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UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

FEDERAL TRADE COMMISSION, Plaintiff, v. Clifton Telecard Alliance One LLC, d/b/a Clifton Telecard Alliance and CTA, Inc., and Mustafa Qattous, individually and as an officer of Clifton Telecard Alliance One LLC, d/b/a Clifton Telecard Alliance and CTA, Inc., Defendants.	CIVIL ACTION NO.

COMPLAINT FOR PERMANENT INJUNCTION AND OTHER EQUITABLE RELIEF

Plaintiff, the Federal Trade Commission ("FTC" or "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 against the defendants to prevent them from engaging in deceptive and unfair acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), and to obtain other equitable relief, including rescission, restitution, and disgorgement, as is necessary to redress injury to consumers and the public interest resulting from the defendants' violations of the FTC Act.

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 United States District Court for the District of New Jersey is proper under 15 U.S.C. § 53(b), and 28 U.S.C. §§ 1391(b) and (c).

PLAINTIFF

4. Plaintiff, the FTC, is an independent agency of the United States Government created by statute. 15 U.S.C. § 41 *et seq*. The Commission enforces Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), which prohibits deceptive or unfair acts or practices in or affecting commerce. The Commission is authorized to

initiate federal district court proceedings, by its own attorneys, to enjoin violations of the FTC Act and to secure such other equitable relief as may be appropriate in each case, including redress and disgorgement. 15 U.S.C. § 53(b).

DEFENDANTS

5. Defendant Clifton Telecard Alliance One LLC, d/b/a Clifton Telecard Alliance, and CTA, Inc. ("CTA"), is a limited liability company located at 8901 Kennedy Blvd. in North Bergen, New Jersey 07047. Defendant CTA promotes and sells prepaid telephone calling cards to consumers through its own websites, its own distributor network, and retail outlets. CTA transacts or has transacted business in this District.

6. Defendant Mustafa Qattous is or has been an officer and/or director of the corporate defendant CTA. Individually or in concert with others, he has formulated, directed, controlled, or participated in the acts and practices of CTA, including the acts and practices as set forth in this complaint, and has done so at all times pertinent to this action. He resides or has resided and transacts or has transacted business in this District.

COMMERCE

7. 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' BUSINESS PRACTICES

8. Since at least 1999, defendants have been distributing prepaid calling cards to downstream distributors, retailers, and consumers. Prepaid calling cards are cards that embody a right to exchange the card's monetary value for telephone calling time, often at specified rates.

9. Defendants do not provide the telecommunications service for their prepaid calling cards.

10. Defendants use telecommunications providers to provide the telephone service for their prepaid calling cards including, but not limited to, STi Prepaid LLC, ClearTel, and two entities owned by members of defendant Qattous's family, International Telecommunications Group ("ITG") and Crest Point Telecom Group.

11. Since at least 2002, defendants have distributed millions of dollars worth of their own brands of prepaid calling cards to consumers via Internet websites, retailers, and downstream distributors.

12. Defendants frequently market these calling cards for international use to a panoply of international destinations, such as Ghana, Nigeria, Ethiopia, and Jamaica.

13. Defendants' prepaid calling cards typically are sold in denominations of

$2.00, $2.50, $5.00, $10.00, and $20.00

14. Defendants market their cards under a variety of names, including, but not limited to, “CTA Africa,” “Original Gold,” “CTA World,” “African Night,” “African Dream,” “Africa Sky,” “African Beauty,” “Hello Africa,” “First Choice,” “CTA Mexico,” “Miami Gold,” “NJ Gold,” “NJ Bachata,” “TX Gold,” and “Philadelphia Gold.”

15. Consumers who purchase defendants’ prepaid calling cards typically are either recent immigrants and/or have family and friends overseas.

16. Defendants primarily advertise their prepaid calling cards to consumers through posters they distribute to sub-distributors and to retail stores, and through their own websites, www.ctacard.com and www.cliftontelecard.com.

17. In numerous instances, defendants’ posters state that their prepaid calling cards offer the lowest rates and provide more minutes with no connection fees.

18. In numerous instances, defendants’ posters correspond to particular cards they offer.

19. A typical poster includes the name of the prepaid calling card (e.g., “Original Gold”), CTA’s name and logo, CTA’s website URL (www.ctacard.com), the phrase “No Connection Fee,” and representations about the number of minutes

a consumer will receive based on the denomination of the card and the country and/or city the consumer chooses to call.

20. In numerous instances, the countries listed on the defendants' poster and their corresponding call minutes are written in approximately 32 point font.

21. In numerous instances, the defendants' posters contain approximately ten lines of vague disclosures about fees and charges on the bottom of the poster in approximately 5.25 point font, stating in relevant part:

> Call time is deducted in three minute increments to certain destinations. Service fees may apply. Calls placed to mobile telephones may be billed at a higher rate. When using a toll free number from a pay phone a $0.65 per call surcharge will apply. Application of surcharges and fees may have an effect of reducing total minutes on card. Maintenance fees may apply. This card has no cash value and is non-refundable. Prices and fees are subject to change without notice.

22. Defendants' prepaid calling cards generally come in two parts: a top portion and bottom portion.

23. The top portion is a piece of paper that states on the front: the name of the prepaid calling (e.g., "Africa Sky"); CTA's name and logo; the value of the

card; the phrase, “No Connection Fee;” and the phrase, “Buy online www.CTACard.com.”

24. The back of the top portion repeats the above information, includes directions on how to use the card in both English and Spanish, and contains approximately 27 lines of disclosures regarding fees and charges, which are nearly illegible because the disclosures are written in font sizes that range from two to four points.

25. In numerous instances, the disclosures described in Paragraph 24 state in relevant part:

> All rates and fees vary and are subject to change without notice. Rates are higher for international cellular . . . . Calls are billed in three to six minute increments. A post call fee **between 25¢ and two dollars and an additional surcharge of twenty percent may apply** after each call depending upon length and duration of a call. All calls made from a payphone are subject to 99¢ charge. A 69¢ weekly fee charge applies within 24 hours of first use. Service fees may apply. Application of surcharges and fees will have the effect of reducing total minutes actually received on the card from the minutes announced. Advertised and announced minutes are based

on per-minute rates before fees and surcharges are applied (emphasis added).

26. The bottom portion of the calling card often is the size of a credit card and it separates from the top portion by a perforation. This is the actual "calling card."

27. The front of the bottom part of the calling card includes the CTA name and logo, the name of the particular card (e.g., "Africa Sky"), the value of the card, and the phrase, "No Connection Fee."

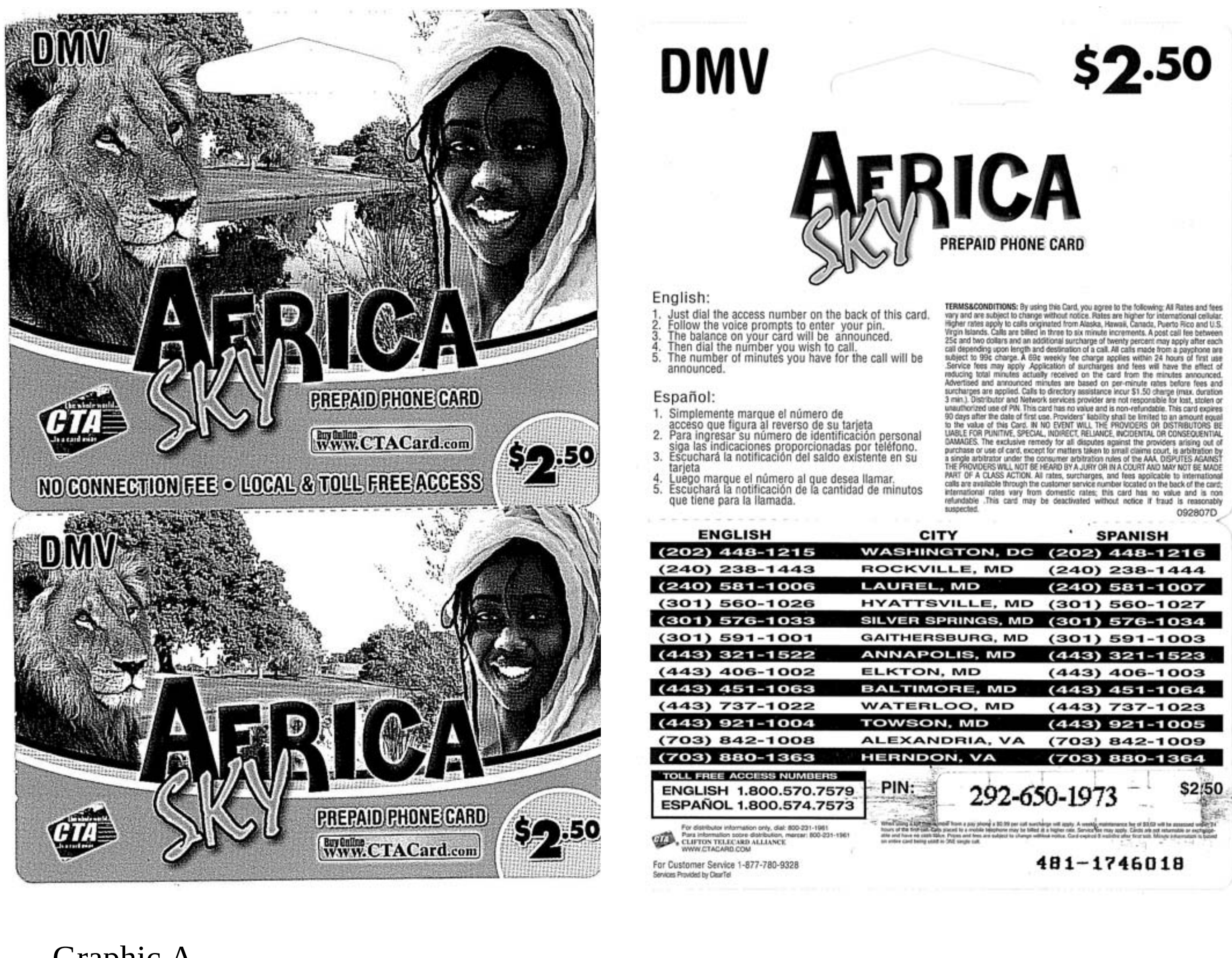
28. The back of the bottom part of the calling card includes a scratch off area, which hides the Personal Identification Number ("PIN"), toll-free access numbers, a customer service number, the telecommunications provider's name, and approximately four lines containing disclosures written in a nearly illegible fonts of two to four points.

29. In numerous instances, the disclosures described in Paragraph 28 state in relevant part:

> When using a toll free number from a payphone, a $0.99 per call surcharge will apply. A weekly maintenance fee of $0.69 will be assessed within 24 hours of the first call. Calls placed to a mobile telephone may be billed at a higher rate. Service fees may apply.

Cards are not returnable or exchangeable and have no cash value. Prices and fees are subject to change without notice. Card expires 3 months after first use. Minute information is based on entire card being used in ONE single call.

A photocopy of the back and front of the defendants' $2.50 "Africa Sky" card depicting its actual size is shown below as Graphic A.



Graphic A

30. In numerous instances, the fees described above in Paragraphs 25 and 29 vary depending on the card. For example, the defendants' $2.00 "African Night" card says there is a 49¢ weekly fee and a post call fee between 01¢ and $2.00. Defendants' $2.00 "Africa Dream" card says that a semi-monthly fee of 59¢ may apply and says nothing about a post call fee.

31. In numerous instances, defendants have failed to adequately disclose their fees, which reduce the value of the prepaid calling card and the number of minutes a consumer is likely to receive.

32. A consumer, using one of defendants' calling cards, first dials a toll-free number or local access number specified on the calling card.

33. The consumer then hears a voice recording directing the consumer to enter the PIN, after which the consumer typically hears a voice response-generated statement ("voice prompt") of the monetary value of the card.

34. Next, the consumer enters the destination phone number and hears a voice prompt of the number of minutes of call time the consumer has available for this particular call.

35. Consumers who use all of the available minutes of call time typically receive a warning when they have one minute of talk time remaining. The call is cut off once the card has no value left.

36. In numerous instances, consumers who use the defendants' prepaid calling cards receive substantially fewer minutes than the defendants represent on their posters.

37. For example, a poster for defendants' "Topline" card advertises 40 minutes to El Salvador. Once the consumer enters the PIN and the destination phone number, the voice prompt says, "you have 40 minutes before applicable service fees." This prompt does not include the number of minutes the consumer will actually receive nor does it indicate which fees are applicable.

38. Testing defendants' "Topline" card with a single call to El Salvador, the FTC found that the card's minutes were exhausted after delivering only 27 of the promised 40 minutes.

39. As another example, defendants' poster for the $2.00 "African Night" card advertises 30 minutes to Egypt. Once the consumer enters the PIN and the destination phone number, the voice prompt says, "you have 30 minutes before applicable service fees." This prompt does not include the number of minutes the consumer will actually receive nor does it indicate which fees are applicable.

40. Testing defendants' "African Night" card with a single call to Egypt, the FTC found that the card's minutes were exhausted after delivering only 10.5 of the promised 30 minutes.

41. In numerous instances, consumers who use the defendants' prepaid calling cards are unable to connect to their destination phone number.

42. In numerous instances, consumers who are unable to connect to their destination phone number receive a very fast busy signal or complete silence on the phone.

43. In numerous instances, consumers who attempt to use the defendants' prepaid calling cards, but are not connected to their destination phone number (as described in Paragraph 42), are charged a fee that reduces both the value of their prepaid calling card and the specified number of minutes of talk time the defendants advertise on their posters.

44. In numerous instances, there are no disclosures on either the defendants' posters or calling cards that inform consumers that the value of their calling card will be reduced, which reduces the number of deliverable minutes, when they attempt to make a call and that call is not connected.

VIOLATIONS OF THE FTC ACT

45. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits unfair or deceptive acts or practices affecting commerce. Misrepresentations or omissions of material fact constitute deceptive acts or practices pursuant to Section 5(a) of the FTC Act. As set forth below, defendants, individually or in concert with others,

have violated Section 5 of the FTC Act in connection with the advertising, offering for sale, or selling of goods or services.

COUNT ONE

46. In numerous instances, in the course of offering for sale and selling prepaid calling cards, defendants represent, expressly or by implication, that consumers who purchase defendants' prepaid calling cards will receive a specified number of minutes of talk time to specific countries.

47. In truth and in fact, in numerous instances, consumers who purchase defendants' prepaid calling cards do not receive the specified number of minutes of talk time to specific countries.

48. Therefore, defendants' representation set forth in paragraph 46 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 TWO

49. In numerous instances, defendants have represented, expressly or by implication, that consumers who purchase defendants' prepaid calling cards will receive a specified number of minutes of talk time to specific countries.

50. In numerous instances, defendants have failed to disclose or disclose adequately that fees will reduce the value of the prepaid calling cards which in turn

will reduce the number of minutes of talk time to specific countries provided to consumers.

51. This additional information, described in Paragraph 50, would be material to consumers in deciding to purchase the prepaid calling cards that the defendants distribute.

52. The defendants' failure to disclose or disclose adequately the material information described in Paragraph 50, above, in light of the representation described in Paragraph 49, above, constitutes a deceptive act or practice in violation of Section 5 of the FTC Act, 15 U.S.C. § 45(a).

COUNT THREE

53. In numerous instances, in the course of offering for sale and selling prepaid calling cards, defendants have represented, expressly or by implication, that their prepaid calling cards are valued at a specified denomination and that value is reduced once a consumer's call is connected.

54. In numerous instances, defendants have failed to disclose or disclose adequately that the value of their prepaid calling cards is reduced when a consumer attempts to place a call that is not connected.

55. This additional information, described in Paragraph 54, would be material to consumers in deciding to purchase the prepaid calling cards that the

defendants distribute.

56. The defendants' failure to disclose or disclose adequately the material information described in Paragraph 54, above, in light of the representations described in Paragraph 53, above, constitutes a deceptive act or practice in violation of Section 5 of the FTC Act, 15 U.S.C. § 45(a).

CONSUMER INJURY

57. Defendants' violations of Section 5 of the FTC Act, 15 U.S.C. § 45(a), as set forth above, have injured, and will continue to injure consumers across the United States. As a result of defendants' deceptive acts or practices, consumers have suffered substantial monetary loss. In addition, defendants have been unjustly enriched as a result of their unlawful practices. Absent injunctive relief by this Court, defendants are likely to continue to injure consumers and harm the public interest.

THIS COURT'S POWER TO GRANT RELIEF

58. Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), empowers this Court to grant injunctive and other relief to prevent and remedy defendants' violations of the FTC Act, and in the exercise of its equitable jurisdiction, to award redress to remedy the injury to consumers, to order the disgorgement of monies resulting from defendants' unlawful acts or practices, and to order other ancillary equitable

relief.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff, the Federal Trade Commission, pursuant to Section 13(b) of the FTC Act, 15 U.S.C. §53 (b), and the Court's own equitable powers, requests 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 and appointment of a monitor;

2. Enter a permanent injunction to prevent future violations of the FTC Act by defendants;

3. Award such relief as the Court finds necessary to redress injury to consumers resulting from the defendants's 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; and

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

Dated: March 25, 2008

Respectfully submitted,

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