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CLERK U S DISTRICT COURT
DISTRICT OF ARIZONA
BY _____ E. DEPUTY

7 ATTORNEYS FOR PLAINTIFF

8 UNITED STATES DISTRICT COURT
9 FOR THE DISTRICT OF ARIZONA

10
11 Federal Trade Commission,
12 Plaintiff,
13 v.
14 Wealth Systems, Inc., a Nevada
corporation;
15 Ecommerce Network.com, LLC, a Nevada limited
16 liability company;
17 Martin Q. Wilson, individually and as an
officer of Wealth Systems, Inc., and
18 manager/member of Ecommerce Network.com,
LLC;
19 Shane Roach, individually and as an
20 officer of Wealth Systems, Inc., and
manager/member of Ecommerce Network.com,
21 LLC;
22 Defendants.

Civil No.

CV '05 0394 PHX JAT

COMPLAINT FOR
INJUNCTIVE AND OTHER
EQUITABLE RELIEF

[FILED UNDER SEAL]

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

25 1. The FTC brings this action under Sections 5(a), 13(b) and 19 of the FTC
26 Act, 15 U.S.C. §§ 45(a), 53(b) and 57b, to obtain temporary, preliminary, and permanent
27 injunctive relief, rescission of contracts, appointment of a receiver, restitution,
28 disgorgement, and other equitable relief for the defendants' violations of Section 5(a) of

1 the FTC Act, 15 U.S.C. § 45(a), and the FTC's Trade Regulation Rule entitled
2 "Disclosure Requirements and Prohibitions Concerning Franchising and Business
3 Opportunity Ventures" ("Franchise Rule" or "Rule"), 16 C.F.R. § 436.

4 JURISDICTION AND VENUE

5 2. This Court has subject matter jurisdiction over this action pursuant to 28
6 U.S.C. §§ 1331, 1337(a), and 1345, and 15 U.S.C. §§ 53(b) and 57b. This action arises
7 under 15 U.S.C. § 45(a)(1).

8 3. Venue in the United States District Court for the District of Arizona is
9 proper under 28 U.S.C. §§ 1391(b) and (c), and 15 U.S.C. § 53(b).

10 THE PARTIES

11 4. Plaintiff, the Federal Trade Commission, is an independent agency of the
12 United States Government created by statute. 15 U.S.C. §§ 41 *et seq.* The Commission is
13 charged, *inter alia*, with enforcement of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a),
14 which prohibits unfair or deceptive acts or practices in or affecting commerce, as well as
15 enforcement of the Franchise Rule, 16 C.F.R. § 436. The Commission is authorized to
16 initiate federal district court proceedings, by its own attorneys, to enjoin violations of the
17 FTC Act in order to secure such equitable relief as may be appropriate in each case, and
18 to obtain consumer redress. 15 U.S.C. §§ 53(b) and 57b.

19 5. Defendant Wealth Systems, Inc. ("WSI"), a Nevada corporation with its
20 principal place of business at 4000 North Central Avenue, Phoenix, Arizona, promotes
21 and sells Internet-based business ventures. WSI transacts or has transacted business in
22 the District of Arizona.

23 6. Defendant Ecommerce Network.com, LLC ("ECN"), a Nevada limited
24 liability company with its principal place of business at 4000 North Central Avenue,
25 Phoenix, Arizona, promotes and sells Internet-based business ventures. ECN transacts or
26 has transacted business in the District of Arizona.

27 7. Defendant Martin Q. Wilson ("Wilson") is the president, secretary, and
28 director of WSI and a manager/ member of ECN. At all times material to this Complaint,

1 acting alone or in concert with others, he has formulated, directed, controlled, or
2 participated in the acts and practices of WSI and ECN, including the acts and practices set
3 forth in this Complaint. He resides or has transacted business in the District of Arizona.

4 8. Defendant Shane Roach ("Roach") is treasurer of WSI and a manager/
5 member of ECN. At all times material to this Complaint, acting alone or in concert with
6 others, he has formulated, directed, controlled, or participated in the acts and practices of
7 WSI and ECN, including the acts and practices set forth in this Complaint. He resides or
8 has transacted business in the District of Arizona.

9 **COMMERCE**

10 9. At all times relevant to this Complaint, defendants WSI, ECN, Wilson, and
11 Roach (referred to collectively herein as "defendants") have maintained a substantial
12 course of trade in or affecting commerce, as "commerce" is defined in Section 4 of the
13 FTC Act, 15 U.S.C. § 44.

14 **DEFENDANTS' BUSINESS PRACTICES**

15 10. Since at least 2001, defendants have marketed and sold Internet-based
16 business opportunities via direct mail and outbound telemarketing.

17 11. Defendant WSI describes its business opportunity as a "web-broker
18 program." Under the program, the company purports to "team" consumers up with Dell,
19 Amazon.com, Orbitz, and Office Depot by selling the consumers their own "Internet store
20 front" webpage, with links to those companies' websites, that WSI designs, sets up, and
21 hosts. The "store front" webpage also promotes the business opportunity.

22 12. A WSI mailpiece promotes WSI as "the easiest money on the Net," and
23 stresses the passive nature of the business:

24 **MAKING MONEY WITH OUR SYSTEM IS EASY AS
A...B...C...!**

25 **A. We design, set up, and host the site for you. We'll even
process your orders and DO ALL THE SELLING.**

26 **B. All you do is promote your website, the business
opportunity, or both.**

27 **C. We'll send you a check every week for as much as 75% of
all the money you generate under your ID number!
28 It just doesn't get any easier....**

1 13. The mailpiece claims “we’ll show you how to advertise on just about any
2 budget regardless of how large or small” and touts the great profit potential of this
3 business opportunity. The mailpiece includes testimonials from three WSI “Web
4 Brokers,” including one who claims to have made “over \$300,000 in a little over a year
5 using their advertising advice.” The mailpiece also emphasizes that “...you don’t have to
6 know anything about computers or even OWN a computer.” The mailpiece includes a
7 toll-free number for people to call to “get started.”

8 14. WSI telephone representatives, whether cold-calling consumers or
9 responding to calls to their toll-free number, ask consumers if they want to learn how to
10 make \$20,000 to \$50,000 next year. They explain that consumers can purchase the WSI
11 “web-broker” package at one of three payment levels -- Silver, Gold, or Platinum --
12 ranging from approximately \$300 to \$1400 or more. Each package includes the
13 distributor site (the portion of the webpage that promotes the WSI business opportunity),
14 a WSI Internet bookstore link (selling how-to books on such subjects as Internet
15 marketing and home business opportunities), and one to four links to retail “affiliate”
16 sites.

17 15. WSI telephone representatives explain that WSI “clients” earn a
18 commission for every new member recruited by the client and for every sale made on the
19 eBookstore site or on an affiliate site that is generated via the client’s personalized
20 webpage. They tell consumers that WSI will provide advertising “coaches” who will help
21 them promote their webpages, but also tell consumers that WSI can do the advertising for
22 them, with advertising packages costing “as low as two dollars.” No mention is made of
23 any other advertising costs.

24 16. Prospective clients are then asked to listen to a tape recording discussing the
25 money-making potential of the WSI business opportunity. Among other things, the tape
26 recording contains interviews with purported WSI members who are said to have made
27 substantial income from the business opportunity, including one who is told by the WSI
28 interviewer that he made “a little over \$12,000” last month, and another who claims to

1 have spent \$300 on everything, including advertising, and was receiving his first check
2 for \$680. The interviews emphasize the passive nature of the business and the good
3 advice of the advertising coach. At the conclusion of the tape, the telephone
4 representative comes back on the line to close the sale.

5 17. In many instances, consumers who purchase a “web-broker” package soon
6 receive a call from a representative of defendant ECN claiming to be an “advertising
7 coach.” The ECN “coaches” engage in high-pressure sales tactics to persuade consumers
8 to purchase advertising services from ECN. The ECN coaches stress the necessity of
9 spending as much money as possible on advertising in order to make a profit. In repeated
10 calls to consumers, they pitch advertising packages totaling thousands, sometimes tens of
11 thousands, of dollars. The packages include such things as mailers, lead lists, “search
12 engines,” “guaranteed hits,” and email blasts. Many WSI consumers who purchase these
13 advertising services have little knowledge of Internet advertising or computer technology.
14 They do not receive confirmation that the advertising they purchased was actually
15 implemented.

16 18. The webpages WSI sets up for clients are all identical and stem from a
17 common URL: www.wealthsystemsinc.com. A PIN or ID number at the end of each
18 URL identifies the WSI client. The sites promote the WSI business opportunity, with
19 small hyperlinks at the bottom to the various affiliate sites and the eBookstore.

20 19. Few, if any, consumers who purchase defendants’ business opportunity
21 and/or advertising services make any money. Some consumers, especially those who
22 complain repeatedly and vociferously that they have not made any money, receive small
23 “commission” checks periodically from WSI, but these amounts are a fraction of the
24 amount they invested in the WSI business opportunity. Some complaining consumers are
25 simply told to give it more time or more advertising dollars. Few consumers receive
26 refunds.

27 20. Consumers are not given any pre-sale disclosure documents containing
28 information about WSI, such as, for example, the names, addresses, and telephone

1 numbers of any WSI members and their earnings. Consumers are not given an earnings
2 claim document containing information that constitutes a reasonable basis for defendants'
3 earnings claims. There is no disclosure in the mailpiece regarding whether WSI has a
4 reasonable basis for the earnings claims and whether such material is available to
5 consumers, or the number and percentage of prior purchasers known by the defendants to
6 have achieved results the same or better than the represented earnings.

7 **SECTION 5 OF THE FTC ACT**

8 21. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits “unfair or
9 deceptive acts or practices in or affecting commerce.”

10 **VIOLATIONS OF SECTION 5 OF THE FTC ACT**

11 **COUNT I**

12 **Misrepresentations Regarding Income**

13 22. In numerous instances in the course of offering for sale and selling their
14 Internet-based business ventures, the defendants represent, directly or indirectly,
15 expressly or by implication, that consumers who purchase defendants' Internet-based
16 business ventures are likely to earn substantial income.

17 23. In truth and in fact, consumers who purchase defendants' Internet-based
18 business ventures are not likely to earn substantial income.

19 24. Therefore, defendants' representation as set forth in Paragraph 22 is false
20 and misleading and constitutes a deceptive act or practice in violation of Section 5(a) of
21 the FTC Act, 15 U.S.C. § 45(a).

22 **THE FRANCHISE RULE**

23 25. The business ventures sold by defendants WSI, Wilson, and Roach are
24 franchises, as “franchise” is defined in Sections 436.2(a)(1)(i), 436.2(a)(1)(ii), and
25 436.2(a)(2) of the Franchise Rule (“Rule”), 16 C.F.R. §§ 436.2(a)(1)(i), 436.2(a)(1)(ii),
26 and 436.2(a)(2).

27 26. The Franchise Rule requires a franchisor to provide prospective franchisees
28 with a complete and accurate basic disclosure document containing twenty categories of

1 information, including information about the franchise, the identities of franchisees, the
2 earnings of franchisees, and recurring costs associated with the franchise. 16 C.F.R. §
3 436.1(a)(1) - (a)(20). The pre-sale disclosure of this information required by the Rule
4 enables a prospective franchisee to contact prior purchasers and take other steps to assess
5 the potential risks involved in the purchase of the franchise.

6 27. The Franchise Rule additionally requires that a franchisor:

- 7 (a) have a reasonable basis for any oral, written, or visual earnings claim
8 it makes, 16 C.F.R. § 436.1(b)(2), (c)(2) and (e)(1);
9 (b) in immediate conjunction with any earnings claim it makes, disclose
10 in a clear and conspicuous manner that material that constitutes a
11 reasonable basis for the earnings claim is available to prospective
12 franchisees, 16 C.F.R. § 436.1(b)(2) and (c)(2);
13 (c) provide, as prescribed by the Rule, an earnings claim document
14 containing information that constitutes a reasonable basis for any
15 earnings claim it makes, 16 C.F.R. § 436.1(b) and (c); and
16 (d) in immediate conjunction with any generally disseminated earnings
17 claim, clearly and conspicuously disclose additional information
18 including the number and percentage of prior purchasers known by
19 the franchisor to have achieved the same or better results, 16 C.F.R.
20 § 436.1(e)(3)-(4).

21 28. Pursuant to Section 18(d)(3) of the FTC Act, 15 U.S.C. § 57a(d)(3), and 16
22 C.F.R. § 436.1, violations of the Franchise Rule constitute unfair or deceptive acts or
23 practices in or affecting commerce, in violation of Section 5(a) of the FTC Act, 15 U.S.C.
24 § 45(a).

25 VIOLATIONS OF THE FRANCHISE RULE

26 COUNT II

27 Basic Disclosure Violations

28 29. In connection with the offering of franchises, as “franchise” is defined in

1 Section 436.2(a) of the Rule, the defendants violate Section 436.1(a) of the Rule and
2 Section 5(a) of the FTC Act by failing to provide prospective franchisees with accurate
3 and complete disclosure documents within the time period prescribed by the Rule.

4 **COUNT III**

5 **Earnings Disclosure Violations**

6 30. In connection with the offering of franchises, as “franchise” is defined in
7 Section 436.2(a) of the Franchise Rule, the defendants violate Sections 436.1(b)-(c) of the
8 Rule and Section 5(a) of the FTC Act by making earnings claims to prospective
9 franchisees while, *inter alia*: (1) lacking a reasonable basis for each claim at the time it is
10 made; (2) failing to disclose, in immediate conjunction with each earnings claim, and in a
11 clear and conspicuous manner, that material that constitutes a reasonable basis for the
12 claim is available to prospective franchisees; and/or (3) failing to provide prospective
13 franchisees with an earnings claim document, as prescribed by the Rule.

14 **COUNT IV**

15 **Advertising Disclosure Violations**

16 31. In connection with the offering of franchises, as “franchise” is defined in
17 Section 436.2(a) of the Franchise Rule, the defendants violate Section 436.1(e) of the
18 Rule and Section 5(a) of the FTC Act by making generally disseminated earnings claims
19 without, *inter alia*, disclosing clearly and conspicuously, in immediate conjunction with
20 the claims, information required by the Franchise Rule including the number and
21 percentage of prior purchasers known by the defendants to have achieved the same or
22 better results.

23 **COMMON ENTERPRISE**

24 32. Defendants have operated as a common business enterprise while engaging
25 in the deceptive acts and practices and Franchise Rule violations alleged above.

26 **CONSUMER INJURY**

27 33. Consumers nationwide have suffered or will suffer substantial monetary
28 loss as a result of the defendants’ violations of Section 5(a) of the FTC Act and the

1 Franchise Rule. In addition, defendants have been unjustly enriched as a result of their
2 unlawful practices. Absent injunctive relief by this Court, the defendants are likely to
3 continue to injure consumers, reap unjust enrichment, and harm the public interest.

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

5 34. Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), empowers this Court to
6 grant injunctive and other ancillary relief, including disgorgement, restitution, and
7 appointment of a receiver, to prevent and remedy any violations of any provision of law
8 enforced by the Federal Trade Commission.

9 35. Section 19 of the FTC Act, 15 U.S.C. § 57b, authorizes this Court to grant
10 such relief as the Court finds necessary to redress injury to consumers or other persons
11 resulting from the defendants' violations of the Franchise Rule, including the rescission
12 and reformation of contracts, and the refund of monies paid.

13 36. This Court, in the exercise of its equitable jurisdiction, may award ancillary
14 relief to remedy injury caused by the defendants' law violations.

15 **PRAYER FOR RELIEF**

16 WHEREFORE, plaintiff requests that this Court, as authorized by Sections
17 13(b) and 19 of the FTC Act, 15 U.S.C. §§ 53(b) and 57b, and pursuant to its own
18 equitable powers:

19 1. Award plaintiff such preliminary injunctive and ancillary relief, including a
20 temporary restraining order, asset freeze, and appointment of a receiver, as may be
21 necessary to avert the likelihood of consumer injury during the pendency of this action
22 and to preserve the possibility of effective final relief;

23 2. Permanently enjoin the defendants from violating the FTC Act and the
24 Franchise Rule, as alleged herein;


25 3. Award such relief as the Court finds necessary to redress injury to
26 consumers resulting from the defendants' violations of the FTC Act and the Franchise
27 Rule, including but not limited to rescission of contracts, the refund of monies paid, and
28 the disgorgement of ill-gotten gains by the defendants; and

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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 this 2nd day of February, 2005

Respectfully submitted,
John D. Graubert
Acting General Counsel


Mary T. Benfield
Kial S. Young
Attorneys for Plaintiff
Federal Trade Commission