 MALE: I started with only 200 dollars and now I’ve
21 made over \$400,000 profit!

22 * * *

23 FEMALE: We’ve only been using John’s system for a
24 short amount of time and we’ve already completed two
25 deals and we’ve put over \$27,000 in our bank account.

26 * * *

27 JOHN BECK: This little home was purchased for just
28 \$388.90 and was resold for \$55,000.

1 * * *

2 FEMALE: We have made an astronomical amount of
3 money and it's very easy to do. Last year, we made over
4 \$500,000.

5 * * *

6 JOHN BECK: Michelle, my system gives you all the
7 information you need to cash in on these government tax
8 foreclosure properties. And with so many properties
9 available right now, there's plenty of room for all of us
10 to make a lot of money.

11 33. Both John Beck infomercials also represent that consumers who
12 purchase the John Beck system will receive a free 30-day membership to John
13 Beck's "Property Vault." The infomercial states that the John Beck Property
14 Vault contains:

15 [A] nationwide list of more than 1.8 million of the most
16 up-to-date tax sale properties currently available.

17 Simply pick the area you're interested in and select the
18 perfect tax sale property for you [2005 infomercial];

19 * * *

20 [A] nationwide list of more than 2.2 million of the most
21 up-to-date government tax foreclosure properties

22 available. In just minutes, you can pick the area you're
23 interested in and find the perfect properties for you.

24 [2007 infomercial].

25 34. Neither infomercial discloses that the Property Vault is actually a
26 continuity plan, and that once the 30-day free Property Vault membership expires,
27 consumers will be charged \$39.95 per month unless they take the affirmative step
28 of contacting Defendants to cancel their memberships.

1 35. When consumers call the toll-free number shown in the infomercials
2 to order the John Beck system, they are guided through an automated ordering
3 system in which they provide billing and shipment information in response to pre-
4 recorded prompts. When consumers call to order the John Beck system, a
5 recording states:

6 Thank you for calling John Beck Free and Clear. In John's
7 easy-to-follow, simple course, you will quickly learn how to
8 buy homes, land, and property for pennies on the dollar. Just
9 imagine what it would be like to purchase a home like you've
10 seen on John's show for \$300. How about making an
11 additional \$1,000, \$2,000, or even \$5,000 a month? John's
12 entire money-making kit is only \$39.95 plus shipping and
13 handling, and for placing your order by credit card, you will
14 receive membership in John's Property Vault for thirty days,
15 absolutely free.

16 36. At no point before consumers provide their payment information as
17 part of the automated ordering process do Defendants disclose that the Property
18 Vault is actually a continuity plan, and that once the 30-day free membership
19 expires, consumers will be charged \$39.95 per month unless they contact
20 Defendants to cancel their memberships. At no point prior to providing their
21 payment information do consumers give their consent to be charged for their
22 memberships in the Property Vault once the 30-day free memberships expire.

23 37. After consumers' 30-day free memberships expire, unless consumers
24 have taken affirmative steps to cancel, Defendants automatically charge
25 consumers' credit cards \$39.95 per month. In numerous instances, consumers are
26 unaware they have been charged for the Property Vault memberships until they
27 notice the \$39.95 charges on their credit card statements.

28 38. Consumers who purchase the John Beck system receive a kit

1 containing a DVD and several informational booklets, in written and/or electronic
2 format.

3 39. The John Beck materials explain that, at most government tax sales,
4 either tax liens or tax deeds are sold. A tax lien is a lien imposed on real property
5 to secure the unpaid taxes; it does not transfer title. Therefore, it is impossible to
6 purchase a tax lien at a tax sale and then immediately possess the underlying
7 property “free and clear.” Rather, the delinquent taxpayer is given a “right of
8 redemption,” a time period during which he or she may repay the purchaser of the
9 tax lien the amount of the lien (plus interest), and thereby reclaim the property.
10 The time period for a right of redemption varies from state to state; it can range
11 from six months to as long as three years. If the delinquent taxes are not repaid,
12 then the purchaser of the lien may exchange the lien for title to the property. A tax
13 deed, on the other hand, conveys title to the property to its purchaser.

14 40. The John Beck system materials themselves reveal that the
15 representation in the John Beck infomercials that consumers located anywhere in
16 the United States can purchase homes, at tax sales in their area, “free and clear”
17 for just “pennies on the dollar,” is false. In fact, in a majority of states, it is almost
18 impossible to simply walk into a government tax sale, pay a few hundred dollars in
19 back taxes, and walk out with a “free and clear” deed to a home, because the law
20 of those states dictates otherwise.

21 41. The John Beck materials explain that about half of the 50 states
22 generally sell only tax liens, not deeds, at government tax sales. While purchasers
23 of liens may earn a return on their investment, because of the right of redemption,
24 they do not immediately, if ever, acquire title to the property.

25 42. Of the remaining states, deeds usually are sold, but opportunities to
26 acquire homes free and clear for pennies on the dollar in these states are limited.
27 Some of these “tax deed” states have laws mandating that the opening bids begin
28 at some percentage of the property’s assessed value (thus not just for the back

1 taxes). Others sell deeds, but provide for a right of redemption, meaning, as with
2 lien states, that the delinquent taxpayer has a time period, sometimes as much as
3 three years, during which he or she may repay the cost of the deed, plus interest,
4 and reclaim the property. In addition, the John Beck materials acknowledge that
5 unless a consumer is one of few (or the only) bidder at a tax deed sale, the
6 purchase prices at tax sales are often bid up very quickly.

7 43. The John Beck system materials also state that it is rare to find homes
8 available at government tax sales. The John Beck materials explain that, if there is
9 a home on the property secured by a mortgage, it is “extremely unlikely” that the
10 person or bank holding that mortgage will not pay the delinquent taxes in order to
11 preserve their security interest in the property. The materials advise consumers
12 who wish to find a home at a government tax sale to search for abandoned
13 properties.

14 44. The representation in the John Beck infomercials that consumers
15 located anywhere in the United States can purchase homes, at tax sales in their
16 area, “free and clear” for just “pennies on the dollar,” is also unsubstantiated. The
17 consumer endorsers shown in the infomercials are not representative of consumers
18 who purchase and use the John Beck system, because, even if they earned money,
19 they did not do it in the way the infomercial describes. Few, if any, of the
20 consumer endorsers earned money by purchasing homes at government tax sales
21 “free and clear” for only a few “pennies on the dollar” and then renting them out
22 or selling them for profit. None of the consumer endorsers shown in the
23 infomercial purchased any of the homes shown in the infomercial. In addition,
24 many of the consumer endorsers had prior experience in real estate, or were
25 personally coached by Inventor Defendant John Beck.

26 45. None of the homes shown in the infomercials was purchased by
27 someone who had previously purchased the John Beck system. None of the
28 homes shown in the infomercials was purchased at a government tax sale. All of

1 the homes shown are located in Oklahoma, which is a “tax lien” state. The homes
2 were acquired via tax liens, meaning, someone purchased a tax lien at a tax sale,
3 waited out the redemption period, which was sometimes as long as two years, and
4 then applied for a tax deed to acquire title to the home. Furthermore, none of the
5 homes shown in the John Beck infomercial was purchased for the price shown. In
6 fact, the purchasers of the tax liens had to pay hundreds, and sometimes thousands,
7 more before they could take ownership of the homes.

8 46. Consumers cannot routinely purchase homes at government tax sales
9 for the dollar amounts shown in the John Beck infomercials. Few, if any,
10 consumers have been able to use the John Beck system to purchase homes “free
11 and clear” for “pennies on the dollar” at government tax sales in their area. As a
12 result, few, if any, consumers who purchase and use the John Beck system have
13 been able to earn substantial amounts of money renting or selling homes
14 purchased at government tax sales.

15 47. Few, if any, consumers who purchase and use the John Beck system
16 quickly and easily earn substantial amounts of money. Most consumers who
17 purchase the John Beck system do not make any money at all. Thus, the
18 representation in the John Beck infomercials that consumers who purchase and use
19 the John Beck system are likely to quickly and easily earn substantial amounts of
20 money with little financial investment is false and unsubstantiated.

21 **John Alexander’s Real Estate Riches in 14 Days**

22 48. From approximately November 2005 until approximately mid-2007,
23 Defendants aired the “John Alexander’s Real Estate Riches in 14 Days”
24 infomercial.

25 49. The infomercial represents that the John Alexander system is a
26 proven money-making system that will teach consumers how to quickly and easily
27 earn substantial amounts of money in real estate by using a so-called “inverse
28 purchase” method, in which consumers put together real estate transactions and

1 get “the cash out at closing” without using any of their own money or credit. The
2 John Alexander infomercial represents that consumers will be able to complete an
3 inverse purchase transaction within 14 days.

4 50. The John Alexander infomercial contains numerous claims about the
5 potential earnings consumers can expect if they purchase and use the John
6 Alexander system.

7 51. For example, the infomercial shows Inventor Defendant Alexander as
8 well as consumer endorsers making statements such as:

9 MALE: Last year, I made over a million dollars.

10 * * *

11 MALE: John’s system for making money at real estate is the
12 best system that I’ve ever seen. In one month, I was able to
13 make \$54,000. The past seven months so far this year, I’ve
14 made well over \$93,000, and all of that is working part-time.

15 * * *

16 MALE: As a police officer, I had to work a lot of overtime to
17 make \$30,000 a year. Since I’ve come across John’s system,
18 I’ve made over \$100,000 a year at 10 hours a week. It’s a
19 wonderful thing. I’ve never worked so little for so much.

20 * * *

21 JOHN ALEXANDER: Right now, I’m standing in front of a
22 home that I made \$26,788.45 profit on using my system, and I
23 put this deal together in just 14 days.

24 * * *

25 JOHN ALEXANDER: And I made \$22,348.65 profit on this
26 home deal and, of course, I didn’t use any of my own money to
27 do it. And I’m here today telling you without any doubt that
28 you could be doing this, too.

1 * * *

2 JOHN ALEXANDER: Once you learn the secrets found in my
3 system, there will be no holding you back. You'll be making
4 deals like this all the time, guaranteed.

5 52. The John Alexander infomercial repeatedly represents that the inverse
6 purchase system is easy. For example, a large superscript, shown several times,
7 states, "SIMPLE STEP BY STEP SYSTEM! ANYBODY CAN DO IT!" The
8 consumer endorsers and Inventor Defendant Alexander reinforce this theme:

9 MALE: It's an easy program to follow. It's laid out step
10 by step and anybody can follow it and anybody can do it.
11 [repeated three times throughout infomercial]

12 * * *

13 FEMALE: It was so easy, it was shocking.

14 * * *

15 JOHN ALEXANDER: My system can make profiting at
16 real estate a reality and not just a dream. When my
17 students complete their first transaction and get checks
18 for up to \$10,000 and more, they call me and tell me
19 how excited they feel, but almost guilty because it was
20 just too easy to make this money.

21 53. The John Alexander infomercial also repeatedly represents that
22 consumers do not need any cash and do not need to use their own credit in order to
23 use the John Alexander system. The John Alexander infomercial makes these
24 representations verbally at least nineteen times during the thirty-minute
25 infomercial. In most of these instances, a large block letter superscript stating
26 "NO MONEY! NO CREDIT NEEDED!" is shown.

27 54. The John Alexander infomercial also represents that consumers who
28 purchase the John Alexander system will receive a free 30-day membership to

1 John Alexander's hotline advisory service, "John's Club." The John Alexander
2 infomercial never discloses that John's Club is actually a continuity plan, and that
3 once the 30-day free John's Club membership expires, consumers will be charged
4 \$39.95 per month unless they take the affirmative step of contacting Defendants to
5 cancel their memberships.

6 55. When consumers call the toll-free number in the infomercial to order
7 the John Alexander system, they are guided through an automated ordering system
8 in which they provide billing and shipment information in response to pre-
9 recorded prompts. Before taking a consumer's payment information, the
10 automated recording states, "if you place your order by credit card today, you
11 receive access to John's Club, which includes John's hotline advisory service and
12 monthly tele-seminar, for 30 days absolutely free."

13 56. At no point before consumers provide their payment information as
14 part of the automated ordering process do Defendants disclose that John's Club is
15 actually a continuity plan, and that once the 30-day free membership expires,
16 consumers will be charged \$39.95 per month unless they contact Defendants to
17 cancel their memberships. At no point prior to providing their payment
18 information do consumers give their consent to be charged for their memberships
19 in John's Club once the 30-day free memberships expire.

20 57. After consumers' 30-day free memberships expire, unless consumers
21 have taken affirmative steps to cancel, Defendants automatically charge
22 consumers' credit cards \$39.95 per month. In numerous instances, consumers are
23 unaware they have been charged for the John's Club memberships until they
24 notice the \$39.95 charges on their credit card statements.

25 58. Consumers who purchase the John Alexander system receive a kit
26 containing a DVD and several informational booklets, in written and/or electronic
27 format.

28 59. The John Alexander system is extremely complicated. In order to

1 complete an inverse purchase using the John Alexander system, a consumer,
2 working as an “investor,” must find, on his or her own, a “motivated” seller
3 (usually an expired listing or a home “for sale by owner”). The consumer must
4 then enter into a contract with the seller to buy the home at a price lower than the
5 seller’s original asking price, with the express understanding that the consumer
6 will find another buyer willing to purchase the home for the original asking price.
7 In some instances, the consumer must pay the seller an earnest money deposit.
8 The consumer must then find a buyer willing to pay the original asking price, and
9 arrange for that buyer to obtain financing. When the new buyer’s financing is
10 approved, the consumer assigns his or her contract with the original seller to the
11 new buyer. When the transaction closes, the consumer receives a check for the
12 difference in price as profit.

13 60. In addition, in order to use the John Alexander system, consumers
14 must locate their own mortgage brokers, real estate attorneys, appraisers, and title
15 companies. The John Alexander materials also assume that consumers know how
16 to find and interpret comparable home prices, are comfortable meeting in person
17 and negotiating with home sellers and purchasers, and can understand the terms of
18 contracts for the purchase and sale of real estate.

19 61. In addition, in order to use the John Alexander system, consumers
20 must spend substantial amounts of money. In some instances, to enter an inverse
21 purchase transaction, consumers must place an earnest money deposit, sometimes
22 as much as \$1,000. If an inverse purchase contract falls through, the earnest
23 money deposit is forfeited. In addition, consumers must purchase advertising
24 space in their local newspapers and have signs printed to place on the properties
25 they have under contract. Therefore, the representation in the infomercial that
26 consumers do not have to spend their own money in order to use the John
27 Alexander system is false.

28 62. Few, if any, consumers who purchase and use the John Alexander

1 system quickly and easily earn substantial amounts of money with no financial
2 investment. Most purchasers of the John Alexander system do not make any
3 money at all. Thus, the representation in the John Alexander infomercial that
4 consumers who purchase and use the John Alexander system are likely to quickly
5 and easily earn substantial amounts of money with no financial investment is false
6 and unsubstantiated.

7 63. The representation in the John Alexander infomercial that consumers
8 who purchase and use the John Alexander system are likely to quickly and easily
9 earn substantial amounts of money with no financial investment is unsubstantiated
10 for additional reasons. Most of the transactions discussed by John Alexander
11 himself in the infomercial are not representative of transactions of someone who
12 purchases and uses the John Alexander system. This is because most of the profits
13 claimed by John Alexander in the infomercial were not generated using the inverse
14 purchase method. In addition, the consumer endorsers shown in the infomercial
15 are not representative of consumers who purchase and use the John Alexander
16 system because, even if they earned money, they did not do it in the way the
17 infomercial describes. Also, many of the consumer endorsers had extensive prior
18 experience in real estate, or were personally coached by Inventor Defendant John
19 Alexander.

20 **Jeff Paul's Shortcuts to Internet Millions**

21 64. Since at least January 2006, Defendants have aired at least two
22 versions of the "Jeff Paul's Shortcuts to Internet Millions" infomercial.

23 65. The infomercials represent that consumers who purchase the Jeff Paul
24 system will receive proven, turnkey Internet businesses. The infomercials
25 represent that consumers are likely to quickly and easily earn substantial amounts
26 of money through these businesses. The Jeff Paul infomercial represents that the
27 system is so simple that consumers do not need any prior experience with Internet
28 businesses to make it work.

1 66. For example, one version of the infomercial, which aired from at least
2 January 2006 through October 2008, states:

3 KELLY BRITZ: Tina, I just wanted to thank you for
4 turning me on to this ten free Web sites opportunity. I
5 started making money so fast, I couldn't believe it.
6 When I first got the system from you, I thought, I can't
7 do this, I don't know how to make a website or put a
8 website on the Internet, never mind how to make money
9 with ten website businesses. But this is so totally simple.
10 TINA MILANO: Kelly, you are so welcome. I knew
11 you would love it. Once I tried it and I saw how
12 incredibly easy it is to make money with these Web sites,
13 I just wanted to share it with my friends. I know nothing
14 about computer programming, servers, uploading,
15 downloading or any of that stuff, and I made \$1,300 in
16 less than one week. And I knew if I can do it that
17 anybody can.

18 * * *

19 ANNOUNCER: Click once and you load your choice of
20 businesses, click twice and you load your personal
21 information, click three times and your own customized
22 website is on the Internet . . . simply choose your
23 favorite business from thousands of proven Internet
24 businesses and start making money instantly. [ON
25 SCREEN: choose from 1000's of proven Internet
26 businesses . . . easy as sending an email.]

27 67. A later version of the infomercial, which has aired from
28 approximately October 2008, states:

1 ANNOUNCER: With Jeff Paul's new shortcuts, you can
2 immediately start making money on the Internet over
3 100 different ways [ON SCREEN: NO EXPERIENCE
4 NEEDED!] even if you know virtually nothing about
5 computers or the Internet. And Jeff's shortcuts can
6 quickly create multiple streams of automated income to
7 build up your bank account [ON SCREEN: Account
8 Balance \$50,000] 24 hours a day, seven days a week,
9 even while you're sleeping.

10 * * *

11 STACEY HAYES: To help you make more money even
12 faster.

13 CARMEN PALUMBO: Jeff is also going to give you the
14 Ultimate Shortcut.

15 STACEY HAYES: Ten free instant website businesses
16 that are completely set up.

17 CARMEN PALUMBO: And guaranteed to make you
18 money.

19 JEFF PAUL: Your 10 free instant website businesses are
20 like little money machines that are already created for
21 you and totally run themselves. Each website literally
22 does all the work for you. There is no inventory to buy
23 or ship. There is no selling or customer service to deal
24 with. And your websites automatically deposit cash into
25 your bank account 24/7 without you doing a thing.

26 68. The Jeff Paul infomercials also contain numerous claims about the
27 potential earnings consumers can expect if they purchase and use the Jeff Paul
28 system. For example, the infomercials show Inventor Defendant Paul as well as

1 consumer endorsers making statements such as:

2 FEMALE: I made \$1,800 in less than one week.

3 * * *

4 MALE: Before I started using Jeff's shortcuts, I was
5 doing odd jobs for \$7 an hour, and now I'm making up
6 to \$110,000 a week.

7 * * *

8 TEXT ON SCREEN: Frank L. makes up to \$40,000 a
9 month!

10 * * *

11 TEXT ON SCREEN: Ron R. made over \$1,000,000 with the
12 system!

13 * * *

14 MALE: Okay, using Jeff's shortcuts within 72 hours, I
15 made over \$4,000.

16 CARMEN PALUMBO: Four thousand dollars in just 72
17 hours?

18 MALE: Absolutely.

19 CARMEN PALUMBO: And how quickly did your
20 income start to grow?

21 MALE: Immediately. I'm now making up to \$50,000 a
22 month.

23 * * *

24 JEFF PAUL: Imagine having the extra income to pay off your
25 debts, put money away in savings or retirement accounts or just
26 have more money to take that dream vacation and enjoy life.
27 My system will teach you how to use the Internet to make all
28 the money you want automatically 24/7. You'll even make

1 money while you're on vacation because your websites never
2 stop working for you. There's nothing better than automatic
3 money.

4 69. The Jeff Paul infomercials also represent that consumers who
5 purchase the Jeff Paul system will receive a free 30-day membership to Jeff Paul's
6 "Big League," also known as Jeff Paul's "Internet Millionaires Club." This is a
7 service that includes seminars and access to advisors who can answer consumers'
8 questions. The Jeff Paul infomercials never disclose that the Big League is
9 actually a continuity plan and that, once the 30-day free membership expires,
10 consumers will be charged \$39.95 per month unless they contact Defendants to
11 cancel their memberships.

12 70. When consumers call the toll-free number in the infomercials to order
13 the Jeff Paul system, they are guided through an automated ordering system in
14 which they provide billing and shipment information in response to pre-recorded
15 prompts. At no point before consumers provide their payment information as part
16 of the automated ordering process do Defendants disclose that the Big League is
17 actually a continuity plan, and that once the 30-day free membership expires,
18 consumers will be charged \$39.95 per month unless they contact Defendants to
19 cancel their memberships. At no point prior to providing their payment
20 information do consumers give their consent to be charged for their "Big League"
21 (aka "Internet Millionaires Club) memberships once the 30-day free memberships
22 expire.

23 71. After consumers' 30-day free memberships expire, unless consumers
24 have taken affirmative steps to cancel, Defendants automatically charge
25 consumers' credit cards \$39.95 per month. In numerous instances, consumers are
26 unaware they have been charged for the Big League/Internet Millionaires Club
27 membership until they notice the \$39.95 charges on their credit card statements.

28 72. Consumers who purchase the Jeff Paul system receive a kit

1 containing a DVD and several informational booklets in written and/or electronic
2 format. The Jeff Paul materials do not contain step-by-step instructions for
3 accessing or using a proven, turnkey Internet business. Instead, the materials tell
4 consumers to create their own informational products from scratch, and then
5 market those products on the Internet.

6 73. Consumers also discover that the “three clicks” or “instant” websites
7 they receive with the Jeff Paul system are not the “proven” Internet businesses that
8 are promised in the infomercial. Rather, the websites are simplistic, basic
9 websites, and consumers must do extensive work to enhance them, which involves
10 learning how to edit and modify websites. In addition, consumers discover that,
11 after activating their “three clicks” websites, they must do all of their own
12 marketing to potentially attract customers. Therefore, the representation that
13 consumers who purchase the Jeff Paul system are likely to quickly and easily earn
14 substantial amounts of money through the proven, turnkey Internet businesses they
15 receive is false.

16 74. The consumer endorsers shown in the Jeff Paul infomercial are not
17 representative of consumers who purchase and use the Jeff Paul system because,
18 even if they earned money, they did not do it in the way the infomercial describes.
19 Few, if any, of the consumer endorsers earned money through Jeff Paul’s “proven”
20 Internet businesses. At least one consumer endorser displays checks that are
21 completely unrelated to the Jeff Paul system. In addition, many of the consumer
22 endorsers were personally coached by Inventor Defendant Jeff Paul, or were Jeff
23 Paul’s personal friends. Therefore, the consumer endorsers fail to substantiate the
24 infomercial’s claims.

25 75. Few, if any, consumers who purchase and use the Jeff Paul system
26 quickly and easily earn substantial amounts of money. Therefore, Defendants’
27 representation that consumers who purchase the Jeff Paul system will quickly and
28 easily earn substantial amounts of money from proven, turnkey Internet businesses

1 is false and unsubstantiated.

2 **Defendants' Coaching Programs**

3 76. Included with the John Beck, John Alexander, and Jeff Paul system
4 materials is a letter inviting consumers to call a toll-free telephone number for help
5 getting started with whichever system the consumer purchased. In numerous
6 instances, consumers call the toll-free number included in the letter and speak with
7 Defendants' telemarketers. In numerous other instances, Defendants'
8 telemarketers call consumers who have purchased one of the systems soon after
9 the consumers receive their John Beck, John Alexander, or Jeff Paul system
10 materials. During these inbound and outbound calls, Defendants' telemarketers
11 offer consumers personal coaching services that range in price from at least \$195
12 to nearly \$15,000.

13 77. Defendants' telemarketers represent that Defendants' coaching
14 programs will ensure consumers' success by holding their hands and walking them
15 "step-by-step" though the John Beck, John Alexander, or Jeff Paul system
16 (whichever the consumer ordered).

17 78. In numerous instances, while pitching the personal coaching services,
18 Defendants' telemarketers make numerous express and implied claims about the
19 potential earnings consumers can expect if they purchase and use the coaching
20 services. Defendants' telemarketers represent to consumers that, if consumers
21 purchase and complete Defendants' coaching services, consumers will be able to
22 earn substantial amounts of money.

23 79. Company-approved scripts encourage consumers to use credit cards
24 to pay for the cost of the coaching. In numerous instances, Defendants'
25 telemarketers assure consumers that they will be able to pay off the cost of the
26 coaching with profits from their new business within one or two credit card cycles.

27 80. Defendants' telemarketers tell consumers that, if they purchase and
28 use Defendants' personal coaching services, they will complete enough

1 transactions using the John Beck, John Alexander, or Jeff Paul system (whichever
2 the consumer ordered) to qualify for a tuition reimbursement from the Defendants
3 of the cost of the coaching program. Defendants' telemarketers assure consumers
4 that they will be so successful using the John Beck, John Alexander, or Jeff Paul
5 system that they will easily qualify for the tuition reimbursement.

6 81. The net impression of all of the promises made by the Defendants'
7 telemarketers is that if consumers purchase Defendants' personal coaching
8 services, consumers will quickly earn back the cost or substantially more than the
9 cost of the coaching services.

10 82. Few, if any, consumers who purchase and use Defendants' personal
11 coaching services for the John Beck, John Alexander, or Jeff Paul system earn
12 substantial amounts of money, let alone earn money faster than if they had tried to
13 use the system they ordered without coaching assistance. Most purchasers of
14 Defendants' personal coaching services do not make any money at all using the
15 John Beck, John Alexander, or Jeff Paul systems.

16 83. Virtually no consumers who purchase and use Defendants' personal
17 coaching services qualify for reimbursement from Defendants for the cost of
18 coaching services. Less than 0.3% of consumers have qualified for reimbursement
19 from Defendants of the cost of the John Beck coaching services. Only a handful,
20 if any, consumers have qualified for reimbursement from Defendants of the cost of
21 the Jeff Paul coaching services. No consumers have qualified for reimbursement
22 from Defendants of the cost of the John Alexander coaching services.

23 84. Therefore, Defendants' representations that consumers who purchase
24 and complete the coaching program for the John Beck, John Alexander, or Jeff
25 Paul systems will quickly earn back the cost or substantially more than the cost of
26 the coaching program is false and unsubstantiated.

27 85. In addition, in numerous instances, when consumers decline the
28 telemarketers' offers and tell the telemarketers that they do not wish to receive any

1 additional telephone calls, the telemarketers repeatedly call back.

2 DEFENDANTS' REVENUES

3 86. Since January 2004, hundreds of thousands of consumers throughout
4 the United States have purchased the John Beck system, paying approximately
5 \$92,000,000, including continuity plan charges. Since November 2005, tens of
6 thousands of consumers throughout the United States have purchased the John
7 Alexander system, paying approximately \$9,500,000, including continuity plan
8 charges. Since December 2006, tens of thousands of consumers throughout the
9 United States have purchased the Jeff Paul system, paying approximately
10 \$10,000,000, including continuity plan charges.

11 87. Since January 2004, thousands of consumers throughout the United
12 States have purchased personal coaching services for all three systems. Since
13 January 2004, consumers have paid approximately \$175,000,000 for personal
14 coaching services for the John Beck system. Since November 2005, consumers
15 have paid approximately \$13,000,000 for personal coaching services for the John
16 Alexander system. Since December 2006, consumers have paid approximately
17 \$30,000,000 for personal coaching services for the Jeff Paul system.

18 VIOLATIONS OF SECTION 5 OF THE FTC ACT

19 88. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits deceptive or
20 unfair acts and practices in or affecting commerce. Misrepresentations or
21 omissions of material facts constitute deceptive acts or practices pursuant to
22 Section 5(a) of the FTC Act.

23 **Count One**

24 89. In connection with the advertising, marketing, promoting, offering for
25 sale, or sale of the John Beck system, Defendants and Inventor Defendant Beck
26 have represented, expressly or by implication, that consumers who purchase and
27 use the John Beck system are likely to:

- 28 a. be able to purchase homes, at government tax sales in their

1 area, “free and clear” of all mortgages or liens, for just
2 “pennies on the dollar”;

- 3 b. earn substantial amounts of money renting or selling homes
4 they purchase at government tax sales; and
- 5 c. quickly and easily earn substantial amounts of money with
6 little financial investment.

7 90. The representations set forth in Paragraph 89 are false or were not
8 substantiated at the time the representations were made. Therefore, the making of
9 the representations in Paragraph 89 constitutes a deceptive act or practice in
10 violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

11 **Count Two**

12 91. In connection with the advertising, marketing, promoting, offering for
13 sale, or sale of the John Beck system, Defendants have represented, expressly or
14 by implication, that consumers who purchase the John Beck system will receive a
15 free 30-day membership to the “John Beck Property Vault.”

16 92. Defendants fail to disclose, or fail to disclose adequately, that
17 consumers who purchase the John Beck system are automatically enrolled in a
18 continuity membership plan that costs \$39.95 per month, and that consumers’
19 accounts will be charged \$39.95 each month unless consumers take affirmative
20 action to cancel their memberships.

21 93. This additional information, described in Paragraph 92, would be
22 material to consumers in deciding whether to purchase the John Beck system.

23 94. In light of the representation set forth in Paragraph 91, Defendants’
24 failure to disclose, or failure to disclose adequately, the material information set
25 forth in Paragraph 92 constitutes a deceptive act or practice in violation of Section
26 5(a) of the FTC Act, 15 U.S.C. § 45(a).

27 ///

1 **Count Three**

2 95. In connection with the advertising, marketing, promoting, offering for
3 sale, or sale of the John Alexander system, Defendants and Inventor Defendant
4 Alexander have represented, expressly or by implication, that consumers who
5 purchase and use the John Alexander system are likely to quickly and easily earn
6 substantial amounts of money with no financial investment.

7 96. The representation set forth in Paragraph 95 is false or was not
8 substantiated at the time the representation was made. Therefore, the making of
9 the representation in Paragraph 95 constitutes a deceptive act or practice in
10 violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

11 **Count Four**

12 97. In connection with the advertising, marketing, promoting, offering for
13 sale, or sale of the John Alexander system, Defendants have represented, expressly
14 or by implication, that consumers who purchase the John Alexander system will
15 receive a free 30-day membership to John Alexander’s “John’s Club.”

16 98. Defendants fail to disclose, or fail to disclose adequately, that
17 consumers who purchase the John Alexander system are automatically enrolled in
18 a continuity membership plan that costs \$39.95 per month, and that consumers’
19 accounts will be charged \$39.95 each month unless consumers take affirmative
20 action to cancel their memberships.

21 99. This additional information, described in Paragraph 98, would be
22 material to consumers in deciding whether to purchase the John Alexander system.

23 100. In light of the representation set forth in Paragraph 97, Defendants’
24 failure to disclose, or failure to disclose adequately, the material information set
25 forth in Paragraph 98 constitutes a deceptive act or practice in violation of Section
26 5(a) of the FTC Act, 15 U.S.C. § 45(a).

1 **Count Five**

2 101. In connection with the advertising, marketing, promoting, offering for
3 sale, or sale of the Jeff Paul system, Defendants and Inventor Defendant Paul have
4 represented, expressly or by implication, that consumers who purchase and use the
5 Jeff Paul system are likely to quickly and easily earn substantial amounts of
6 money from proven, turnkey Internet businesses.

7 102. The representation set forth in Paragraph 101 is false or was not
8 substantiated at the time the representation was made. Therefore, the making of
9 the representation in Paragraph 101 constitutes a deceptive act or practice in
10 violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

11 **Count Six**

12 103. In connection with the advertising, marketing, promoting, offering for
13 sale, or sale of the Jeff Paul system, Defendants have represented, expressly or by
14 implication, that consumers who purchase the Jeff Paul system will receive a free
15 30-day membership to “Jeff Paul’s Big League” (also known as “Jeff Paul’s
16 Internet Millionaires Club.”)

17 104. Defendants fail to disclose, or fail to disclose adequately, that
18 consumers who purchase the Jeff Paul system are automatically enrolled in a
19 continuity membership plan that costs \$39.95 per month, and that consumers’
20 accounts will be charged \$39.95 each month unless consumers take affirmative
21 action to cancel their memberships.

22 105. This additional information, described in Paragraph 104, would be
23 material to consumers in deciding whether to purchase the Jeff Paul system.

24 106. In light of the representation set forth in Paragraph 103, Defendants’
25 failure to disclose, or failure to disclose adequately, the material information set
26 forth in Paragraph 104, constitutes a deceptive act or practice in violation of
27 Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

1 **Count Seven**

2 107. In numerous instances in connection with the advertising, marketing,
3 promoting, offering for sale, or sale of the coaching programs for the John Beck,
4 John Alexander, and Jeff Paul systems, Defendants have represented, expressly or
5 by implication, that consumers who purchase and complete the coaching program
6 for the John Beck, John Alexander, or Jeff Paul systems will quickly earn back the
7 cost or substantially more than the cost of the coaching program.

8 108. The representation set forth in Paragraph 107 is false or was not
9 substantiated at the time the it was made. Therefore, the making of the
10 representation in Paragraph 107 constitutes a deceptive act or practice in violation
11 of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

12 VIOLATIONS OF THE TELEMARKETING SALES RULE

13 109. Defendants are “sellers” or “telemarketers” engaged in
14 “telemarketing,” as those terms are defined in the amended TSR, 16 C.F.R.
15 §§ 310.2(z), (bb), and (cc).

16 110. Section 310.3(a) of the Telemarketing Sales Rule (“TSR”) prohibits
17 telemarketers and sellers from, *inter alia*, failing to disclose, clearly and
18 conspicuously and prior to a consumer paying for goods or services offered, all
19 material terms and conditions of any negative option feature, including but not
20 limited to the fact that the customer’s account will be charged unless the customer
21 takes an affirmative action to avoid the charge(s), the date(s) the charge(s) will be
22 submitted for payment, and the specific steps the customer must take to avoid the
23 charge(s). 16 C.F.R. § 310.3(a)(1)(vii).

24 111. Section 310.4(a) of the TSR prohibits telemarketers and sellers from
25 engaging in abusive telemarketing acts and practices, which are defined to include,
26 *inter alia*, causing billing information to be submitted for payment, directly or
27 indirectly, without the express informed consent of the customer. 16 C.F.R.
28 § 310.4(a)(6).

1 unless consumers take affirmative action to cancel their
2 memberships;

3 c. the date(s) the charge(s) will be submitted for payment; and

4 d. the specific steps consumers must take to avoid the charges.

5 117. Defendants' failure to disclose, or to disclose clearly and
6 conspicuously, the information set forth in Paragraph 116 constitutes a deceptive
7 telemarketing act or practice in violation of Section 310.3(a)(1)(vii) of the
8 Telemarketing Sales Rule, 16 C.F.R. § 310.3(a)(1)(vii).

9 **Count Nine**

10 118. In connection with the telemarketing of the John Beck system,
11 Defendants have represented, directly or by implication, that consumers who
12 purchase the John Beck system will receive a free 30-day membership to the "John
13 Beck Property Vault."

14 119. In numerous instances, after the 30-day trial period ends, Defendants
15 cause consumers' billing information to be submitted for payment without the
16 express informed consent of the customer.

17 120. This conduct constitutes an abusive telemarketing act or practice in
18 violation of Section 310.4(a)(6) of the Telemarketing Sales Rule, 16 C.F.R.
19 § 310.4(a)(6).

20 **Count Ten**

21 121. In connection with the telemarketing of the John Alexander system,
22 Defendants have represented, directly or by implication, that consumers who
23 purchase the John Alexander system will receive a free 30-day membership to
24 John Alexander's "John's Club."

25 122. Defendants fail to disclose, or fail to disclose clearly and
26 conspicuously, before a consumer pays for the John Alexander system:

27 a. that consumers who purchase the John Alexander system are
28 automatically enrolled in a continuity membership plan that

1 costs \$39.95 per month;

2 b. that consumers' accounts will be charged \$39.95 each month
3 unless consumers take affirmative action to cancel their
4 memberships;

5 c. the date(s) the charge(s) will be submitted for payment; and

6 d. the specific steps consumers must take to avoid the charges.

7 123. Defendants' failure to disclose, or to disclose clearly and
8 conspicuously, the information set forth in Paragraph 122 constitutes a deceptive
9 telemarketing act or practice in violation of Section 310.3(a)(1)(vii) of the
10 Telemarketing Sales Rule, 16 C.F.R. § 310.3(a)(1)(vii).

11 **Count Eleven**

12 124. In connection with the telemarketing of the John Alexander system,
13 Defendants have represented, directly or by implication, that consumers who
14 purchase the John Alexander system will receive a free 30-day membership to
15 John Alexander's "John's Club."

16 125. In numerous instances, after the 30-day trial period ends, Defendants
17 cause consumers' billing information to be submitted for payment without the
18 express informed consent of the customer.

19 126. This conduct constitutes an abusive telemarketing act or practice in
20 violation of Section 310.4(a)(6) of the Telemarketing Sales Rule, 16 C.F.R.
21 § 310.4(a)(6).

22 **Count Twelve**

23 127. In connection with the telemarketing of the Jeff Paul system,
24 Defendants have represented, directly or by implication, that consumers who
25 purchase the Jeff Paul system will receive a free 30-day membership to "Jeff
26 Paul's Big League" or "Jeff Paul's Internet Millionaires Club."

27 128. Defendants fail to disclose, or fail to disclose clearly and
28 conspicuously, before a consumer pays for the Jeff Paul system:

- 1 a. that consumers who purchase the Jeff Paul system are
2 automatically enrolled in a continuity membership plan that
3 costs \$39.95 per month;
- 4 b. that consumers' accounts will be charged \$39.95 each month
5 unless consumers take affirmative action to cancel their
6 memberships;
- 7 c. the date(s) the charge(s) will be submitted for payment; and
8 d. the specific steps consumers must take to avoid the charges.

9 129. Defendants' failure to disclose, or to disclose clearly and
10 conspicuously, the information set forth in Paragraph 128 constitutes a deceptive
11 telemarketing act or practice in violation of Section 310.3(a)(1)(vii) of the
12 Telemarketing Sales Rule, 16 C.F.R. § 310.3(a)(1)(vii).

13 **Count Thirteen**

14 130. In connection with the telemarketing of the Jeff Paul system,
15 Defendants have represented, directly or by implication, that consumers who
16 purchase the Jeff Paul system will receive a free 30-day membership to "Jeff
17 Paul's Big League" or "Jeff Paul's Internet Millionaires Club."

18 131. In numerous instances, after the 30-day trial period ends, Defendants
19 cause consumers' billing information to be submitted for payment without the
20 express informed consent of the customer.

21 132. This conduct constitutes an abusive telemarketing act or practice in
22 violation of Section 310.4(a)(6) of the Telemarketing Sales Rule, 16 C.F.R.
23 § 310.4(a)(6).

24 **Count Fourteen**

25 133. In connection with the telemarketing of the John Beck, John
26 Alexander, and Jeff Paul coaching services, Defendants initiate or cause a
27 telemarketer to initiate an outbound telephone call to consumers who have
28 previously stated that they do not wish to receive outbound telephone calls made

1 by or on behalf of Defendants.

2 134. This conduct constitutes an abusive telemarketing act or practice in
3 violation of Section 310.4(b)(1)(iii)(A) of the Telemarketing Sales Rule, 16 C.F.R.
4 § 310.4(b)(1)(iii)(A).

5 CONSUMER INJURY

6 135. Consumers throughout the United States have suffered and continue
7 to suffer substantial monetary loss as a result of the Defendants' and Inventor
8 Defendants' unlawful acts or practices as set forth in this Complaint. In addition,
9 the Defendants and Inventor Defendants have been unjustly enriched as a result of
10 their unlawful acts or practices. Absent injunctive relief from this Court, the
11 Defendants and Inventor Defendants are likely to continue to injure consumers,
12 reap unjust enrichment, and harm the public interest.

13 THIS COURT'S POWER TO GRANT RELIEF

14 136. Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), empowers this
15 Court to grant injunctive and such other relief as the Court may deem appropriate
16 to halt and redress violations of the FTC Act. The Court, in the exercise of its
17 equitable jurisdiction, may award other ancillary relief, including, but not limited
18 to, rescission of contracts and restitution, and the disgorgement of ill-gotten gains,
19 to prevent and remedy injury caused by the Defendants' and Inventor Defendants'
20 law violations.

21 137. Section 19 of the FTC Act, 15 U.S.C. § 57b, and Section 6(b) of the
22 Telemarketing Act, 15 U.S.C. § 6105(b), authorize this Court to grant such relief
23 as the Court finds necessary to redress injury to consumers resulting from
24 Defendants' violations of the TSR, including rescission and reformation of
25 contracts, and the refund of money.

26 PRAYER FOR RELIEF

27 138. Wherefore, Plaintiff Federal Trade Commission, pursuant to Sections
28 13(b) and 19 of the FTC Act, 15 U.S.C. §§ 53(b) and 57b, Section 6(b) of the

1 Telemarketing Act, 15 U.S.C. § 6105(b), and the Court's own equitable powers,
2 requests that the Court:

3 a. Award Plaintiff such preliminary injunctive and ancillary relief
4 as may be necessary to avert the likelihood of consumer injury during the
5 pendency of this action and to preserve the possibility of effective final relief,
6 including but not limited to an order freezing assets;

7 b. Enter permanent injunctions to prevent future violations of the
8 FTC Act and the TSR by Defendants and to prevent future violations of the FTC
9 Act by the Inventor Defendants;

10 c. Award such relief as the Court finds necessary to redress injury
11 to consumers resulting from Defendants' violations of the FTC Act and the TSR,
12 and from the Inventor Defendants' violations of the FTC Act, including but not
13 limited to, rescission or reformation of contracts, restitution, the refund of monies
14 paid, and the disgorgement of ill-gotten monies; and


15 d. Award Plaintiff the costs of bringing this action, as well as
16 such other and additional equitable relief as the Court may determine to be just
17 and proper.

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19 Dated: June 30, 2009

Respectfully Submitted,

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21 WILLARD K. TOM
General Counsel

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