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AT SEATTLE
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WESTERN DISTRICT OF WASHINGTON
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CV04-1852

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

FEDERAL TRADE COMMISSION,

Plaintiff,

v.

JOHN STEFANCHIK, individually and as an
officer and director of Beringer Corporation,

SCOTT B. CHRISTENSEN, individually and
as an officer and director of Atlas Marketing,
Inc.,

BERINGER CORPORATION, dba The
Stefanchik Organization, a Washington
corporation, and

ATLAS MARKETING, INC., also dba The
Stefanchik Organization, a Nevada
Corporation,

Defendants.

CIVIL ACTION NO.

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

Plaintiff, the Federal Trade Commission (“FTC” or “the Commission”), for its complaint against Beringer Corporation and Atlas Marketing, Inc., both doing business under the name The Stefanchik Organization, John Stefanchik, the principal of Beringer Corporation, and Scott B. Christensen, the principal of Atlas Marketing, Inc. (collectively, “defendants”), 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

1 Consumer Fraud and Abuse Prevention Act (“Telemarketing Act”), 15 U.S.C. §§ 6101-6108, to
2 secure preliminary and permanent injunctive relief, rescission or reformation of contracts,
3 restitution, disgorgement, and other equitable relief for defendants’ deceptive acts or practices in
4 violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), and the FTC’s Trade Regulation
5 Rule entitled “Telemarketing Sales Rule” (the “Telemarketing Sales Rule” or “TSR”), 16 C.F.R.
6 Part 310, as amended.

7 8 **JURISDICTION AND VENUE**

9 2. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 1331,
10 1337(a) and 1345, and 15 U.S.C. §§ 45(a) and 53(b).

11 3. Venue in the United States District Court for the Western District of Washington
12 is proper under 28 U.S.C. § 1391(b) and 15 U.S.C. § 53(b).

13 14 **PLAINTIFF**

15 4. Plaintiff FTC is an independent agency of the United States government created
16 by statute. 15 U.S.C. §§ 41-58. The FTC is charged, *inter alia*, with enforcement of Section 5(a)
17 of the FTC Act, 15 U.S.C. § 45(a), which prohibits unfair or deceptive acts or practices in or
18 affecting commerce. The Commission also enforces the Telemarketing Sales Rule, 16 C.F.R.
19 Part 310, as amended, which prohibits deceptive or abusive telemarketing acts or practices. The
20 Commission is authorized to initiate federal district court proceedings to enjoin violations of the
21 FTC Act and the Telemarketing Sales Rule, and to secure such equitable relief as may be
22 appropriate in each case, including restitution for injured consumers. 15 U.S.C. §§ 53(b), 57b,
23 6102(c), and 6105(b).

24 25 **DEFENDANTS**

26 5. Defendant JOHN STEFANCHIK is an officer and director of Beringer
27 Corporation. At all times material to this Complaint, acting alone or in concert with others,
28 defendant John Stefanchik has formulated, directed, controlled, or participated in the deceptive

1 acts and practices as set forth in this Complaint. John Stefanchik transacts or has transacted
2 business in the Western District of Washington.

3 6. Defendant SCOTT B. CHRISTENSEN is an officer and director of Atlas
4 Marketing, Inc. At all times material to this Complaint, acting alone or in concert with others,
5 defendant Scott B. Christensen has formulated, directed, controlled or participated in the
6 deceptive acts and practices as set forth in this Complaint. Scott B. Christensen transacts or has
7 transacted business in the Western District of Washington.

8 7. Defendant BERINGER CORPORATION, doing business as The Stefanchik
9 Organization, is a Washington corporation with its office and principal place of business located
10 at 3200 West Concord Way, Suite 447, Mercer Island, Washington. Defendant Beringer
11 Corporation transacts or has transacted business in the Western District of Washington.

12 8. Defendant ATLAS MARKETING, INC., also doing business as The Stefanchik
13 Organization, is a Nevada corporation with its office and principal place of business located at
14 5642 South Green Street, Salt Lake City, Utah. Defendant Atlas Marketing, Inc., transacts or has
15 transacted business in the Western District of Washington.

17 **COMMERCE**

18 9. At all times material to this Complaint, defendants have maintained a substantial
19 course of trade in or affecting commerce, as “commerce” is defined in Section 4 of the FTC Act,
20 15 U.S.C. § 44.

22 **DEFENDANTS’ COURSE OF CONDUCT**

23 10. Defendants market and sell course materials, in-person workshops, videotapes,
24 audio tapes and other educational products and services that purport to teach consumers how to
25 purchase and/or sell privately held mortgages or promissory notes that are secured by real estate.
26 This business is commonly referred to as “the paper business” by defendants and others who
27 engage in these types of transactions.

1 11. Defendant John Stefanchik has marketed and sold these products and services
2 through various entities since at least the early 1990s. Since at least 2001, defendant John
3 Stefanchik marketed and sold these products and services through defendant Atlas Marketing,
4 Inc., and its principal, defendant Scott B. Christensen. In 2002, defendant John Stefanchik
5 created defendant Beringer Corporation and also marketed and sold these products and services
6 through that company.

7 12. Since at least the early 1990s, defendant Stefanchik, and more recently, the other
8 defendants, have advertised and continue to advertise their products and services through direct
9 mail pieces sent to consumers and through the Internet at defendants' web site,
10 www.stefanchik.com, which is a "virtual" mail piece. On the web site and through their direct
11 mail pieces, defendants advertise John Stefanchik's method for building wealth in the paper
12 business. These advertisements offer a book, Wealth Without Boundaries, which costs
13 approximately \$14.95 to \$19.95.

14 13. Consumers who respond to defendants' direct mail pieces or web site and
15 purchase Wealth Without Boundaries are then called by defendants' telemarketers, who attempt
16 to sell these consumers additional products and services, including but not limited to in-person
17 seminars and workshops, videotaped and audiotaped seminars and workshops, course materials,
18 and personal coaching by persons who purportedly have knowledge and experience in the paper
19 business and are readily available by telephone. Defendants claim that these products and
20 services will educate consumers in achieving wealth through the paper business. Defendants
21 charge consumers between \$5,000 and \$8,000 for the products and services, depending on the
22 particular package consumers purchase.

23 14. To induce consumers to purchase their additional products and services,
24 defendants represent in their mail pieces, through testimonials, on their Internet web site, and in
25 their telemarketing sales pitches that consumers who purchase defendants' products and services
26 will learn how to become wealthy purchasing and selling paper using the techniques taught in the
27 materials, seminars, workshops, and through coaching. Typical representations that consumers
28 who purchase defendants' materials, attend defendants' seminars and workshops, or use

1 defendants' coaches, will quickly make large amounts of money in their spare time by learning
2 and using the methods taught include, but are not limited to, the following:

- 3
- 4 A. The easiest way to make \$10,000.00 +++ every 30
5 days . . . guaranteed!
- 6 B. That's right! You'll have \$10,000 profit every 30
7 days easily . . . from the comfort of your home . . .
8 in your spare time . . . with no money to start . . . no
9 selling . . . just like myself and people like you are
10 doing right now!
- 11 C. Success Secret #5: How to earn interest rates of
12 11% to 25% or more on the profits you'll reap using
13 my method!
- 14 D. Success Secret #6: Learn how to turn \$100 into
15 \$24,000 in under one month, using my method.
- 16 E. "It's a very simple business where you don't have
17 any responsibilities except to go to the mailbox and
18 get your checks. You can make \$100,000 or
19 \$200,000 a year just playing around with this
20 method." - Scott G., Clifton Park, NY.
- 21 F. "\$2,700 for five or six hours work! The business is
22 so good, you can't ignore it. We've done \$1.8
23 million worth of business. Elizabeth spends a few
24 hours at it a day. I spend a few hours at it a day.
25 We have more freedom." - Russell & Elizabeth M.,
26 Houston, TX.
- 27 G. I absolutely know you will do it, and in your spare
28 time! I know because my students and I do it every
month! And so can you! With no money or credit
of your own. No risk. No selling!

15 15. Contrary to these representations, most consumers who purchase the additional
16 products and services from defendants do not quickly make large amounts of money in their
17 spare time. Many do not make any money at all.

18 16. In their telemarketing pitches, defendants offer a one-year coaching service that
19 they represent is staffed by coaches substantially experienced in the paper business who are
20 readily available by telephone to assist consumers in finding and completing paper transactions.
21 In fact, defendants' coaches do not have substantial experience in the paper or real estate

1 business, and, in numerous instances, are not readily available to assist consumers in finding and
2 completing paper transactions.

4 VIOLATIONS OF SECTION 5 OF THE FTC ACT

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

8 COUNT I

9 18. In numerous instances, in connection with the marketing, offering for sale, or sale
10 of products and services about making money in the paper business, defendants have represented,
11 expressly or by implication, that:

12 A. Consumers who purchase defendants’ materials, attend defendants’
13 seminars and workshops, or use defendants’ personal coaches, will quickly make large amounts
14 of money in their spare time by learning and using the methods taught; and

15 B. Defendants’ personal coaching service is staffed by persons substantially
16 experienced in the paper business who are readily available by telephone to assist consumers in
17 finding and completing paper transactions.

18 19. In truth and in fact, in numerous instances:

19 A. Consumers who purchase defendants’ materials, attend defendants’
20 seminars and workshops, or use defendants’ personal coaches, do not quickly make large
21 amounts of money in their spare time by learning and using the methods taught; and

22 B. Defendants’ personal coaching service is not staffed by persons
23 substantially experienced in the paper business who are readily available by telephone to assist
24 consumers in finding and completing paper transactions.

25 20. Therefore, the representations set forth in Paragraph 18 are false and misleading
26 and constitute deceptive acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C.
27 § 45(a).

1 **COUNT II**

2 21. Defendants have represented, expressly or by implication, that they possessed and
3 relied upon a reasonable basis that substantiated the representation set forth in Paragraph 18.A, at
4 the time the representation was made.

5 22. In truth and in fact, defendants did not possess and rely upon a reasonable basis
6 that substantiated the representation set forth in Paragraph 18.A, at the time the representation
7 was made.

8 23. Therefore, the representation set forth in Paragraph 21 was, and is, false and
9 misleading and constitutes a deceptive act or practice in violation of Section 5(a) of the FTC Act,
10 15 U.S.C. § 45(a).

11
12 **THE FTC’S TELEMARKETING SALES RULE**

13 24. The Commission promulgated the Telemarketing Sales Rule (“TSR”) pursuant to
14 Section 3(a) of the Telemarketing Act, 15 U.S.C. § 6102(a). The Rule became effective on
15 December 31, 1995 and was amended, effective March 31, 2003.

16 25. The TSR prohibits telemarketers and sellers from misrepresenting, directly or by
17 implication, any material aspect of the performance, efficacy, nature, or central characteristics of
18 goods or services that are the subject of a sales offer. 16 C.F.R. § 310.3(a)(2)(iii).

19 26. The TSR also prohibits telemarketers and sellers from making a false or
20 misleading statement to induce any person to pay for goods and services. 16 C.F.R.
21 § 310.3(a)(4).

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

26 28. Defendants are “sellers” or “telemarketers” engaged in “telemarketing,” as those
27 terms are defined in the Telemarketing Sales Rule. 16 C.F.R. §§ 310.2(z), (bb), and (cc).

1 **VIOLATIONS OF THE TELEMARKETING SALES RULE**

2 **COUNT III**

3 29. In numerous instances, in connection with the marketing, offering for sale, or sale
4 of products and services about making money in the paper business, defendants have
5 misrepresented, expressly or by implication, that:

6 A. Consumers who purchase defendants' materials, attend defendants'
7 seminars and workshops, or use defendants' personal coaches, will make large amounts of
8 money in their spare time by learning and using the methods taught; and

9 B. Defendants' personal coaching service is staffed by professional coaches
10 substantially experienced in the paper business who are readily available by telephone to assist
11 consumers in finding and completing paper transactions.

12 30. Defendants have thereby violated Sections 310.3(a)(2)(iii) and 310.3(a)(4) of the
13 Telemarketing Sales Rule, 16 C.F.R. §§ 310.3(a)(2)(iii) and 310.3(a)(4).

14 **CONSUMER INJURY**

15 31. Consumers throughout the United States have suffered, and continue to suffer,
16 substantial monetary loss as a result of defendants' unlawful acts and practices. In addition,
17 defendants have been unjustly enriched as a result of their unlawful acts and practices. Absent
18 injunctive relief, defendants are likely to continue to injure consumers, reap unjust enrichment,
19 and harm the public interest.
20

21 **THIS COURT'S POWER TO GRANT RELIEF**

22 32. Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), authorizes this Court to issue a
23 permanent injunction against defendants' violations of the FTC Act, and, in the exercise of its
24 equitable jurisdiction, to order such ancillary relief as temporary and preliminary injunctions,
25 rescission, restitution and disgorgement of profits resulting from defendants' unlawful acts or
26 practices, and other remedial measures.
27
28

1 33. Section 19 of the FTC Act, 15 U.S.C. § 57b, and Section 6(b) of the
2 Telemarketing Act, 15 U.S.C. § 6105(b), authorize the Court to grant to the FTC such relief as
3 the Court finds necessary to redress injury to consumers or other persons resulting from
4 defendants' violations of the Telemarketing Sales Rule, including the rescission and reformation
5 of contracts and the refund of money.

6 34. This Court, in the exercise of its equitable jurisdiction, may award other ancillary
7 relief to remedy injury caused by the defendants' law violations.

8
9 **PRAYER FOR RELIEF**

10 WHEREFORE, plaintiff requests that this Court, as authorized by Sections 13(b) and 19
11 of the FTC Act, 15 U.S.C. §§ 53(b) and 57b, and pursuant to its own equitable powers:

- 12 1. Award plaintiff such temporary and preliminary injunctive and ancillary relief as
13 may be necessary to avert the likelihood of continuing injury during the pendency
14 of this action and to preserve the possibility of effective final relief, including, but
15 not limited to, temporary and preliminary injunctions;
- 16 2. Permanently enjoin defendants from violating the FTC Act as alleged herein;
- 17 3. Award such relief as the Court finds necessary to redress injury to consumers
18 resulting from defendants' violations of the FTC Act and the TSR, including, but
19 not limited to, the rescission or reformation of contracts, the refund of monies
20 paid, and the disgorgement of ill-gotten monies; and
- 21 4. Award the plaintiff the costs of bringing this action, as well as such other and
22 additional relief as the Court may determine to be just and proper.
- 23

24 Respectfully submitted,

25 WILLIAM KOVACIC
26 General Counsel

27 CHARLES A. HARWOOD
28 Regional Director

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Dated: August 24, 2004

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