UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

FEDERAL TRADE COMMISSION, Plaintiff,
v.
FORTUNA ALLIANCE, L.L.C., AUGUSTINE DELGADO, LIBBY GUSTINE WELCH, DONALD R. GRANT, MONIQUE DELGADO, and GAIL OLIVER, Defendants.

Civ. No.

COMPLAINT

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 permanent injunctive relief, restitution, disgorgement, and other equitable relief for defendants' unfair and deceptive trade practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. ?45(a).

JURISDICTION AND VENUE

2. Subject matter jurisdiction is conferred upon this Court by 15 U.S.C. §§ 45(a) and 53(b), and 28 U.S.C. §§ 1331, 1337(a), and 1345.

3. Venue in the Western District of Washington is proper under 28 U.S.C. ?1391(b) and (c), and 15 U.S.C. ?53(b).

THE 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 enforces 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 may initiate federal district court proceedings to enjoin violations of the FTC Act and to secure appropriate equitable relief in each case, including restitution and disgorgement. 15 U.S.C. ?53(b).

5. Defendant Fortuna Alliance, L.L.C. (“Fortuna”), is a Nevada limited liability company with its office and principal place of business at 609 A Northshore Drive, Bellingham, Washington 98226. Fortuna markets investments in a pyramid sales scheme throughout the United States and in foreign countries.

6. Defendant Augustine Delgado (“Delgado”) founded and, directly or indirectly, owns Fortuna. Fortuna promotional materials call him “Augie” Delgado. Individually or in concert with others, Delgado formulates, directs, controls, or participates in the acts and practices of Fortuna alleged below, and has done so at all times pertinent to this action. He resides and transacts business in the Western District of Washington.

7. Defendant Libby Gustine Welch is a manager or agent of Fortuna. Individually or in concert with others, she formulates, directs, controls, or participates in the acts and practices of Fortuna alleged below, and has done so at all times pertinent to this action. She resides and transacts business in the Western District of Washington.

8. Defendant Donald R. Grant is an officer or manager of Fortuna. Individually or in concert with others, he formulates, directs, controls, or participates in the acts and practices of Fortuna alleged below, and has done so at all times pertinent to this action. He resides and transacts business in the Western District of Washington.

9. Defendant Monique Delgado is a manager or agent of Fortuna. Individually or in concert with others, she formulates, directs, controls, or participates in the acts and practices of Fortuna alleged below, and has done so at all times pertinent to this action. She resides and transacts business in the Western District of Washington.

10. Defendant Gail Oliver is a manager or agent of Fortuna. Individually or in concert with others, she formulates, directs, controls, or participates in the acts and practices of Fortuna alleged below, and has done so at all times pertinent to this action. She resides and transacts business in the Western District of Washington.

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.

COURSE OF CONDUCT

12. Since approximately November 1995, defendants have operated an investment program commonly known as a “pyramid scheme.” Pyramid schemes 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 for each individual they recruit or who appears below them in their pyramid. Earnings in a pyramid scheme are derived primarily from recruiting other participants into the program, not from the sale of products or services.

13. Defendants advertise and market their pyramid scheme via the Internet, using electronic home pages on the World Wide Web. They also use telephones, faxes, and mail to distribute their promotional documents and audio and video tapes.

14. Defendants’ promotional materials promise consumers that they will earn a profit of at least $5,000 per month for a $250 initial investment. For example, one document (Attachment A) states:

> What if you paid . . . $250 a month which produced a minimum of $5,250 income each month for you, while you watched? . . .
>
> Well that’s exactly what would happen if you hired Fortuna Alliance as your personal Marketing Expert.
>
> The promotional materials also explain that only the initial $250 investment comes from the consumer; any further payments are deducted from “profits.” The materials also encourage consumers to make multiple investments, up to $1,750 per consumer.

15. Defendants’ promotional materials attempt to distinguish their plan from other pyramids by suggesting that the high profits are attributable to a mathematical formula called the Fibonacci series. (See Attachment B.) In fact, the formula for distributing profits in any pyramid scheme has no effect on the end result that most participants lose money.

16. Defendants’ have induced thousands of consumers throughout the United States and in foreign countries to pay Fortuna $250 to $1,750 to join their pyramid scheme. Defendants have also provided their promotional materials to others for use in recruiting new participants and inducing them to invest in the pyramid scheme.

17. 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.

DEFENDANTS' VIOLATIONS OF THE FTC ACT

18. Section 5(a) of the FTC Act, 15 U.S.C. ?45(a), prohibits unfair or deceptive acts and practices in or affecting commerce.

COUNT ONE

19 . In connection with the offering for sale or sale of investments in a pyramid scheme, defendants have represented, directly or by implication, orally and in writing (including electronic writing on the World Wide Web), that consumers who pay Fortuna $250 will receive high income, or profits of over $5,000 per month in return.

19. In truth and in fact, most consumers who pay Fortuna $250 will not receive high income, or profits of over $5,000 per month in return. Instead, most participants in the pyramid scheme will lose money.

20. Therefore, the representations set forth in ?19 are false and misleading and constitute unfair or deceptive acts and practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. ?45(a).

COUNT TWO

21. By providing participants in Fortuna with promotional materials both written and electronic, that contain false representations, including but not limited to the false representations described in ?19 above, to be used in recruiting new participants, defendants have provided these people with the means and instrumentalities for the commission of unfair or deceptive acts and practices.

22. Defendants’ practices, as described in ?22, constitute unfair or deceptive acts and practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. ?45(a).

INJURY

23. 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

24. Section 13(b) of the FTC Act, 15 U.S.C. ?53(b), empowers this Court to issue a permanent injunction 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 of the FTC Act, 15 U.S.C. ?53(b), and pursuant to its own equitable powers:

(25) Award the Commission all temporary and preliminary injunctive and ancillary relief that 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, and an order freezing each defendant's assets;

(26) Permanently enjoin defendants from violating the FTC Act as alleged in this complaint;

(27) Award all relief that the Court finds necessary to remedy the defendants' violations of Section 5(a) of the FTC Act, including, but not limited to, the refund of monies paid and the disgorgement of ill-gotten gains; and

(28) Award the Commission the costs of bringing this action, as well as any other equitable relief that the Court may determine to be proper and just.

Dated:

Respectfully submitted,

STEPHEN CALKINS
General Counsel

CHARLES A. HARWOOD
Regional Director

Randall H. Brook
Eleanor Durham
ATTORNEYS FOR PLAINTIFF
FEDERAL TRADE COMMISSION