

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

RECEIVED

FEB 10 2003

Case No. MICHAEL W. DUBOIS
CLERK, U.S. DISTRICT COURT

FEDERAL TRADE COMMISSION,

Plaintiff,

v.

STF GROUP INC., a Canadian corporation; STF GROUP,
a Canadian general partnership; STF GROUP
(BURLINGTON), a Canadian general partnership; STF
GROUP (NEWMARKET), a Canadian general
partnership; START TO FINISH CONSULTING GROUP,
INC., a Canadian corporation; START TO FINISH
CONSULTING GROUP, a Canadian general partnership;
START TO FINISH MARKETING, INC., a Canadian
corporation, 1363883 ONTARIO LIMITED., a Canadian
corporation, d/b/a STF CONSOLIDATED; Q PROMPT,
INC., a Canadian corporation; 487948 ONTARIO
LIMITED, a Canadian corporation;

1363942 ONTARIO LIMITED, a Canadian corporation,
d/b/a NATIONAL CREDIT CARD SECURITY CENTRE;
KORN LAND CORPORATION, a Texas corporation,
d/b/a NATIONAL CREDIT CARD SECURITY;

MED PLAN, INC., a Delaware corporation, and d/b/a
FIRST MED, INC.; MEDICAL DISCOUNT INC., a
Delaware corporation; MEDPLAN BURLINGTON, a
Canadian general partnership; MEDPLAN
MISSISSAUGA, a Canadian general partnership;
MEDPLAN NEWMARKET, a Canadian general
partnership; MEDPLAN NORTH YORK, a Canadian
general partnership; MEDPLAN SCOLLARD, a Canadian
general partnership; CHEMBE MANAGEMENT, INC., a
Canadian corporation, d/b/a MEDPLAN
SCARBOROUGH; GREAT SAILING MANAGEMENT
INC., a Canadian corporation; THUNDERCHILD
CONSULTING INC., a Canadian corporation; SMAKK
CONSULTING INC., a Canadian corporation; GTCQ,
INC., a Canadian corporation; GLOBAL DISCOUNT
HEALTHCARE BENEFITS, a Canadian partnership, and
d/b/a GLOBAL DISCOUNT HEALTHCARE BENEFITS,
INC. and FIRST MED, INC.,

03C 0977

JUDGE ZAGEL

MAGISTRATE JUDGE BOB...

1108114 ONTARIO INC., a Canadian corporation;
 1349927 ONTARIO INC., a Canadian corporation;
 ALEX KORN, individually and as an officer and director
 of defendant corporations;
 ALLAN SHIELL, individually and as an officer and
 director of defendant corporations;
 SEAN ZAICHICK, individually and as an officer and
 director of defendant corporations; and
 JULIAN SHIELL, individually and as an officer and
 director of defendant corporations,
 CHRIS QUILLIAM, individually and as an officer and
 director of defendant corporations,
 NICHOLAS BRIDGES, individually and as an officer
 and director of defendant corporations,
 Defendants.

COMPLAINT FOR INJUNCTIVE AND OTHER EQUITABLE RELIEF

Plaintiff, the Federal Trade Commission ("FTC" or "Commission"), for its complaint alleges:

1. 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 Abuse Prevention Act ("Telemarketing Act"), 15 U.S.C. § 6101 *et seq.*, to obtain injunctive relief, rescission or reformation of contracts, restitution, disgorgement, and other equitable relief for defendants' unfair and deceptive acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), and the FTC's Telemarketing Sales Rule 16 C.F.R. Part 310.

JURISDICTION AND VENUE

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

PLAINTIFF

3. Plaintiff, FTC, is an independent agency of the United States Government created by statute. 15 U.S.C. § 41 *et seq.* 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 TSR, 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 TSR, to secure such equitable relief as may be appropriate in each case, and to obtain consumer redress. 15 U.S.C. §§ 53(b), 57b, 6102(c), and 6105(b).

DEFENDANTS

4. Defendant STF Group, Inc. is incorporated and its principal place of business is in Ontario, Canada. STF Group, Inc. transacts or has transacted business in the Northern District of Illinois and throughout the United States.

5. Defendant STF Group is a Canadian general partnership and its principal place of business is in Ontario, Canada. STF Group transacts or has transacted business in the Northern District of Illinois and throughout the United States.

6. Defendant STF Group (Burlington) is a Canadian general partnership and its principal place of business is in Ontario, Canada. STF Group (Burlington) transacts or has

transacted business in the Northern District of Illinois and throughout the United States.

7. Defendant STF Group (Newmarket) is a Canadian general partnership and its principal place of business is in Ontario, Canada. STF Group (Newmarket) transacts or has transacted business in the Northern District of Illinois and throughout the United States.

8. Defendant Start to Finish Consulting Group, Inc. is incorporated and its principal place of business is in Ontario, Canada. Start to Finish Consulting Group, Inc. transacts or has transacted business in the Northern District of Illinois and throughout the United States.

9. Defendant Start to Finish Consulting Group is a Canadian general partnership and its principal place of business is in Ontario, Canada. Start to Finish Consulting Group transacts or has transacted business in the Northern District of Illinois and throughout the United States.

10. Defendant Start to Finish Marketing Group, Inc. is incorporated and its principal place of business is in Ontario, Canada. Start to Finish Consulting Group, Inc. transacts or has transacted business in the Northern District of Illinois and throughout the United States.

11. Defendant 1363883 Ontario Limited d/b/a STF Consolidated is incorporated and its principal place of business is in Ontario, Canada. 1363883 Ontario Limited d/b/a STF Consolidated transacts or has transacted business in the Northern District of Illinois and throughout the United States.

12. Defendant Q-Prompt Inc. is incorporated and its principal place of business is in Ontario, Canada. Q-Prompt Inc. transacts or has transacted business in the Northern District of Illinois and throughout the United States.

13. Defendant 487948 Ontario Limited is incorporated and its principal place of business is in Ontario, Canada. 487948 Ontario Limited transacts or has transacted business in the Northern District of Illinois and throughout the United States.

14. Defendant 1363942 Ontario Limited d/b/a National Credit Card Security Centre is incorporated and its principal place of business is in Ontario, Canada. 1363942 Ontario Limited d/b/a National Credit Card Security Centre transacts or has transacted business in the Northern District of Illinois and throughout the United States.

15. Defendant Korn Land Corporation d/b/a National Credit Card Security is incorporated in Texas and its principal place of business is in Ontario Canada. Korn Land Corporation d/b/a National Credit Card Security transacts or has transacted business in the Northern District of Illinois and throughout the United States.

16. Defendant Med Plan, Inc., d/b/a First Med, Inc., is incorporated in Delaware and its principal place of business is in Ontario, Canada. Med Plan, Inc. transacts or has transacted business in the Northern District of Illinois and throughout the United States.

17. Defendant Medical Discount Inc. is incorporated in Delaware, and its principal place of business is in Ontario, Canada. Medical Discount Inc. transacts or has transacted business in the Northern District of Illinois and throughout the United States.

18. Defendant Medplan Burlington is a Canadian general partnership and its principal place of business is in Ontario. Medplan Burlington transacts or has transacted business in the Northern District of Illinois and throughout the United States.

19. Defendant Medplan Mississauga is a Canadian general partnership and its principal place of business is in Ontario. Medplan Mississauga transacts or has transacted business in the Northern District of Illinois and throughout the United States.

20. Defendant Medplan Newmarket is a Canadian general partnership and its principal place of business is in Ontario. Medplan Newmarket transacts or has transacted business in the Northern District of Illinois and throughout the United States.

21. Defendant Medplan North York is a Canadian general partnership and its principal place of business is in Ontario. Medplan North York transacts or has transacted business in the Northern District of Illinois and throughout the United States.

22. Defendant Medplan Scollard is a Canadian general partnership and its principal place of business is in Ontario. Medplan Scollard transacts or has transacted business in the Northern District of Illinois and throughout the United States.

23. Defendant Chembe Management Inc. d/b/a Medplan Scarborough is incorporated and its principal place of business is in Ontario, Canada. Chembe Management Inc. d/b/a Medplan Scarborough transacts or has transacted business in the Northern District of Illinois and throughout the United States.

24. Defendant Great Sailing Management is incorporated and its principal place of business is in Ontario, Canada. Great Sailing Management transacts or has transacted business in the Northern District of Illinois and throughout the United States.

25. Defendant Thunderchild Consulting Inc. is incorporated and its principal place of business is in Ontario, Canada. Thunderchild Consulting Inc. transacts or has transacted business in the Northern District of Illinois and throughout the United States.

26. Defendant SMAKK Consulting Inc. is incorporated and its principal place of business is in Ontario, Canada. SMAKK Consulting Inc. transacts or has transacted business in the Northern District of Illinois and throughout the United States.

27. Defendant GTCQ Inc. is incorporated and its principal place of business is in Ontario, Canada. GTCQ Inc. transacts or has transacted business in the Northern District of Illinois and throughout the United States.

28. Defendant Global Discount Healthcare Benefits, d/b/a Global Discount

Healthcare Benefits, Inc. and First Med, Inc., is a Canadian general partnership and its principal place of business is in Ontario. Global Discount Healthcare Benefits, d/b/a Global Discount Healthcare Benefits, Inc. and First Med, Inc. transacts or has transacted business in the Northern District of Illinois and throughout the United States.

29. Defendant 1108114 Ontario Inc. is incorporated and its principal place of business is in Ontario, Canada. 1108114 Ontario Inc. transacts or has transacted business in the Northern District of Illinois and throughout the United States.

30. Defendant 1349927 Ontario Inc. is incorporated and its principal place of business is in Ontario, Canada. 1349927 Ontario Inc. transacts or has transacted business in the Northern District of Illinois and throughout the United States.

31. Defendant Alex Korn is an officer and director of the corporate defendants. Mr. Korn is a citizen and resident of Ontario, Canada. At all times relevant to this complaint, acting alone or in concert with others, Mr. Korn has participated directly in, or has had authority to control the acts and practices of the corporate defendants, including the acts and practices set forth in this complaint.

32. Defendant Allan Shiell is an officer and director of the corporate defendants. Allan Shiell is a citizen and resident of Ontario, Canada. At all times relevant to this complaint, acting alone or in concert with others, Allan Shiell has participated directly in, or has had authority to control the acts and practices of the corporate defendants, including the acts and practices set forth in this complaint.

33. Defendant Sean Zaichick is an officer and director of the corporate defendants. At all times relevant to this complaint, acting alone or in concert with others, Mr. Zaichick has participated directly in, or has had authority to control the acts and practices of the corporate

defendants, including the acts and practices set forth in this complaint.

34. Defendant Julian Shiell is an officer and director of the corporate defendants.

Julian Shiell is a citizen and resident of Ontario, Canada. At all times relevant to this complaint, acting alone or in concert with others, Julian Shiell has participated directly in, or has had authority to control the acts and practices of the corporate defendants, including the acts and practices set forth in this complaint.

35. Defendant Chris Quilliam is an officer and director of the corporate defendants.

Chris Quilliam is a citizen and resident of Ontario, Canada. At all times relevant to this complaint, acting alone or in concert with others, Chris Quilliam has participated directly in, or has had authority to control the acts and practices of the corporate defendants, including the acts and practices set forth in this complaint.

36. Defendant Nicholas Bridges is an officer and director of the corporate defendants.

Nicholas Bridges is a citizen and resident of Ontario, Canada. At all times relevant to this complaint, acting alone or in concert with others, Nicholas Bridges has participated directly in, or has had authority to control the acts and practices of the corporate defendants, including the acts and practices set forth in this complaint.

COMMERCE

37. 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' BUSINESS PRACTICES

38. Since at least 2000, and continuing thereafter until at least 2001, defendants STF Group, Inc., STF Group, STF Group (Burlington), STF Group (Newmarket), Start to Finish

Consulting Group, Inc., Start to Finish Consulting Group, 1363883 Ontario Limited d/b/a STF Consolidated, Q-Prompt Inc. and 487948 Ontario Limited (collectively, the "STF Defendants"); 1363942 Ontario Limited d/b/a National Credit Card Security Centre, and Korn Land Corporation d/b/a National Credit Card Security (collectively, the "NCCS Defendants"); Alex Korn, Allan Shiell, Sean Zaichick and Julian Shiell have deceptively telemarketed credit card protection services to consumers throughout the United States.

39. To convince consumers to purchase credit card protection services, defendants have represented, either expressly or by implication, that defendants are calling from, or are affiliated with, legitimate credit card companies, such as Visa, Mastercard, or the bank issuing the consumer's credit card.

40. During telephone solicitations, defendants have told consumers that consumers need to purchase defendants' credit card protection service because consumers are not currently protected against unauthorized use of their credit card accounts. Defendants have claimed that, if a consumer's credit card number is stolen or misappropriated, a consumer can be held liable for all unauthorized charges to the consumer's credit card account.

41. During these telephone solicitations, defendants never tell consumers that they do not need such protection. Under Section 226.12(b) of Regulation Z, 12 C.F.R. § 226.12(b), and Section 133 of the Truth in Lending Act, 15 U.S.C. § 1643, a consumer cannot be held liable for more than \$50 for any unauthorized charges to a credit card account.

42. Defendants have claimed that purchase of their credit card protection service protects consumers from liability for unauthorized credit card charges.

43. Defendants have persuaded consumers to divulge their credit card numbers by stating that they already know the numbers but need verification.

44. Defendants have obtained consumers' credit card account numbers and, without consumers' authorization, have caused charges to be posted on those accounts.

45. Defendants have represented to consumers that the total cost of their credit card protection service would be significantly less than the amount consumers ultimately were charged.

46. Defendants charged consumers about \$249 for their credit card protection service.

47. Since at least 2001, and continuing thereafter, the STF Defendants; Med Plan, Inc., d/b/a First Med, Inc., Medical Discount Inc., Medplan Burlington, Medplan Mississauga, Medplan Newmarket, Medplan North York, Medplan Scollard, Chembe Management Inc. d/b/a Medplan Scarborough, Great Sailing Management Inc., Thunderchild Consulting Inc., SMAKK Consulting Inc., GTCQ Inc., and Global Discount Healthcare Benefits d/b/a Global Discount Healthcare Benefits, Inc. and First Med, Inc. (collectively, the "Med Plan Defendants"); 1108114 Ontario Inc., 1349927 Ontario Inc., Alex Korn, Allan Shiell, Sean Zaichick, Julian Shiell, Chris Quilliam and Nicholas Bridges have deceptively telemarketed a healthcare discount plan primarily to elderly consumers throughout the United States.

48. Defendants' healthcare discount plan consists of an annual membership and a "benefit card" that purportedly entitles purchasers to substantial discounts on medical, dental, optical and other health related services, and prescription drugs.

49. Defendants have persuaded consumers to divulge their credit card or bank account numbers by stating that they already know the numbers but need verification.

50. Defendants have obtained consumers' credit card or bank account numbers and, without consumers' authorization, have caused charges to be posted on those accounts.

51. In numerous instances, defendants have represented to consumers that they are

entitled to a "trial period" of up to 35 days during which consumers will not be charged for defendants' services.

52. In numerous instances, defendants have represented to consumers that if consumers are not satisfied with their healthcare discount plan, their money will be refunded.

53. Defendants charge consumers about \$349 for their healthcare discount plan.

SECTION 5 OF THE FTC ACT

54. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), provides that "unfair or deceptive acts or practices in or affecting commerce, are hereby declared unlawful."

VIOLATIONS OF SECTION 5 OF THE FTC ACT

COUNT I

55. In numerous instances, in connection with the telemarketing of credit card protection services and a healthcare discount plan to consumers, or in the course of billing, attempting to collect, or collecting money from consumers, defendants have represented, expressly or by implication, that:

a. Defendants are affiliated with, are calling from, or are calling on behalf of Visa, Mastercard, or the consumer's credit card issuer;

b. If consumers do not purchase defendants' services, consumers can be held fully liable for any unauthorized charges made to their credit card accounts;

c. Consumers who agreed to purchase goods or services from the defendants would be charged the amount specified in the sales calls;

d. Consumers will have a trial period of up to 35 days before being charged by defendants; or

e. Consumers can readily obtain refunds upon request.

56. In truth and in fact:

- a. Defendants are not affiliated with, or calling from, or calling on behalf of Visa, Mastercard, or the consumer's credit card issuer;
- b. Under Section 226.12(b) of Regulation Z, 12 C.F.R. § 226.12(b), and Section 133 of the Truth in Lending Act, 15 U.S.C. § 1643, a consumer cannot be held liable for more than \$50 for any unauthorized charges to a credit card account;
- c. In numerous instances, defendants charged consumers more than the amount specified in the sales calls;
- d. Consumers do not have a trial period before being charged by defendants; and
- e. In numerous instances, consumers cannot readily obtain refunds upon request.

57. Therefore, defendants' representations, as set forth in paragraph 55, are false and misleading and constitute deceptive acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

COUNT II

58. In numerous instances, without consumers' knowledge or authorization, defendants have caused charges or debits to be placed on consumers' credit cards or bank accounts.

59. Defendants' acts or practices, as alleged in paragraph 58, cause or are likely to cause substantial injury to consumers that is not reasonably avoidable by consumers themselves and is not outweighed by countervailing benefits to consumers or to competition.

60. Therefore, defendants' acts or practices, as alleged in paragraph 58, are unfair in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

THE FTC'S TELEMARKETING SALES RULE

61. Defendants are "sellers" or "telemarketers" engaged in "telemarketing," as those terms are defined in the TSR, 16 C.F.R. §§ 310.2(r), (t), and (u).

62. In the Telemarketing Act, 15 U.S.C. § 6101 *et seq.*, Congress directed the Commission to prescribe rules prohibiting abusive and deceptive telemarketing acts or practices. On August 16, 1995, the Commission promulgated the TSR, 16 C.F.R. Part 310. The TSR became effective on December 31, 1995.

63. The TSR prohibits sellers or telemarketers from "[o]btaining or submitting for payment a check, draft, or other form of negotiable paper drawn on a person's checking, savings, share, or similar account, without that person's express verifiable authorization." 16 C.F.R. § 310.3(a)(3).

64. The TSR prohibits telemarketers and sellers from "[m]aking a false or misleading statement to induce any person to pay for goods or services." 16 C.F.R. § 310.3(a)(4).

65. 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 TSR 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).

VIOLATIONS OF THE FTC'S TELEMARKETING SALES RULE

COUNT III

66. In numerous instances, in connection with the telemarketing of credit card protection services and a healthcare discount plan to consumers, or in the course of billing, attempting to collect, and collecting money from consumers, defendants have represented, expressly or by implication, that:

a. Defendants are affiliated with, or are calling from, or are calling on behalf of Visa, Mastercard, or the consumer's credit card issuer;

b. If consumers do not purchase defendants' services, consumers can be held fully liable for any unauthorized charges made to their credit card accounts;

c. Consumers who agreed to purchase goods or services from the defendants would be charged the amount specified in the sales calls;

d. Consumers will have a trial period of up to 30 days before being charged by defendants; or

e. Consumers can readily obtain refunds upon request.

67. In truth and in fact:

a. Defendants are not affiliated with, or calling from, or calling on behalf of Visa, Mastercard, or the consumer's credit card issuer;

b. Under Section 226.12(b) of Regulation Z, 12 C.F.R. § 226.12(b), and Section 133 of the Truth in Lending Act, 15 U.S.C. § 1643, a consumer cannot be held liable for more than \$50 for any unauthorized charges to a credit card account;

c. In numerous instances, defendants charged consumers more than the amount specified in the sales calls;

d. Consumers do not have a trial period before being charged by defendants; and

e. In numerous instances, consumers cannot readily obtain refunds upon request.

68. Therefore, defendants' representations, as alleged in paragraph 66, constitute false or misleading statements to induce a person to pay for goods or services, and failure to disclose or misrepresentation of the total cost of goods or services, and are deceptive telemarketing acts or practices in violation of Section 310.3(a)(4) of the Telemarketing Sales

Rule, 16 C.F.R. § 310.3(a)(4).

COUNT IV

**(Against the STF Defendants, the Med Plan Defendants,
1108114 Ontario, Inc., 1349927 Ontario Inc., Alex Korn, Allan Shiell,
Sean Zaichick, Julian Shiell, Chris Quilliam and Nicholas Bridges)**

69. In numerous instances, in connection with the telemarketing of health care discount plan to consumers, defendants have submitted for payment checks drawn on consumers' checking accounts without consumers' express verifiable authorization, in violation of Section 310.3(a)(3) of the Telemarketing Sales Rule, 16 C.F.R. § 310.3(a)(3).

CONSUMER INJURY

70. Consumers in many areas of the United States have suffered substantial monetary loss as a result of defendants' unlawful acts and practices. Absent injunctive relief by this Court, defendants are likely to continue to injure consumers and harm the public.

THIS COURT'S POWER TO GRANT RELIEF

71. Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), empowers this Court to grant injunctive and other ancillary relief, including consumer redress, disgorgement, and restitution, to prevent and remedy any violations of any provisions of law enforced by the Commission.

72. Section 19 of the FTC Act, 15 U.S.C. § 57b, and Section 6(b) of the Telemarketing Act, 15 U.S.C. § 6105(b), authorize this Court to issue a permanent injunction and grant such relief as the Court finds appropriate to halt and redress injury resulting from defendants' violations of the TSR, including the rescission and reformation of contracts, and the refund of money.

73. This Court, in the exercise of its equitable jurisdiction, may award other ancillary

relief to remedy injury caused by defendants' law violations.

PRAYER FOR RELIEF

WHEREFORE, plaintiff requests this Court, pursuant to 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), and pursuant to its own equitable powers:

1. Permanently enjoin defendants from violating the FTC Act and the TSR, as alleged herein;

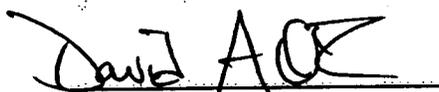
2. Award such relief as the Court finds necessary to redress injury to consumers resulting from defendants' violations of the FTC Act and the TSR, including but not limited to, rescission or reformation of contracts, restitution, refund of monies paid, and the disgorgement of ill-gotten monies; and

3. 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.

Respectfully Submitted,

WILLIAM E. KOVACIC
General Counsel

Dated: February 10, 2003



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