

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA
FORT LAUDERDALE DIVISION**

Case No. _____ -Civ- _____ / _____

FEDERAL TRADE COMMISSION,)
)
Plaintiff,)
)
v.)
)
AMERICAN INTERNATIONAL TRAVEL SERVICES, INC.,)
a Florida Corporation,)
also doing business as)
MAGIC WORLD TOUR & TRAVEL;)
)
SILVER LAKE RESORT, LTD.,)
a Florida Limited Partnership;)
)
ALFRED H. JUGO,)
individually;)
)
A. J. STANTON, JR.,)
individually; and)
)
LAWRENCE S. GILBERT,)
individually,)
)
Defendants)

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

Plaintiff, the Federal Trade Commission (“FTC” or “the 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 secure 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 Telemarketing Sales Rule, 16 C.F.R. Part 310.

JURISDICTION AND VENUE

2. 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.

3. Venue in the Southern District of Florida is proper under 15 U.S.C. §§ 53(b) and 28 U.S.C. § 1391(b) and (c).

PLAINTIFF

4. Plaintiff, the Federal Trade Commission, 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 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 violations of the Telemarketing Sales Rule, in order 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

5. Defendant American International Travel Services, Inc. (“AITS”) is a Florida corporation with its principal place of business at 550 Fairway Drive, Suite 110, Deerfield Beach, FL 33441. AITS transacts or has transacted business in the Southern District of Florida.

6. Defendant Silver Lake Resort Ltd. (“Silver Lake”), is a Florida limited partnership with its principal place of business at 7751 Black Lake Road, Kissimmee, FL. Silver Lake transacts or has transacted business in the Southern District of Florida.

7. Defendant Alfred H. Jugo is an officer or has held himself out as an officer of Defendant AITS. At all times material to this complaint, acting alone or in concert with others, he has formulated, directed, controlled, or participated in the acts and practices of Defendant AITS. He transacts or has transacted business in the Southern District of Florida.

8. Defendant A. J. Stanton, Jr. is an owner, officer or has held himself out as an officer of Defendant AITS and a general partner of Defendant Silver Lake. At all times material to this complaint, acting alone or in concert with others, he has formulated, directed, controlled, or participated in the acts and practices of Defendants AITS and Silver Lake. He transacts or has transacted business in the Southern District of Florida.

9. Defendant Lawrence S. Gilbert is an officer or has held himself out as an officer of Defendant AITS. At all times material to this complaint, acting alone or in concert with others, he has formulated, directed, controlled, or participated in the acts and practices of Defendant AITS. He transacts or has transacted business in the Southern District of Florida.

10. Since at least 1997, Defendants AITS and Silver Lake have been engaged in a common enterprise nationwide to promote, offer to sell, and sell vacation travel packages.

COMMERCE

11. 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

12. Since at least 1997, Defendants have operated a common business enterprise to deceive consumers throughout the United States and abroad through the deceptive telemarketing of vacation travel packages. In operating their common business enterprise, Defendants share officers, employees, offices, and a common goal to sell their vacation travel packages and ultimately their timeshares. Defendants telemarket using the American International Travel Services name.

13. Defendants also operate their scheme through a number of telemarketing boilerrooms throughout the United States. In those instances, Defendants enter into contracts with outside telemarketers, who sell Defendants’ vacation travel packages.

14. Defendants and their telemarketers contact consumers in several ways, including telephone solicitation, direct mail solicitation and Internet advertising. Regardless of the method of initial contact, consumers eventually speak to telemarketers who lead the consumers to believe they have won or have been specially selected to receive a vacation travel package.

15. The vacation travel packages are described to consumers. While they vary, the packages include a number of nights' lodging in various vacation destinations, including Florida and the Bahamas, a car in Florida and often a cruise to the Bahamas, as well as additional mini-vacations to other destinations.

16. Defendants or their telemarketers then attempt to obtain either the consumers' credit card number or bank account number. Some consumers are told that a charge will be placed on their credit cards or a debit will be made against their bank accounts to pay a discount price for the vacation travel package. Defendants or their telemarketers assure consumers that the vacation travel packages are worth more than the price requested. Other consumers are told that their credit card number is needed for reasons other than paying for the vacation travel package, such as holding their reservations. In any case, once the consumers' credit card numbers or bank account numbers are obtained, a charge, generally in the total amount of \$598 or more, is made against the consumers' accounts.

17. In numerous instances, consumers are not told that AITS has a policy of not giving refunds prior to being asked for and giving their credit card numbers or their bank account numbers to Defendants or their telemarketers. In other instances, consumers are told that they have the right to cancel, but either are not told all the material terms of the cancellation policy, or are later told that they have no right to cancel.

18. Defendants or their telemarketers tell consumers that they must decide during the telephone call whether they wish to accept the vacation travel package. The consumers are told if they do not accept during the call that they will lose the opportunity. No written materials are provided prior to consummation of the sale.

19. Later, Defendants send consumers a confirmation package containing some advertisements, information about the areas they will be visiting and travel documents that require the consumers to send "reconfirmation" forms either 45 or 60 days prior to the consumers' desired travel date.

20. Often, when consumers read the fine print of the confirmation package or reconfirm and begin scheduling their vacations, they suddenly learn of unexpected expenses or other previously undisclosed material terms and conditions.

21. Many consumers attempt to cancel their vacation travel package either soon after the end of the telemarketing sales call, or after they receive the confirmation package and discover that there are additional costs or other previously undisclosed terms and conditions. Defendants routinely deny consumers' requests for refunds or cancellations.

22. Those consumers who actually take the vacation discover that the vacation travel package is a ploy to get them to attend a timeshare presentation and sales pitch. In numerous instances, consumers report that they are led to believe that they will not receive their hotel accommodations unless they attend the timeshare presentation.

THE FEDERAL TRADE COMMISSION ACT

23. 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."

VIOLATION OF SECTION 5 THE FTC ACT

COUNT I

24. In numerous instances since at least 1997, in connection with the advertising, marketing, promotion, offering for sale, or sale of vacation travel packages, Defendants have represented, expressly or by implication, that consumers have won or been specially selected to receive a vacation travel package.

25. In truth and fact, consumers have neither won nor been specially selected to receive a vacation travel package; they must purchase the vacation travel package.

26. Therefore, Defendants' representation 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).

COUNT II

27. In numerous instances since at least 1997, in connection with the advertising, marketing, promotion, offering for sale, or sale of vacation travel packages, Defendants have represented, expressly or by implication, that the vacation travel packages included specific destinations, accommodations, and cruises.

28. In truth and in fact, the vacation travel packages sold by Defendants do not include the specific destinations, accommodations, and cruises represented or include them only if additional monies are paid by purchasers of the vacation travel packages.

29. Therefore, Defendants' representation 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

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

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

32. The Telemarketing Sales Rule prohibits sellers and telemarketers "[b]efore a customer pays for goods or services offered" from "failing to disclose, in a clear and conspicuous manner . . . [t]he total costs to purchase, receive, or use, and the quantity of, any goods or services that are the subject of the sales offer ." 16 C.F.R. § 310.3(a)(1)(i).

33. The Telemarketing Sales Rule prohibits sellers and telemarketers "[b]efore a customer pays for goods or services offered" from "failing to disclose, in a clear and conspicuous manner . . . [a]ll material restrictions, limitations, or conditions to purchase, receive, or use the goods or services that are the subject of the sales offer." 16 C.F.R. § 310.3(a)(1)(ii).

34. The Telemarketing Sales Rule also prohibits sellers and telemarketers "[b]efore a customer pays for goods or services offered . . . to disclose, in a clear and conspicuous manner . . . [i]f the seller has a policy of not making refunds, cancellations, exchanges, or repurchases, a statement informing the customer that this is the seller's policy" 16 C.F.R. § 310.3(a)(1)(iii).

35. The Telemarketing Sales Rule also prohibits sellers and telemarketers from "[m]isrepresenting, directly or by implication, . . . [a]ny material aspect of the nature or terms of the seller's refund, cancellation, exchange or repurchase policies." 16 C.F. R. § 310.3(a)(2)(iv).

36. The Telemarketing Sales Rule also prohibits sellers and telemarketers from "[m]isrepresenting, directly or by implication, . . . [a]ny material aspect of a prize promotion including, but not limited to, the odds of being able to receive a prize, the nature or value of a

prize, or that a purchase or payment is required to win a prize or to participate in a prize promotion.” 16 C.F. R. § 310.3(a)(2)(v).

37. 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).

VIOLATIONS OF THE FTC TELEMARKETING SALES RULE

COUNT III

38. In numerous instances, in connection with the advertising, marketing, promotion, offering for sale, or sale of vacation travel packages, Defendants have failed to disclose, in a clear and conspicuous manner before consumers pay for the vacation travel package, all material restrictions, limitations or conditions to purchase, receive, or use the goods or services that are the subject of the sales offer, including, but not limited to, that consumers are expected to attend a sales presentation for timeshare vacation property. Defendants have thereby violated Section 310.3(a)(1)(ii) of the Telemarketing Sales Rule, 16 C.F.R. § 310.3(a)(1)(ii).

COUNT IV

39. In numerous instances, in connection with the advertising, marketing, promotion, offering for sale, or sale of vacation travel packages, Defendants have failed to disclose, in a clear and conspicuous manner before consumers pay for the vacation travel package, the total costs to purchase, receive, or use any goods or services that are the subject of the sales offer, including, but not limited to, that the hotel accommodations promised may be available only for an additional charge. Defendants have thereby violated Section 310.3(a)(1)(i) of the Telemarketing Sales Rule, 16 C.F.R. § 310.3(a)(1)(i).

COUNT V

40. In numerous instances, in connection with the advertising, marketing, promotion, offering for sale, or sale of vacation travel packages, Defendants have failed to disclose, in a clear and conspicuous manner before consumers pay for the vacation travel package that the seller has a policy of not making refunds, cancellations, exchanges, or repurchases. Defendants have thereby violated Section 310.3(a)(1)(iii) of the Telemarketing Sales Rule, 16 C.F.R. § 310.3(a)(1)(iii).

COUNT VI

41. In numerous instances, in connection with the advertising, marketing, promotion, offering for sale, or sale of vacation travel packages, Defendants have misrepresented, directly or by implication, material aspects of the nature or terms of the seller's refund or cancellation policies, including, but not limited to, informing consumers that they have the right to cancel and then later denying that right. Defendants have thereby violated Section 310.3(a)(2)(iv) of the Telemarketing Sales Rule, 16 C.F.R. § 310.3(a)(2)(iv).

COUNT VII

42. In numerous instances, in connection with the advertising, marketing, promotion, offering for sale, or sale of vacation travel packages, Defendants have misrepresented, directly or by implication, material aspects of a prize promotion including, but not limited to, that consumers have won or been specially selected to receive travel vacation packages when in fact consumers have not won or been specially selected to receive such packages. Defendants have thereby violated Section 310.3(a)(2)(v) of the Telemarketing Sales Rule, 16 C.F.R. § 310.3(a)(2)(v).

CONSUMER INJURY

43. 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, Defendants are likely to continue to injure consumers, reap unjust enrichment, and harm the public.

THIS COURT'S POWER TO GRANT RELIEF

44. Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), authorizes this Court to issue a permanent injunction against Defendants' violations of the FTC Act and, in the exercise of its equitable jurisdiction, to order such ancillary relief as preliminary injunction, consumer redress, rescission, restitution and disgorgement of profits resulting from Defendants' unlawful acts or practices, and other remedial measures.

45. 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 the Court to grant to the FTC such relief as the Court finds necessary to redress injury to consumers or other persons resulting from Defendants' violations of the Telemarketing Sales Rule, including the rescission and reformation of contracts and the refund of money.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff Federal Trade Commission, pursuant to 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 the Court's own equitable powers, request that the Court:

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, appointment of a receiver for AITS, and an order freezing certain Defendants' 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.

Respectfully Submitted,

DEBRA A. VALENTINE
General Counsel

Katharine B. Alphin

(404) 656-1350 (o)

kalphin@ftc.gov

Chris M. Couillou

(404) 656-1353 (o)

ccouillou@ftc.gov

Attorneys for Plaintiff

Federal Trade Commission

60 Forsyth St., SW

Suite 5M35

Atlanta, GA 30303

(404) 656-1379 (office fax)