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7 FEDERAL TRADE COMMISSION

8  
9  
10 **UNITED STATES DISTRICT COURT**  
11 **CENTRAL DISTRICT OF CALIFORNIA**

12 \_\_\_\_\_ ) CV-  
13 FEDERAL TRADE COMMISSION, )  
14 )  
15 ) Plaintiff, )  
16 )  
17 ) v. )  
18 )  
19 )  
20 ) TIM CHO INVESTMENT CORPORATION and ) **COMPLAINT FOR**  
21 ) TIMOTHY CHO, ) **INJUNCTIVE AND**  
22 ) ) **OTHER EQUITABLE**  
23 ) **RELIEF**  
24 )  
25 ) Defendants. )  
26 )  
27 )  
28 ) \_\_\_\_\_ )

19  
20 Plaintiff, the Federal Trade Commission ("FTC"), through  
21 its undersigned attorneys, hereby alleges as follows:

22 1. The FTC brings this action pursuant to Section 13(b)  
23 of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. §  
24 53(b), to secure preliminary and permanent injunctive relief,  
25 rescission of contracts, restitution, disgorgement, and other  
26 equitable relief against defendants for engaging in deceptive  
27 acts or practices in connection with the advertising,  
28 marketing and sale of an investment training seminar and

1 manual for trading stocks, currencies, and Standard and Poor's  
2 ("S&P") futures contracts in violation of Section 5(a) of the  
3 FTC Act, 15 U.S.C. §§ 45(a).

4 **JURISDICTION AND VENUE**

5 2. This Court has jurisdiction of this matter pursuant  
6 to 15 U.S.C. §§ 45(a), 52 and 53(b), and 28 U.S.C. §§ 1331,  
7 1337(a), and 1345.

8 3. Venue in this district is proper under 15 U.S.C.  
9 § 53(b) and 28 U.S.C. § 1391(b) and (c).

10 **THE PARTIES**

11 4. Plaintiff, the FTC, is an independent agency of the  
12 United States Government created by statute. 15 U.S.C. §§ 41  
13 *et seq.* The FTC is charged, *inter alia*, with enforcement of  
14 Section 5(a) of the FTC Act, 15 U.S.C. §§ 45(a), which  
15 prohibits unfair or deceptive acts or practices in or  
16 affecting commerce. The FTC is authorized to initiate federal  
17 district court proceedings to enjoin violations of the FTC Act  
18 and to secure such equitable relief, including consumer  
19 redress, as may be appropriate in each case. 15 U.S.C.  
20 § 53(b).

21 5. Defendant Tim Cho Investment Corporation, also doing  
22 business as TCI Corp. (collectively, "TCI"), is a California  
23 corporation with its headquarters and principal place of  
24 business at 19200 Von Karman Avenue, Suite 500, Irvine,  
25 California 92612. Since approximately 1998, TCI has been  
26 engaged in the advertising, marketing and sale of a "day  
27

1 trading" investment training seminar and manual for trading  
2 stocks, currencies, and S&P futures contracts. Tim Cho  
3 Investment Corporation transacts business in this District.

4 6. Defendant Timothy Cho is the sole shareholder,  
5 director and officer of the corporate defendant TCI. He also  
6 does business as MBN Irvine. At all times relevant to this  
7 complaint, acting alone or in concert with others, he has  
8 formulated, directed, controlled, or participated in the acts  
9 and practices of defendant TCI, including the acts and  
10 practices set forth in this complaint. He resides and  
11 transacts business in this District.

12 **COMMERCE**

13 7. The acts and practices of defendants, as alleged  
14 herein, are in or affecting commerce, as "commerce" is defined  
15 in Section 4 of the FTC Act, 15 U.S.C. § 44.

16 **DEFENDANTS' COURSE OF CONDUCT**

17 8. Since approximately 1998, defendants have engaged in  
18 the advertising, promotion, offering for sale, and sale of a  
19 "day trading" investment training seminar and manual for  
20 trading stocks, currencies, and S&P futures contracts to  
21 consumers located throughout the United States via Internet  
22 advertising, newspaper advertising, and e-mail notices sent to  
23 consumers. Through a network of affiliates, defendants offer  
24 training seminars to consumers throughout the United States.  
25 Defendants prepare all advertising and course materials for  
26  
27  
28

1 affiliates, and provide them with instructors to teach the two  
2 day seminar.

3 9. To induce consumers to purchase their two day "day  
4 trading" training seminar, defendants have disseminated  
5 Internet and newspaper advertisements, and have sent e-mail  
6 notices to consumers, including but not necessarily limited to  
7 the attached Exhibits A through M. Defendants advertise,  
8 promote and market the two day training seminar via an  
9 Internet Web site at [www.tccorp.net](http://www.tccorp.net) and on third party Web  
10 sites, such as [www.galaxymall.com](http://www.galaxymall.com). These advertisements  
11 contain the following statements:

12  
13 A. Computerized Trading

14 Learn how to become a professional trader . . .

15  
16 **Day Trading**

17 **Swing Trading**

18 **Long-term Trading**

19 **Futures market and Stock markets**

20 **S&P500 - E-mini - Currency - Stocks**

21  
22 **The absolute best and the most mechanical trading**  
23 **system that we know of in the financial market with**  
24 **a profit to loss ratio of 12 to 1 and an average**  
25 **return better than 18% per trade before slippages**  
26

1 In our opinion, you are about to be introduced to  
2 the most powerful trading systems ever developed.  
3 The trading systems are designed to keep you out of  
4 the market by only identifying the highest  
5 percentage profitable trades, when potential losses  
6 are at the lowest level and potential profits are at  
7 the highest levels. By learning our trading method,  
8 you will be taking a big step away from the crowd of  
9 amateurs and be on your way to becoming a successful  
10 professional trader. We believe our sophisticated  
11 trading system is the absolute best in the financial  
12 market. We also believe the performance of our  
13 trading systems is unmatched by any other systems  
14 that are currently in the market place. We couple  
15 this with state-of-the-art training facilities and  
16 the best on-going support system to ensure your  
17 success.

18  
19 **Requirements needed for this phenomenal opportunity**

20 NO experience

21 . . . . .

22 Exhibit A, emphasis in original. These statements appeared on  
23 defendants' home page on the Internet, <www.tcicorp.net>.

24  
25 B. TCI Corporation

1                   Astounding Income Opportunity

2  
3                   Earn Thousands Per Day Potential 6  
4                   to 7 Figure Income Per Year With  
5                   Computerized Day Trading

6  
7                   S&P 500 Index, Stock Markets, Currency  
8                   Market and Institutional Trading of Debt  
9                   Instruments

10  
11                  **Once in a lifetime opportunity to learn how**  
12                  **To earn a phenomenal income**

13                                   . . . .

14                  **What is computerized day trading?**

15  
16                  It is the buying or selling of a trading transaction  
17                  within one calendar day trading session. All trades  
18                  are completed within the same day. We use a  
19                  sophisticated data-feed computerized program that  
20                  has the ability to give us precise buying and  
21                  selling indicators, giving you the ability to make  
22                  trades to generate a substantial amount of profit.

23  
24                  **How much profit can be made?**

1 Using our formulas, historically average returns  
2 have been approximately 12% per trading day minus  
3 slippage and commission. . . . this is truly an  
4 unlimited income opportunity. . . The profit to  
5 loss ratio has been 13 to 2. This means our trading  
6 formulas have been profitable 13 out of 15 trades. .  
7 . we have done in depth back testing of these  
8 trading systems using historical data to ensure the  
9 accuracy of the systems. Therefore, you can use  
10 these systems with confidence.

11 . . . .

12 Exhibit B. These statements appeared on a USA Today Internet  
13 Web site for "Home Based Businesses,"  
14 <<http://usatoday.franchisesolutions.com>>.

15  
16 C. **COMPUTERIZED TRADING**

17  
18 S&P 500 Index, Stock Markets and Currency Markets

19 . . .

20 **How much profit can be made?**

21 . . . this is truly an unlimited income opportunity.  
22 Our trading system can generate profit in the  
23 markets whether the markets are going up or down.  
24 As a matter of fact, the system usually generates  
25 more profit when the markets are going down. The  
26 historical hypothetical\* profit to loss ratio has  
27 been better than 12 to 1. This means our trading  
28 formulas have been profitable 12 out of 13 trades

. . . . .

Exhibit C, emphasis in original. These statements appeared on the "earnings" page of defendants' Internet Web site, <www.tccicorp.net>.

D. COMPUTERIZED TRADING

S&P 500 Index and E-mini

S&P 500 Index - Hypothetical Trade Summary

Month	Winning Trades	Losing Trades	No Gains	Total Monthly Points	Average Points Per Trade	Hypo- thetical Profit Per Contract
Oct 98	11	1		+27.00	+2.25	\$6,750
Nov 98	31	2		+90.10	+2.73	\$22,525
Dec 98	26	0		+106.70	+4.10	\$26,675
Jan 99	13	0		+77.40	+5.95	\$19,350
Feb 99	11	1	1	+52.30	+4.36	\$13,075
Mar 99	17	1		+67.90	+3.77	\$16,975
Apr 99	10	1		+51.40	+4.67	\$12,850
May 99	8	0		+50.90	+6.36	\$12,725
Jun 99	10	0		+42.90	+4.29	\$10,725
Jul 99	10	1		+49.40	+4.49	\$12,350
Aug 99	19	2	1	+67.20	+3.05	\$16,800
Sep 99	13	1		+33.10	+2.36	\$8,270
12 Month Totals	179	10	2	+716.30	+3.75	\$179,070



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Exhibit D. This chart appeared on defendants' Internet Web site, <www.tcicorp.net>.

///  
///  
///

E. COMPUTERIZED TRADING

**System Performance**

**Guarantee**

TCI will guarantee that the performance of the primary trading system will produce at least two hundred points (which is equivalent to one thousand percent return) within twelve months from the first day you attend the class. The calculation of return is based on a \$5,000.00 margin requirement per S&P 500 contract. Point of entry and exit is calculated on the closing price of the one-minute chart that shows on TCI's data feed. The trading instrument we use to calculate the official points is the S&P 500. TCI will maintain the official records of the system performance at corporate headquarters. STUDENT may not challenge the system's official trading results. If our official records show the primary trading system failed to produce at least two hundred points within twelve months from the first day STUDENT attended the class. [sic] Upon request, we will refund 100% of the course fee that STUDENT paid

1 to TCI. Request for refund must be sent to TCI  
2 headquarters via certified mail within 30 days after  
3 the twelve-month period ends. Guarantee will expire  
4 when either of the following occur: A) Once the system  
5 reaches two hundred points profit from the first day  
6 you attended the class; or, B) After the 13<sup>th</sup> month ends  
7 without a written refund request as outlined above.  
8 This guarantee does not in any way apply to Student's  
9 actual trading results.

10  
11 For more information about this phenomenal  
12 opportunity,  
13 call this number now and achieve your goals  
14 today

15 . . . .

16 Exhibit E, emphasis in original. These statements appeared on  
17 the "system performance" page of defendants' Internet Web  
18 site, <www.tcicorp.net>.

19  
20 F. (i) THE MOST ASTOUNDING & POWERFUL INCOME  
21 OPPORTUNITY COMPUTERIZED DAY TRADING  
22 CAN EARN 6 TO 7 FIGURES INCOME PER YEAR  
23 Can prove performance. For free presentation

24 . . . .

25  
26 (ii) THE ABSOLUTE BEST DAY TRADING SYSTEM

27 . . . .

1 Earn thousands per day! 6 to 7 figure income  
2 per year.  
3 Can prove performance.

4 . . . . .

5 Exhibit F. These statements appeared in classified newspaper  
6 advertisements.

7 ///

8 ///

9

10 G. 6 to 7 -FIGURE-INCOME POTENTIAL  
11 Earn thousands of Dollars PER  
12 DAY!  
13 We Only Ask for 15-20 Minutes a  
14 Day!  
15 TRADING/STOCKS/S&P 500/CURRENCIES  
16 Fully Automated System: Both  
17 Novices and Experienced  
18 Traders Welcome  
19 CALL NOW for a Free Overview and  
20 Consultation

21 . . . . .

22 Exhibit G. These statements were contained in an e-mail  
23 notice sent to consumers.

24

25 H. Day Trading, Swing Trading and Long-Term  
26 Trading with Computerized Trading Systems

27 . . . . .

28 **We Set the Standards in the Financial Industry**

1           **Our Performance and Results Speak for Themselves**

2           **(Please see Historical Performance Section)**

3           . . .

4           **You are about to be introduced to some of the most**  
5           **powerful trading systems ever developed.**

6  
7           . . . Many investment professionals consider TCI's  
8           investment education as the very best in the financial  
9           industry. Many also believe the performance and the  
10          results of the TCI trading systems and methodology are  
11          unmatchable by any other systems that are currently in  
12          the market place.

13          . . . .

14       Exhibit H. These statements appeared on defendants' Home page  
15       on their Internet Web site, <www.tcicorp.net>, in September  
16       2000.

17  
18           I.                   Earning Potential

19       Our primary trading system's historical averaged  
20       returns have been approximately 18% per trade minus  
21       slippage and commission . . . this is truly an  
22       unlimited income opportunity. Our trading system can  
23       generate profit in the markets whether the markets are  
24       going up or down. As a matter of fact, the system  
25       usually generates more profit when the markets are  
26       going down. The historical hypothetical profit to loss  
27       ratio has been better than 12 to 1. This means our  
28       trading formulas have been profitable 12 out of 13

1 trades . . . In addition we have done in depth back  
2 testing of these trading systems using historical data  
3 to ensure the accuracy of the systems. So you can use  
4 these systems with confidence.

5 . . . .

6 Exhibit I. These statements appeared on defendants' Internet  
7 Web site, <www.tcicorp.net>, in September 2000.

8  
9 J. System Performance Guarantee

10 TCI will guarantee that the performance of the primary  
11 trading system will product at least two hundred points  
12 (which is equivalent to one thousand percent return)  
13 within twelve months from the first day you attend the  
14 class.

15 . . . .

16 Exhibit J. This statement appeared on defendants' Internet  
17 Web site, <www.tcicorp.net>, in September 2000.

18  
19 K. Questions and Answers

20 . . . The historical system performances of all of our  
21 systems are astounding. You can see the systems  
22 performance results on the website.

23  
24 . . . Many of TCI graduates go on to become successful  
25 traders and investors.

26 . . . .

27 Exhibit K. These statements appeared on defendants' Internet  
28 Web site, <www.tcicorp.net>, in September 2000.

L. The following trading system results are not achievable in real trading because slippage and the psychological factors of a trader cannot be accurately accounted for.

///

///

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///

///

Nasdaq Trading System

Day Trading System      Swing Trading System      Long Term Stock System

Historical Performance

SUMMARY      Select Year [2000] GO      MONTHS

S&P 500 Day Trading - Hypothetical Trade Summary

We are making updates to the system and some trades are not available						
Click Month To See Daily Trades	Winnin g Trades	Losin g Trade s	No Gains	Total Monthl y Points	Averag e Points Per Trade	Hypothet ical Profit Per Contract
Jan 2000	17	3	1	+61.1	+2.91	\$15,275
Feb 2000	18	2	1	+84.8	+4.04	\$21,200
March 2000	10	3	0	+42.1	+3.24	\$10,525

April 2000	12	1	2	+51.8	+3.45	\$12,950
May 2000	8	2	1	+36.1	+3.28	\$9,025
June 2000	22	3	2	+79.9	+2.96	\$19,975
July 2000	107	23	10	+327.7	+2.32	\$81,925
Aug 2000	96	28	5	+219.2	+1.7	\$54,800
Sept 2000	103	33	2	+326.9	+2.37	\$81,725
<b>2000 Totals</b>	<b>393</b>	<b>98</b>	<b>24</b>	<b>+1223.6</b>	<b>+2.38</b>	<b>\$305,900</b>

. . . .

Exhibit L. These statements appeared on defendants' Internet Website, <www.tcticorp.net>, in September 2000.

M. Student Testimonials

. . . It has been exactly two months since taking your course and in that time, your systems have produced outstanding results. The Primary trading system has generated 147.9 points before commissions and slippage. If you consider the cost of the class as an investment (as I do) that would be a ROI of %616! If you take the Swing trading into consideration, it has made 188.4 points. This would give you a return of %1401. . .

I have had very good success with the Stock Swing Trading system. I have been trading my portfolio using your method, and during the month of February, increased my capital by 31%.

. . . .

1 I have been trading using TCI systems for over a year.  
2 I day trade, swing trade and trade stocks and options,  
3 all using the system. It combines the best of  
4 technical and fundamental analysis. For the past six  
5 months, I am averaging over \$50,000 per month in  
6 profit.

7 . . . .

8 Exhibit M. These statements appeared on defendants' Internet  
9 Web site, <www.tcicorp.net>, in September 2000.

10  
11 10. Defendants charge consumers \$6,000.00 to take their  
12 two day training seminar.

13 ///

14 ///

15 11. Defendants were notified on June 4, 1999, by the  
16 Securities Division of the Office of the Secretary of the  
17 Commonwealth of Massachusetts that ". . . it is undeniably  
18 clear that the published advertisements created and employed  
19 by the Respondents [Defendants TCI and Timothy Cho in the  
20 instant matter] are fraudulent, misleading and deceptive."

21 Exhibit N is a copy of a Hearing to Dissolve Ex Parte Order,  
22 dated June 4, 1999, issued by the Director, Securities  
23 Division, Commonwealth of Massachusetts, Matthew J. Nestor.

24  
25 **DEFENDANTS' VIOLATIONS OF THE FTC ACT**

26 12. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a),  
27 prohibits deceptive acts or practices in or affecting  
28 commerce. As set forth below, the defendants have engaged and



1 are continuing to engage in such unlawful practices in  
2 connection with the marketing and sale of their "day trading"  
3 investment training seminar.

4 COUNT ONE

5 13. Defendants have represented, expressly or by  
6 implication, including through the statements contained in the  
7 advertisements attached as Exhibits A through M, that:

8  
9 a. Users of defendants' investment trading methods can  
10 reasonably expect to achieve substantial profits on  
11 a consistent basis on their trades (e.g., 18% per  
12 trade).

13  
14 b. Users of defendants' investment trading methods can  
15 reasonably expect that 12 out of every 13 trades  
16 they make will be profitable.

17  
18 c. Users of defendants' investment trading methods can  
19 reasonably expect to make an unlimited income,  
20 thousands per day, or as much as six to seven  
21 figures annually (e.g., more than \$1,000,000).

22  
23 d. A typical trader using defendants' investment  
24 trading methods could have made \$179,070 in 179  
25 trades in 1998 through 1999.

26  
27 e. A typical trader using defendants' investment  
28 trading methods could have made \$305,900 in 393

1 winning trades in the first nine months of the year  
2 2000.

3  
4 f. Users of defendants' S&P futures trading methods  
5 will earn a guaranteed one thousand percent return  
6 on their investment within one year.

7  
8 14. Defendants did not possess and rely upon a  
9 reasonable basis that substantiated the representations set  
10 forth in Paragraph 13 above, at the time the representations  
11 were made.

12 15. Therefore, the making of the representations set  
13 forth in Paragraph 13 above was, and is, a deceptive act or  
14 practice in violation of Section 5(a) of the FTC Act, 15  
15 U.S.C. §§ 45(a).

16 ///

17 **COUNT TWO**

18 16. Defendants have represented, expressly or by  
19 implication, including through the statements contained in the  
20 advertisements attached as Exhibits A through M, that users of  
21 their investment trading methods can reasonably expect to  
22 trade profitably with little financial risk.

23 17. In truth and in fact, users of defendants'  
24 investment trading methods cannot reasonably expect to trade  
25 with little financial risk.

26 18. Therefore, the making of the representation set  
27 forth in Paragraph 16 above was, and is, a deceptive act or  
28

1 practice in violation of Section 5(a) of the FTC Act, 15  
2 U.S.C. §§ 45(a).

3  
4 **CONSUMER INJURY**

5 19. Consumers throughout the United States have suffered  
6 and continue to suffer substantial monetary loss as a result  
7 of defendants' unlawful acts or practices. In addition,  
8 defendants have been unjustly enriched as a result of their  
9 unlawful practices. Absent injunctive relief by this Court,  
10 defendants are likely to continue to injure consumers, reap  
11 unjust enrichment, and harm the public interest.

12  
13 **THIS COURT'S POWER TO GRANT RELIEF**

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

19 **PRAYER FOR RELIEF**

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

23 (a) Enjoin defendants preliminarily and permanently from  
24 violating Section 5(a) of the FTC Act, as alleged herein, in  
25 connection with the advertising or sale of "day trading"  
26 investment training seminars or any investment trading  
27 programs offered for sale.

1 (b) Award such equitable relief as the Court finds  
2 necessary to redress injury to consumers resulting from  
3 defendants' violations of the FTC Act, including, but not  
4 limited to, rescission of contracts, the refund of monies  
5 paid, and the disgorgement of ill-gotten gains; and

6 (c) Award plaintiff the costs of bringing this action,  
7 as well as such other and additional equitable relief as the  
8 Court may deem just and proper.

9  
10 Dated: March \_\_\_\_, 2001

Respectfully Submitted,

11 DEBRA A. VALENTINE  
12 General Counsel

13  
14 \_\_\_\_\_  
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16 Amy Brothers  
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