DISTRICT OF NEVAL RECEIVED FILED WILLIAM E. KOVACIC 1 General Counsel 03 AUG - 1 PM 12: 09 RK, U.S. Dia SICT COU 2 ROBIN R. SPECTOR GREGORY A. ASHE Federal Trade Commission 3 600 Pennsylvania Ave., N.W., NJ-2122 Washington, D.C. 20580 4 (202) 326-3740 (voice) (202) 326-2558 (facsimile) 5 6 BLAINE T. WELSH 7 Assistant United States Attorney 333 South Las Vegas Blvd. Suite 5000 Las Vegas, NV 89101 8 (702) 388-6336 9 Attorneys for Plaintiff 10 UNITED STATES DISTRICT COURT DISTRICT OF NEVADA 11 12 FEDERAL TRADE COMMISSION, 13 CIVIL ACTION **Plaintiff** 14 CV-N-03-0412-DWH-RAM 15 INTEGRATED CAPITAL INC.,d/b/a **COMPLAINT FOR** NATIONAL STUDENT FINANCIAL AID, and 16 PERMANENT INJUNCTION SHEILA CUCCIA, AND OTHER 17 **EQUITABLE RELIEF** Defendants. 18 19 Plaintiff, the Federal Trade Commission ("Commission"), for its Complaint alleges: 20 The Commission brings this action under Section 13(b) of the Federal Trade 21 Commission Act ("FTC Act"), 15 U.S.C. § 53(b), to secure preliminary and permanent 22 injunctive relief, rescission of contracts, restitution, disgorgement, and other equitable relief for 23 Defendants' deceptive acts or practices in connection with the selling of academic services in 24 violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a). 25 26 27

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JURISDICTION AND VENUE

- 2. This Court has jurisdiction over this matter pursuant to 15 U.S.C. §§ 45(a) and 53(b), and 28 U.S.C. §§ 1331, 1337(a), and 1345.
- 3. Venue in the District of Nevada is proper under 28 U.S.C. § 1391(b) and (c) and 15 U.S.C. § 53(b).

THE PARTIES

- 4. Plaintiff **Federal Trade Commission** is an independent agency of the United States government created by the FTC Act, 15 U.S.C. §§ 41-58. The Commission enforces the FTC Act, which prohibits deceptive acts or practices in commerce. The Commission may initiate federal district court proceedings to enjoin violations of the FTC Act and to secure such equitable relief as is appropriate in each case, including restitution and disgorgement. 15 U.S.C. § 53(b).
- 5. Defendant Integrated Capital, Inc. is a Nevada corporation with its office and principal place of business located at 251 Jeanell Drive, #3 Carson City, Nevada. Integrated Capital does business under the name of National Student Financial Aid ("NSFA").
- 6. Defendant **Sheila Cuccia** is the president of Integrated Capital. Individually or in concert with others, she directs, controls, formulates or participates in the acts and practices set forth herein. She resides, transacts, or has transacted business in this district.

COMMERCE

7. Defendants' course of trade is in or affecting commerce within the meaning of Section 4 of the FTC Act, 15 U.S.C. § 44.

DEFENDANTS' BUSINESS PRACTICES

8. Since at least October of 1997, Defendants have conducted a program to sell purported academic services to consumers residing throughout the United States. Defendants have sold these services to at least 40,000 consumers, grossing in excess of \$10 million in revenues.

Solicitation Letter

- 9. Each year, Defendants market their academic services by sending millions of letters to high school students and their parents or legal guardians nationwide. Defendants mail these letters in envelopes bearing the inscription "CASH FOR COLLEGE" in large bold type. This letter contains, or, has contained, the following representations:
 - (A) "Your High School student has been selected, by our College Review

 Board, as . . . eligible to apply for grants, scholarships, negotiated tuition

 discounts and interest free loans through our college assistance program."
 - (B) "Our research has identified your child as . . . eligible to apply for grants, scholarships, negotiated tuition discounts and interest free loans through our college assistance program."
 - (C) "We are committed to **maximizing your eligibility** to receive financial assistance."
 - (D) "Your personal interview has been tentatively scheduled for [date] at which time you will receive your free Financial Aid Information Packet."
 - (E) "We are able to assist a limited number of students each year."
 - (F) "Over 90% of our clients have had their financial aid eligibility increased."
 - (G) "To MAXIMIZE THE AID YOU ARE ELIGIBLE TO RECEIVE crucial... deadlines must not be missed."
- 10. Defendants' letter provided a "personal reservation number" for the student, and gave several "available" dates and times that the student and parents could attend the "personal interview."

Sales Presentation

- 11. Students and their parents or legal guardians who attended the interview were subjected to a sales presentation for Defendants' services. The presentations, which consisted of a group presentation followed by one-on-one personal interview, took place at local hotels or banquet rooms.
- 12. The group presentation typically began with an NSFA representative discussing of the importance of a college education. Defendants emphasized the difficulty and complexity of the college financial aid and admissions process. Defendants assured consumers, however, that NSFA would guide consumers through the admissions and financial aid process. Defendants informed consumers that because of the knowledge, expertise and experience of NSFA's highly trained staff and the services NSFA provides, Defendants could help consumers obtain more financial aid than consumers could get on their own. Defendants assured consumers that NSFA's services would save consumers money and maximize consumers' financial opportunities.
- 13. Defendants told consumers that NSFA would prepare a personalized career profile for their student and then find colleges that offer majors in their chosen fields with the best financial aid packages. Defendants stated that NSFA would professionally analyze consumers' financial situations, prepare a personalized financial aid report, and design customized strategies to reduce or eliminate the expected family contribution, which would maximize the amount of gift aid consumers would likely receive. Defendants offered to guide consumers in completing the Free Application for Federal Student Aid (FAFSA) and review resulting Student Aid Reports and college financial aid award letters for accuracy and appropriateness. Consumers were told that NSFA would provide a personal counselor to guide consumers through the entire financial aid and admissions process and market the student to recommended colleges.
- 14. After the group presentation, consumers (parent or legal guardian and student) proceeded to a personal interview with one of NSFA's enrollment counselors. The interview lasted approximately 10 to 15 minuets. The interview began with a few questions and answers but quickly turned into a sales closing for NSFA's services. The counselors made general

promises about how NSFA's services would ensure that the student got a large amount of financial aid.

- 15. Defendants offered three payment options: one time payment of \$795; \$200 down and \$100 per month for 8 months (for a total of \$1000); or \$0 down and \$30 per week for 40 weeks (for a total of \$1,200).
- 16. The enrollment counselors required consumers to make a purchasing decision on the spot and did not allow consumers to take materials home to think things over. The counselors typically informed consumers that NSFA would not be coming back to the area for many months and that the interview was the only opportunity to participate in the program.
- 17. Consumers were presented with a Student Enrollment Fee for Services Agreement ("service agreement") that detailed the services NSFA purportedly would provide. The service agreement stated that NSFA would provide a college planning calendar, a career assessment identifying the student's optimum career path, assistance with college admissions tests, college selection, a college visit guide, a college admissions guide, and customized financial aid planning including strategies to increase aid eligibility.
- 18. The career profile report that Defendants sent to a consumer typically contained only a broad, general discussion of the consumer's child's interests. The needs analysis or financial aid report that Defendants sent to a consumer typically presented the same financial information originally submitted by the consumer. Defendants' recommended strategies to maximize financial aid eligibility were typically broad, general strategies not tailored to the consumer's specific financial situation.
- 19. Although Defendants represented that NFSA would guide consumers through the financial aid process, in numerous instances Defendants provided little in the way of actual services. In other instances, consumers had to contact NSFA repeatedly in order to get Defendants to perform any services. Further, the services consisted merely of general advice. In a few instances, Defendants did fill out the financial aid forms but did so incorrectly or after deadline dates had passed.

Guarantee and Refunds

- 20. Defendants' service agreements have contained two different refund policies. The current service agreement, used since approximately October of 1999, promises a "100% MONEY BACK PERFORMANCE GUARANTEE." The terms and conditions of the guarantee are printed below this headline. They include a condition that all of the forms provided by NFSA must be filled out and returned by the client withing 45 days and that the consumer must specify in writing the services not performed by NSFA.
- 21. Defendants' previous service agreement, used from approximately October of 1997 until October of 1999, contained a guarantee that under various terms and conditions promised:

"We guarantee our recommendations will illustrate: (a) a minimum of \$2,500 in Financial Aid including grants, scholarships, tuition discounts, and loan interest paid by the government for attendance to a State College: or \$3,000 for attendance to a Private College (b) or a reduction in your Estimated Family Contribution for the above amount or (c) a combination of the above, or we will refund the difference up to the total amount paid less \$99 postage, handling and administration fee."

22. Consumers dissatisfied with NFSA's services experienced great difficulty in obtaining refunds. Defendants often replied to refunds requests with a form letter stating that "NSFA provided all college planning services and materials in accordance with the agreement." Defendants also did not grant refunds even where they failed to perform any services for the consumer or did not provide important materials until after important student aid deadlines. Many consumers who obtained refunds from NSFA did so only after complaining to a Better Business Bureau or a state governmental agency.

DEFENDANTS' VIOLATIONS OF THE FTC ACT COUNT I

23. Defendants represent, expressly or by implication, that students are selected based upon their qualifications to participate in Defendants' college financial aid and admissions program.

- 24. In truth and fact, students are not selected based upon their qualifications to participate in Defendants' college financial aid and admissions program.
- 25. Therefore, the representations set forth in paragraph 23 are false and misleading and constitute deceptive acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

COUNT II

- 26. Defendants represent, expressly or by implication, that consumers who purchase Defendants' services are likely to receive substantially more financial aid than consumers could obtain without Defendants' services.
- 27. In truth and fact, in most instances, consumers who purchase Defendants' services are not likely to receive substantially more financial aid than consumers could obtain without Defendants' services.
- 28. Therefore, the representations set forth in paragraph 26 are false and misleading and constitute deceptive acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

COUNT III

- 29. From October 1997 until October 1999, Defendants represented, expressly or by implication, that Defendants would refund the difference between their fee and the amount of aid obtained, less a \$99 postage, handling and administration fee, to consumers who purchased Defendants' services and did not obtain:
 - (A) a minimum of \$2,500 in financial aid including grants, scholarships, tuition discounts, and loan interest paid by the government for attendance to a State College, or \$3,000 for attendance to a Private College;
 - (B) a reduction in the student's Estimated Family Contribution for the amounts described above; or,
 - (C) a combination of the above.

- 30. In truth and in fact, Defendants did not refund the difference between their fee and the amount of aid obtained, less a \$99 postage, handling and administration fee, to consumers who purchased Defendants' services and did not obtain:
 - (A) a minimum of \$2,500 in financial aid including grants, scholarships, tuition discounts, and loan interest paid by the government for attendance to a State College, or \$3,000 for attendance to a Private College;
 - (B) a reduction in the student's Estimated Family Contribution for the amounts described above; or,
 - (C) a combination of the above.
- 31. Therefore, the representations set forth in paragraph 29 are false and misleading and constitute deceptive acts or practices in violation of section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

CONSUMER INJURY

32. Consumers throughout the United States have suffered and continue to suffer substantial monetary loss as a result of Defendants' unlawful acts or practices. Absent injunctive relief by this Court, Defendants are likely to continue to injure consumers, reap unjust enrichment, and harm the public interest.

THIS COURT'S POWER TO GRANT RELIEF

32. Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), empowers this Court to grant injunctive and other ancillary relief including consumer redress, disgorgement and restitution, to prevent and remedy any violations of any provision of law enforced by the Commission.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff 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. Enjoin Defendants permanently from violating Section 5(a) of the FTC Act, including committing such violations in connection with the advertising, offering for sale, or other promotion of academic services;

- 2. Award such equitable relief as the Court finds necessary to redress injury to consumers resulting from Defendants' violations of Section 5(a) of the FTC Act, including, but not limited to, restitution (or consumer redress), the rescission of contracts or refund of money, and the disgorgement of unlawfully obtained monies; and
- 3. Award plaintiff the costs of bringing this action as well as such additional equitable relief as the Court may determine to be just and proper.

Dated: | u/y 3/, 2003

Respectfully submitted,

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