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9 UNITED STATES DISTRICT COURT
10 CENTRAL DISTRICT OF CALIFORNIA
11 SOUTHERN DIVISION

12
13 FEDERAL TRADE COMMISSION,

14 Plaintiff,
15 v.

16 TAMARA BELL, individually and as an
17 officer or director of American Veterans'
18 Council, Inc., Children's AIDS Council,
19 Inc., Children's Relief Services, Inc.,
20 Disabled Children's Charity, Inc.,
21 Firefighters' Assistance Foundation, Inc.,
22 and Police and Sheriffs' Support Fund,
23 Inc.; and AMERICAN VETERANS'
24 COUNCIL, INC.; CHILDREN'S AIDS
25 COUNCIL, INC.; CHILDREN'S
26 RELIEF SERVICES, INC.; DISABLED
27 CHILDREN'S CHARITY, INC.;
28 FIREFIGHTERS' ASSISTANCE
FOUNDATION, INC.; and POLICE
AND SHERIFFS' SUPPORT FUND,
INC., California Corporations.
Defendants.

Civil No. SA CV-

COMPLAINT FOR
INJUNCTIVE AND OTHER
EQUITABLE RELIEF

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

27 1. The Commission brings this action under Section 13(b) of the Federal
28 Trade Commission Act ("FTC Act"), 15 U.S.C. § 53(b), to obtain permanent

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

6 **JURISDICTION AND VENUE**

7 2. Subject matter jurisdiction is conferred upon this Court by 15 U.S.C.
8 §§ 45(a) and 53(b) and by 28 U.S.C. §§ 1331, 1337(a), and 1345.

9 3. Venue in the Central District of California is proper under 15 U.S.C.
10 § 53(b) and 28 U.S.C. § 1391(b) and (c).

11 **THE PARTIES**

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

19 5. Defendant Tamara Bell, is an officer or director of American Veterans'
20 Council, Inc., Children's AIDS Council, Inc., Children's Relief Services, Inc.,
21 Disabled Children's Charity, Inc., Firefighters' Assistance Foundation, Inc., and
22 Police and Sheriffs' Support Fund, Inc. (collectively the "corporate defendants").
23 Individually or in concert with others, at all times material to this complaint, Tamara
24 Bell has formulated, directed, controlled, or participated in the acts and practices of
25 the corporate defendants as alleged herein. She has transacted business in the
26 Central District of California.

27 6. Defendant American Veterans' Council, Inc., is a California
28 corporation located at 515 South Knott, # 203, Anaheim, CA 92804. A non-stock

1 public benefit corporation, it is organized to carry on business for its own profit or
2 that of its members within the meaning of Section 4 of the FTC Act. It operates in
3 the Central District of California and elsewhere throughout the United States.

4 7. Defendant Children's AIDS Council, Inc., is a California corporation
5 located at 515 South Knott, # 203, Anaheim, CA 92804. A non-stock public
6 benefit corporation, it is organized to carry on business for its own profit or that of
7 its members within the meaning of Section 4 of the FTC Act. It operates in the
8 Central District of California and elsewhere throughout the United States.

9 8. Defendant Children's Relief Services, Inc., is a California corporation
10 located at 515 South Knott, # 203, Anaheim, CA 92804. A non-stock public
11 benefit corporation, it is organized to carry on business for its own profit or that of
12 its members within the meaning of Section 4 of the FTC Act. It operates in the
13 Central District of California and elsewhere throughout the United States.

14 9. Defendant Disabled Children's Charity, Inc., is a California
15 corporation located at 515 South Knott, # 203, Anaheim, CA 92804. A non-stock
16 public benefit corporation, it is organized to carry on business for its own profit or
17 that of its members within the meaning of Section 4 of the FTC Act. It operates in
18 the Central District of California and elsewhere throughout the United States.

19 10. Defendant Firefighters' Assistance Foundation, Inc., is a California
20 corporation located at 515 South Knott, # 203, Anaheim, CA 92804. A non-stock
21 public benefit corporation, it is organized to carry on business for its own profit or
22 that of its members within the meaning of Section 4 of the FTC Act. It operates in
23 the Central District of California and elsewhere throughout the United States.

24 11. Defendant Police and Sheriffs' Support Fund, Inc., is a California
25 corporation located at 515 South Knott, # 203, Anaheim, CA 92804. A non-stock
26 public benefit corporation, it is organized to carry on business for its own profit or
27 that of its members within the meaning of Section 4 of the FTC Act. It operates in
28 the Central District of California and elsewhere throughout the United States.

1 **COMMERCE**

2 12. At all times relevant to this complaint, defendants have maintained a
3 substantial course of conduct in or affecting commerce, as “commerce” is defined
4 in Section 4 of the FTC, 15 U.S.C. § 44.

5 **DEFENDANTS’ COURSE OF CONDUCT**

6 13. The corporate defendants are sham nonprofits created and controlled
7 by unscrupulous fundraisers for their personal profit. These fundraisers used the
8 nonprofit facades to collect millions of dollars in donations from unwitting,
9 generous consumers. While appearing on paper to be legitimate nonprofit
10 organizations, in reality each of these corporations did little more than provide for-
11 profit fundraisers with solicitation materials falsely touting non-existent good works
12 and a bank account in which to cash donation checks.

13 14. None of the corporate defendants operate as bona fide nonprofits
14 whose primary purpose is to serve the public interest. Rather, the corporate
15 defendants are instrumentalities of private persons who control the actions of the
16 corporations to support their private pecuniary interests. The nonprofits were
17 denied tax-exempt status by the Internal Revenue Service. They do not have
18 independent volunteer Board members who plan the future activities and budgets of
19 the nonprofits with the exclusive goal of furthering the public interest, but rather are
20 controlled by individuals who use the guise of operating as a nonprofit for their
21 own private benefit.

22 15. Defendant Tamara Bell incorporated each of the defendant
23 corporations as a nonprofit, non-stock, corporation in early 2001, at the direction
24 of her employers, professional fundraisers Timothy Lyons and Roger Lane. The
25 corporate defendants then signed exclusive fundraising contracts authorizing Lyons
26 and Lane to solicit donations in their respective names. Through June 2002,
27 fundraisers Lyons and Lane controlled the nonprofits, dictating how much each
28 nonprofit was paid, the claims made in solicitations for each nonprofit, and the

1 geographic locations where solicitations were made.

2 16. Defendant Bell left her employment with Lyons and Lane in about June
3 2002, taking the corporate shells she had created with her. She then contracted
4 directly with telephone fundraisers to solicit in the name of each nonprofit. She
5 did not change the solicitation scripts and brochures used by the fundraisers. To
6 entice fundraisers to solicit for her nonprofits, Bell offered contracts that paid the
7 fundraisers as much as 95 % of all funds raised. The remaining monies support
8 Bell and the fundraising infrastructure, but do not allow for the fulfillment of the
9 charitable missions that each nonprofit corporation purportedly exists to
10 accomplish.

11 17. In order to maximize the chance of obtaining donations from
12 charitable-minded citizens, Lyons and Lane devised solicitation materials for each
13 nonprofit describing worthwhile programs that contributions would supposedly
14 fund. For example, telephone solicitation scripts claimed that American Veterans'
15 Council has "a scholarship/grant program to help veterans and their immediate
16 families to become better educated" and provides "clothing food and shelter to
17 homeless veterans." Scripts for the Firefighters' Assistance Foundation claimed to
18 provide fire extinguishers, smoke detectors and multi-lingual brochures on planning
19 escape routes to low income families. The Police and Sheriffs' Support Fund
20 promised donors that it provides free self defense classes to the general public and
21 provides financial support to the families of police officers and sheriffs who are
22 injured or slain in the line of duty. Glossy brochures for the Disabled Children's
23 Charity tell about providing needy children with medical equipment such as braces
24 and wheelchairs and installing ramps. Similar brochures for Children's Relief
25 Services claim to offer a medical assistance program and to help provide
26 underprivileged youths to get adequate food and shelter, while the Children's AIDS
27 Council claims to provide funds for medical research and assistance to hospitals
28 with infant AIDS wards.

1 18. Thinking their donations would support these programs donors from
2 New York to Virginia to California sent millions of dollars to these nonprofits. The
3 programs were mere phantoms, however, and the donors were deceived and the
4 public good deprived of their intended support.

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

6 19. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits deceptive
7 acts and practices in or affecting commerce.

8 **COUNT ONE**

9 **MISREPRESENTATION THAT DONATION IS FOR CHARITY**

10 20. In numerous instances, in connection with soliciting contributions
11 from prospective donors, defendants, directly or through their fundraising agents,
12 have represented, expressly or by implication, that the consumer's donation will go
13 to a legitimate charitable organization whose primary purpose is to serve the public
14 good by assisting veterans, children, police or firefighters.

15 21. In truth and in fact, the consumer's donation does not go to a
16 legitimate charitable organization whose primary purpose is to serve the public
17 good, but instead goes to corporate entities controlled by private persons for their
18 individual pecuniary gain.

19 22. Therefore, the representation described in Paragraph 21 is false and
20 misleading and constitutes a deceptive act or practice in violation of Section 5(a)
21 of the FTC Act, 15 U.S.C. § 45(a).

22 **COUNT TWO**

23 **MISREPRESENTATION OF LOCAL BENEFIT**

24 23. In numerous instances, in connection with soliciting contributions
25 from prospective donors, defendants, directly or through their fundraising agents,
26 represent, expressly or by implication, that donors' contributions will directly
27 benefit persons or programs in the donors' state or local areas, or will be
28 earmarked for use in the donors' communities.

1 **PRAYER FOR RELIEF**

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

4 (1) Permanently enjoin defendants from violating Section 5(a) of the FTC
5 Act as alleged in this complaint;

6 (2) Award such relief as the Court finds necessary to remedy the
7 defendants' violations of Section 5(a) of the FTC Act, including, but not limited to
8 the refund of monies paid and the disgorgement of ill-gotten gains; and

9 (3) Award the Commission the costs of bringing this action, as well as
10 such other and additional equitable relief as the Court may determine to be proper
11 and just.

12
13 DATED: _____,

14 Respectfully submitted,

15 William E. Kovacic
16 General Counsel
17 CHARLES A. HARWOOD
18 Regional Director
19 TRACY S. THORLEIFSON
20 Attorneys for Plaintiff
21 Federal Trade Commission

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By: _____
Tracy S. Thorleifson