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FEDERAL TRADE COMMISSION

**UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA**

**FEDERAL TRADE COMMISSION,**

**Plaintiff,**

**v.**

**NIA CANO, a/k/a, Nghia F. Cano, Nina DeCano, Nia  
S. Cano; Individually and Doing Business as Credit  
Development International and Drivers Seat Network**

**CHARLES JOHNSON; JAIME MARTINEZ;  
JELENA TKALEC; ROBERT LARSON; BRYAN  
McCORD; DAVID LEWIS; Defendants, and**

**LEADERS ALLIANCE, INC., a Nevada Corporation;  
Relief Defendant.**

**Civil No. 97-7947-CAS-  
(AJWx)**

**First Amended Complaint  
for Permanent Injunction  
and Other Equitable Relief**

Plaintiff, the Federal Trade Commission ("Commission"), for its complaint alleges as follows:

1. The Commission brings this action under Section 13(b) of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. § 53(b), to obtain preliminary and permanent injunctive relief, rescission of contracts, restitution, disgorgement, appointment of a receiver, and other equitable relief to redress consumers for the injury resulting from defendants' deceptive acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

### **JURISDICTION AND VENUE**

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

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

### **PARTIES**

4. Plaintiff, the Federal Trade Commission, is an independent agency of the United States Government created by statute. 15 U.S.C. §§ 41-58. 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 is authorized to initiate federal district court proceedings 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).

5. Defendant Nia Cano, also known as Nghia F. Cano, Nina DeCano and Nia S. Cano, ("Cano") is the president, secretary, and treasurer of Leaders Alliance, Inc., doing business under the fictitious names of American Business Consultants or ABC. Defendant Cano is also the president of Credit Development International, Inc. ("CDI"), and Drivers Seat Network, Inc. ("DSN"). Individually or in concert with others, Cano formulated, directed, controlled, or participated in the acts and practices alleged in this complaint, and has done so at all times pertinent to this action. Defendant Cano resides and/or transacts business in the Central District of California.

6. Defendant Charles Johnson ("Johnson") conducted recruitment meetings on behalf of CDI and DSN in which he promoted the pyramid scheme developed by defendants. Individually or in concert with others, Johnson formulated, directed, controlled, or participated in the acts and practices alleged in this complaint, and has done so at all times pertinent to this action. Defendant Johnson resides and/or transacts business in the Central District of California.

7. Defendant Jaime Martinez ("Martinez") conducted recruitment meetings on behalf of CDI and DSN in which he promoted the pyramid scheme developed by defendants. Individually or in concert with others, Martinez formulated, directed, controlled, or participated in the acts and practices alleged in this complaint, and has done so at all times pertinent to this action. Defendant Martinez resides and/or transacts business in the Central District of California.

8. Defendant Jelena Tkalec ("Tkalec"), individually or in concert with others, formulated, directed, controlled, or participated in the acts and practices alleged in this complaint, and has done so at all times pertinent to this action. Defendant Tkalec resides and/or transacts business in the Central District of California.

9. Defendant Robert Larson ("Larson"), individually or in concert with others, formulated, directed, controlled, or participated in the acts and practices alleged in this complaint, and has done so at all times pertinent to this action. Defendant Larson resides and/or transacts business in the Central District of California.

10. Defendant Bryan McCord ("McCord"), individually or in concert with others, formulated, directed, controlled, or participated in the acts and practices alleged in this complaint, and has done so at all times pertinent to this action. Defendant McCord resides and/or transacts business in the Central District of California.

11. Defendant David Lewis ("Lewis"), individually or in concert with others, formulated, directed, controlled, or participated in the acts and practices alleged in this complaint, and has done so at all times pertinent to this action. Defendant Lewis resides and/or transacts business in the Central District of California.

12. Relief defendant Leaders Alliance, Inc. ("Leaders Alliance"), doing business under the fictitious names American Business Consultants or ABC, is a Nevada corporation with its principal place of business at 1400 E. 29th Street, Signal Hill, California, which was the address as well for CDI and DSN. Leaders Alliance maintained a merchant account for the processing of credit card charges through which it processes the fees paid by persons who become participants in defendants' pyramid scheme. Leaders Alliance received funds and other property that were derived unlawfully from payments by consumers as a consequence of the acts and practices complained of herein. Leaders Alliance transacted business in the Central District of California.

## COMMERCE

13. 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

14. Since approximately May, 1997, defendants operated a pyramid scheme which they called the CDI investment program. Pyramid schemes such as the CDI program are characterized by the payment of money to the scheme's promoter in return for which participants receive the right to recruit new participants. Participants then receive payments based upon the number of individuals they recruit or who appear below them in their pyramid (commonly referred to as a "downline"). Earnings in a pyramid scheme are derived primarily from recruiting other participants into the program, not from the retail sale of products or services.

15. Pyramid schemes are inherently injurious to consumers because they must eventually collapse. Like chain letters, pyramid schemes may make money for those at the top of the chain or pyramid, but end up injuring the vast majority of participants at the bottom who can find few or no recruits.

16. Defendants marketed the CDI program to consumers through large sales presentations held throughout the country, facsimile transmission of documents, telephone and the U.S. Mail.

17. Defendants represented to consumers that by becoming a participant in CDI, one would receive substantial income, such as \$18,000 per month, by recruiting others into the scheme.

18. Defendants further represented to consumers that by becoming a participant in the CDI program, one would receive an unsecured MasterCard Corporation ("MasterCard") or VISA U.S.A., Inc. ("VISA") credit card with a \$5,000 credit limit.

19. Defendants induced consumers throughout the United States to pay CDI an initial payment of \$130, followed by monthly payments of \$30, to join their pyramid scheme and become members of the CDI program.

20. Defendants also provided their promotional materials to others for use in recruiting new participants and inducing them to participate in the CDI pyramid scheme. These participants disseminated the promotional materials in numerous ways, including the Internet through broad-based unsolicited commercial e-mail, postings on USENET groups and through World Wide Web sites.

21. Defendants, individually or in concert with others, have used the above representations, or other representations similar to those described above, to induce the purchase of investments in a pyramid scheme.

**DEFENDANTS' VIOLATIONS  
OF SECTION 5 OF THE FTC ACT**

**Count I**

22. In connection with the offering for sale and sale of CDI memberships in a pyramid scheme, defendants represented, expressly or by implication, that consumers who pay defendants an initial \$130 followed by monthly payments of \$30 would receive substantial sums such as \$18,000 per month.

23. In truth and in fact, most consumers who pay defendants an initial \$130 initially followed by monthly payments of \$30 would not receive substantial sums such as \$18,000 per month.

24. Therefore, the representations set forth in ¶ 22 are false and misleading and constitute deceptive acts and practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

**Count II**

25. In connection with the offering for sale and sale of CDI memberships in a pyramid scheme, defendants represented, expressly or by implication, that consumers who pay defendants an initial \$130 followed by monthly payments of \$30 would receive an unsecured MasterCard or Visa credit card.

26. In truth and in fact, consumers who pay defendants an initial \$130 followed by monthly payments of \$30 would not receive an unsecured MasterCard or Visa credit card.

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

**Count III**

28. By providing participants in the CDI program with promotional materials that contain false representations, including but not limited to the false representations described in paragraphs 22 and 25, above, to be used in recruiting new participants to the CDI pyramid scheme, defendants provided these persons with the means and instrumentalities for the commission of deceptive acts and practices.

29. Defendants' practices, as described in paragraph 28, constitute deceptive acts and practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

**INJURY**

30. Defendants' violations of Section 5 of the FTC Act, as set forth above, have caused and continue to cause substantial injury to consumers. Absent injunctive relief by this Court, defendants are likely to continue to injure consumers.

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

31. Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), empowers this Court to issue injunctive relief against defendants' violations of the FTC Act and, in the exercise of its equitable jurisdiction, grant such other relief as the Court may deem appropriate to halt and redress violations of the FTC Act, including restitution and disgorgement of unjust enrichment.

**PRAYER FOR RELIEF**

WHEREFORE the Commission respectfully requests that this Court, as authorized by Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), and pursuant to its own equitable powers:

- (1) Award the Commission all temporary and 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 each defendant's assets;
- (2) Permanently enjoin the defendants from violating the FTC Act, as alleged herein;
- (3) Award such relief as the Court finds necessary to redress injury to consumers resulting from the defendants' violations of the FTC Act, including, but not limited to, rescission or reformation of contracts, restitution, the refund of monies paid, and the disgorgement of ill-gotten monies;
- (4) Appoint a receiver for the corporate defendants;
- (5) Award such relief against relief defendant Leaders Alliance that the Court finds necessary to protect and return funds and other property that were derived from defendants' violations of Section 5 of the FTC Act, including the appointment of a receiver, and an order to disgorge all ill-gotten gains or proceeds that it has received as a result of the acts and practices complained

of herein, and an order imposing a constructive trust upon such gains or proceeds; and

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

Respectfully submitted,

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