

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

FILED

SEP 23 2004

JUDGE HARRY D. LEINENWEBER
U.S. DISTRICT COURT JUDGE

FEDERAL TRADE COMMISSION,

Plaintiff,

v.

9094-5114 QUEBEC, INC.,
a Quebec corporation,

ACMS, Inc.,
a Nevada corporation,

d/b/a KINITO, KINITO, INC., KINITO
BENEFITS SERVICES, KBS, and FIRST
APPROVAL BENEFITS,

NIKOLAOS ROTHOS, individually and as an
officer of the corporate defendant,

STEVE VRONTAKIS, individually and as an
officer of the corporate defendant, and

ROBERTO MENDEZ, individually,

Defendants.

Civil Action No. 03C 7486

Judge Harry D. Leinenweber

Magistrate Sidney I. Schenkier

BOOK

**AMENDED COMPLAINT FOR PERMANENT INJUNCTION AND OTHER
EQUITABLE RELIEF**

Plaintiff, the Federal Trade Commission ("FTC" or "the Commission"), for its Complaint alleges as follows:

The FTC brings this action under Sections 13(b) and 19 of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. §§ 53(b) and 57b, and the Telemarketing and Consumer Fraud and

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Abuse Prevention Act (“Telemarketing Act”), 15 U.S.C. §§ 6101, *et seq.*, to secure temporary, preliminary and permanent injunctive relief, restitution, rescission or reformation of contracts, disgorgement, and other equitable relief for defendants’ deceptive acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), and the FTC’s Trade Regulation Rule entitled “Telemarketing Sales Rule,” 16 C.F.R. Part 310.

JURISDICTION AND VENUE

1. This Court has subject matter jurisdiction pursuant to 15 U.S.C. §§ 45(a), 53(b), 57b, 6102(c), and 6105(b), and 28 U.S.C. §§ 1331, 1337(a), and 1345.
2. Venue in the United States District Court for the Northern District of Illinois is proper under 15 U.S.C. § 53(b) and 6103(e) and 28 U.S.C. § 1391(b), (c), and (d).

PLAINTIFF

3. Plaintiff, the FTC, is an independent agency of the United States Government created by statute. 15 U.S.C. §§ 41-58, as amended. The Commission is charged, *inter alia*, with enforcement of 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 also enforces the Telemarketing Sales Rule, 16 C.F.R. Part 310, which prohibits deceptive or abusive telemarketing acts or practices. The Commission is authorized to initiate federal district court proceedings, by its own attorneys, to enjoin violations of the FTC Act and the Telemarketing Sales Rule, and to secure such equitable relief as may be appropriate in each case, including restitution for injured consumers. 15 U.S.C. §§ 53(b), 57b, 6102(c), and 6105(b).

DEFENDANTS

4. Defendant 9094-5114 Quebec, Inc., is a Quebec corporation with its offices and

principal place of business located at 7103 rte Transcanadienne Bureau 206, St. Laurent, Quebec, Canada H4T 1A2. Defendant 9094-5114 Quebec, Inc., transacts or has transacted business in the Northern District of Illinois and throughout the United States.

5. Defendant ACMS, Inc., is a Nevada corporation, wholly owned by Defendant 9094-5114 Quebec, Inc., with its offices, registered agent, and principal place of business located at 1005 Terminal Way, Suite 110, Reno, Nevada 89502. Defendant ACMS, Inc., transacts or has transacted business in the Northern District of Illinois and throughout the United States.

6. Defendant Nikolaos Rothos is an officer or director of the corporate defendants. At all times relevant to this Complaint, acting alone or in concert with others, he has formulated, directed, controlled, or participated in the acts and practices of the corporate defendants, including the acts and practices set forth in this Complaint. Nikolaos Rothos transacts or has transacted business in the Northern District of Illinois and throughout the United States.

7. Defendant Steve Vrontakis is an officer or director of the corporate defendants. At all times relevant to this Complaint, acting alone or in concert with others, he has formulated, directed, controlled, or participated in the acts and practices of the corporate defendant, including the acts and practices set forth in this Complaint. Steve Vrontakis transacts or has transacted business in the Northern District of Illinois and throughout the United States.

8. At all times relevant to this Complaint, defendant Roberto Mendez, acting alone or in concert with others, has formulated, directed, controlled, or participated in the acts and practices of the corporate defendant, including the acts and practices set forth in this Complaint. Roberto Mendez transacts or has transacted business in the Northern District of Illinois and throughout the United States.

9. The defendants have done business as Kinito, Kinito, Inc., Kinito Benefits Services, KBS, and First Approval Benefits.

COMMERCE

10. At all times relevant to this Complaint, defendants have maintained a substantial course of trade in or affecting commerce, as “commerce” is defined in Section 4 of the FTC Act, 15 U.S.C. § 44.

DEFENDANTS’ COURSE OF CONDUCT

11. Since at least 2000, and continuing thereafter, defendants have made unsolicited outbound telephone calls to consumers throughout the United States and falsely offered to provide pre-approved credit cards to those consumers who agreed to permit defendants to debit their bank accounts for advance fees, including fees of \$197 and \$299. Defendants’ telemarketers tell consumers that the defendants are offering pre-approved MasterCard or Visa credit cards. Defendants’ telemarketers sometimes tell consumers that the offered credit cards have low interest rates, high credit limits, such as \$5,000, and low or no annual fees. Defendants have targeted consumers with no credit histories or poor credit records.

12. During the telephone calls to consumers, defendants request bank account information, including bank routing information.

13. Defendants routinely debit the bank accounts of consumers, who have provided bank account information and agreed to pay fees with bank account debits, in advance of providing those consumers with the MasterCard or Visa credit cards promised during the telephone calls.

14. Instead of providing consumers with MasterCard or Visa credit cards, defendants sometimes provide consumers with packets of materials containing a welcome letter, a list of banks, with telephone numbers that consumers may call to apply for credit cards, a solicitation for Internet service, and a solicitation for satellite television service.

15. Instead of providing consumers with MasterCard or Visa credit cards, defendants sometimes provide consumers with a card that may be used only for purchases from a store catalogue up to the amount that the consumer deposits.

16. Defendants do not provide consumers with, or arrange for consumers to receive, credit cards or other extensions of credit. Furthermore, defendants are not authorized by MasterCard or Visa to issue or market MasterCard or Visa credit cards to the public, or even to use MasterCard or Visa trademarks in their promotions.

VIOLATIONS OF THE FEDERAL TRADE COMMISSION ACT

17. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits unfair or deceptive acts or practices in or affecting commerce. Misrepresentations or omissions of material fact constitute deceptive acts or practices prohibited by Section 5(a) of the FTC Act.

COUNT I

18. In numerous instances, in connection with the marketing of advance fee credit cards, defendants or their employees or agents have represented, directly or by implication, that after paying defendants a fee, consumers will, or are highly likely to, receive an unsecured major credit card, such as a MasterCard or Visa credit card.

19. In truth and in fact, in numerous instances, after paying defendants a fee, consumers do not receive an unsecured major credit card, such as a MasterCard or Visa credit card.

20. Therefore, the representation set forth in Paragraph 18 is false and misleading and constitutes a deceptive act or practice in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

THE TELEMARKETING SALES RULE

21. The Commission promulgated the Telemarketing Sales Rule pursuant to Section 6102(a) of the Telemarketing Act, 15 U.S.C. § 6102(a). The Rule became effective on December 31, 1995.

22. The FTC Telemarketing Sales Rule prohibits telemarketers and sellers from misrepresenting any material aspect of the performance, efficacy, nature, or central characteristics of goods or services that are the subject of a sales offer.
16 C.F.R. § 310.3(a)(2)(iii).

23. The Telemarketing Sales Rule also prohibits telemarketers and sellers from, among other things, requesting or receiving payment of any fee or consideration in advance of obtaining or arranging a loan or other extension of credit when the seller or telemarketer has guaranteed or represented a high likelihood of success in obtaining or arranging a loan or other extension of credit. 16 C.F.R. § 310.4(a)(4).

24. Pursuant to Section 3(c) of the Telemarketing Act, 15 U.S.C. § 6102(c), and Section 18(d)(3) of the FTC Act, 15 U.S.C. § 57a(d)(3), violations of the Telemarketing Sales Rule constitute unfair or deceptive acts or practices in or affecting commerce, in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

25. Defendants are “sellers” or “telemarketers” engaged in “telemarketing,” as those terms are defined in the FTC Telemarketing Sales Rule. 16 C.F.R. §§ 310.2(r), (t) & (u).

VIOLATIONS OF THE TELEMARKETING SALES RULE

COUNT II

26. In numerous instances, in connection with the telemarketing of advance fee credit cards, defendants or their employees or agents have misrepresented, directly or by implication, that, after paying defendants a fee, consumers will, or are highly likely to, receive an unsecured major credit card, such as a MasterCard or Visa credit card.

27. Defendants have thereby violated Section 310.3(a)(2)(iii) of the Telemarketing Sales Rule, 16 C.F.R. § 310.3(a)(2)(iii).

COUNT III

28. In numerous instances, in connection with the telemarketing of advance fee credit cards, defendants or their employees or agents have requested and received payment of a fee in advance of consumers obtaining a credit card when defendants have guaranteed or represented a high likelihood of success in obtaining or arranging for the acquisition of an unsecured credit card, such as a MasterCard or Visa credit card, for such consumers.

29. Defendants have thereby violated Section 310.4(a)(4) of the Telemarketing Sales Rule, 16 C.F.R. § 310.4(a)(4).

CONSUMER INJURY

30. Consumers throughout the United States have suffered and continue to suffer substantial monetary loss as a result of defendants' unlawful acts and practices. In addition, defendants have been unjustly enriched as a result of their unlawful acts and practices. Absent injunctive relief by this Court, the defendants are likely to continue to injure consumers, reap unjust enrichment, and harm the public interest.

THIS COURT'S POWER TO GRANT RELIEF

31. Sections 13(b) and 19 of the FTC Act, 15 U.S.C. §§ 53(b) and 57b and Section 6(b) of the Telemarketing Act, 15 U.S.C. § 6105(b), empower this Court to issue a permanent injunction against defendants' violations of the FTC Act and the Telemarketing Sales Rule, and, in the exercise of its equitable jurisdiction, to order such ancillary relief as a preliminary injunction, rescission, restitution, disgorgement of profits resulting from defendants' unlawful acts or practices, and other remedial measures.

PRAYER FOR RELIEF

WHEREFORE, plaintiff, the Federal Trade Commission, requests that this Court, as authorized by Sections 13(b) and 19 of the FTC Act, 15 U.S.C. §§ 53(b) and 57b, Section 6(b) of the Telemarketing Act, 15 U.S.C. § 6105(b), and pursuant to the Court's own equitable powers:

1. Award plaintiff such preliminary injunctive and ancillary relief as may be necessary to avert the likelihood of consumer injury during the pendency of this action and to preserve the possibility of effective final relief, including, but not limited to, temporary and preliminary injunctions, and an order freezing assets;

2. Permanently enjoin defendants from violating the FTC Act and the Telemarketing Sales Rule, 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 and the Telemarketing Sales Rule, including, but not limited to, rescission or reformation of contracts, restitution, refund of monies paid, and disgorgement of ill-gotten monies; and

4. Award plaintiff the costs of bringing this action, as well as such other and additional relief as the Court may determine to be just and proper.

Dated: September 21, 2004

Respectfully Submitted,

WILLIAM E. KOVACIC
General Counsel



JOHN C. HALLERUD

Attorney for Plaintiff

Federal Trade Commission

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Chicago, Illinois 60603

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IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

FILED

SEP 23 2004

JUDGE HARRY D. LEINENWEBER
U.S. DISTRICT COURT JUDGE

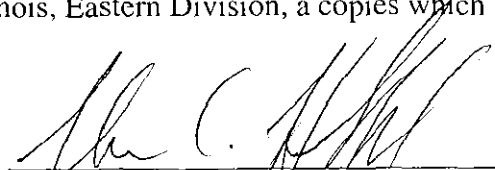
FEDERAL TRADE COMMISSION,)
)
)
Plaintiff,)
)
)
v.) Civil Action No. 03C 7486
)
9094-5114 QUEBEC, INC.,) Judge Harry D. Leinenweber
et al.,)
Defendants) Magistrate Sidney I. Schenkier
)
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NOTICE OF FILING

To: Attached Service List

PLEASE TAKE NOTICE that, on September 21, 2004, Plaintiff Federal Trade Commission filed the attached **STIPULATED ORDER FOR PERMANENT INJUNCTION AND FINAL JUDGMENT, STIPULATION TO AMEND COMPLAINT TO NAME ACMS, INC., AND TO DISMISS ANNA VRONTAKIS, and AMENDED COMPLAINT FOR PERMANENT INJUNCTION AND OTHER EQUITABLE RELIEF** with the United States District Court for the Northern District of Illinois, Eastern Division, a copies which are attached hereto.

Dated:



JOHN C. HALLERUD
55 East Monroe Street, Suite 1860
Chicago, Illinois 60603
tel: (312) 960-5615/fax: (312) 960-5600

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CERTIFICATE OF SERVICE

I, the undersigned, hereby certify that, on September 21, 2004, I caused to be served a true copy of the Stipulated Order for Permanent Injunction and Final Judgment, Stipulation to Amend Complaint to Name ACMS, Inc., and to Dismiss Anna Vrontakis, and Amended Complaint for Permanent Injunction and Other Equitable Relief Stipulation to Amend Complaint to Name Acms, Inc., and To Dismiss Anna Vrontakis and the Amended Complaint, copies of which are attached hereto, by United States mail, to:

Sheldon Lustigman
The Lustigman Firm, P.C.
149 Madison Avenue, Suite 805
New York, New York 10016-6713

Franco Carone
236 East North Avenue
North Lake, IL 60164

Dated: September 21, 2004



John C. Hallerud
Attorney for Plaintiff
Federal Trade Commission