

FEDERAL TRADE COMMISSION

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U.S. DISTRICT COURT

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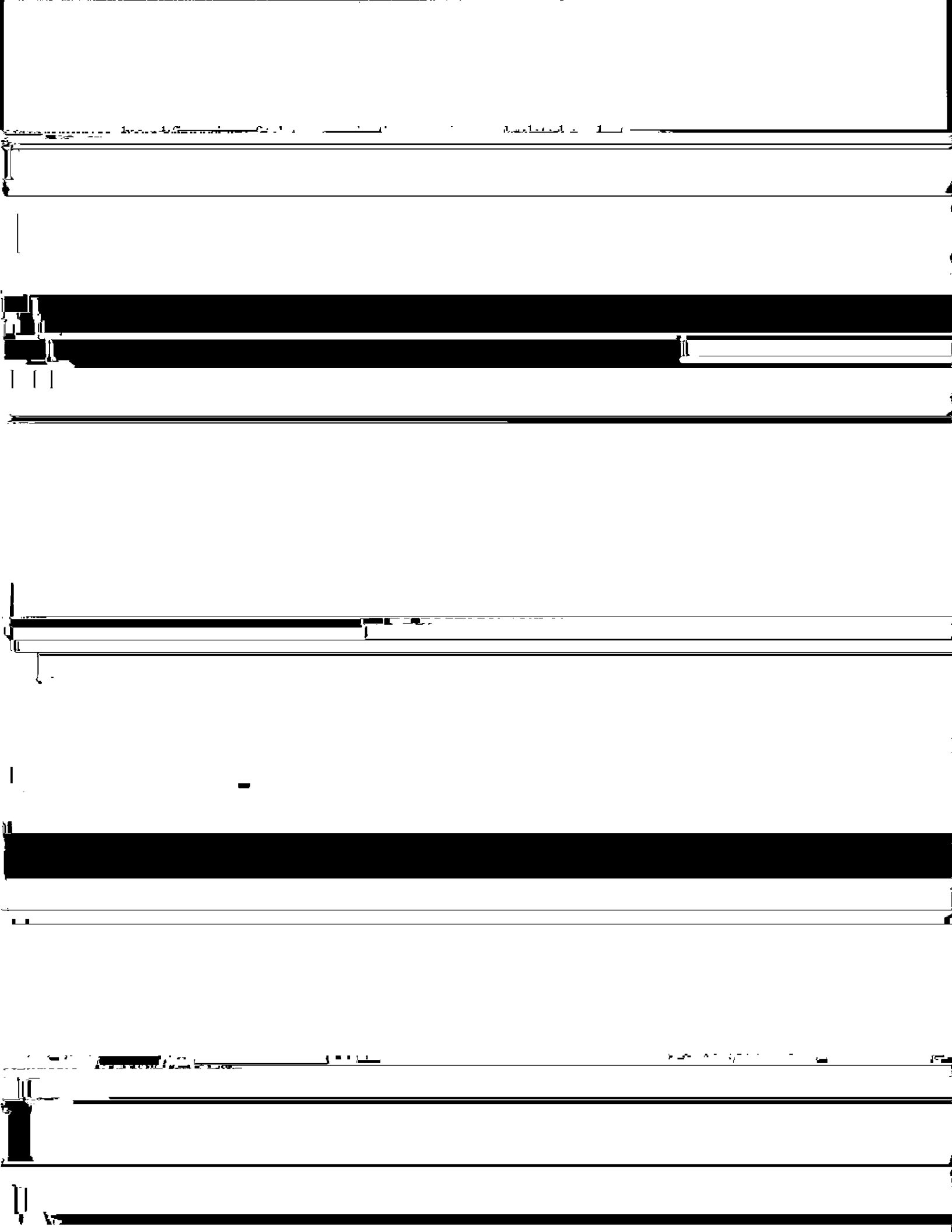
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COMMERCE

6. At all times material hereto, defendant was engaged in the business of selling and financing telecommunications services and related products to small businesses and others, in or affecting commerce, as "commerce" is defined in Section 4 of the FTC Act, 15 U.S.C. § 44.

DEFENDANT'S BUSINESS ACTIVITIES

7. NorVergence's principal business since at least 2002, and continuing until shortly before its bankruptcy filing in July 2004, has been reselling telecommunications services, purchased from common carriers or others, principally to small businesses, non-profit organizations, churches, and municipalities. NorVergence marketed its services as integrated, long-term packages, including landline and cellular telephone service and Internet access.

8. NorVergence set its price for the service packages without regard to its cost of providing the services, which was likely to be much higher. Instead, it set a price based on

used to connect telephone equipment to a long-distance provider's T-1 or similar data line. It is wholly unrelated to cellular phone access. It does not establish or change the costs of the long distance service significantly, if at all. It cannot provide unlimited minutes, and NorVergence is not obligated to provide unlimited minutes. *Orion Communications Corporation, Sprint*

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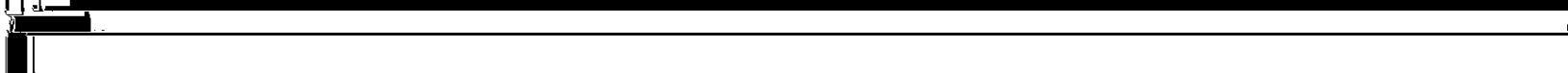
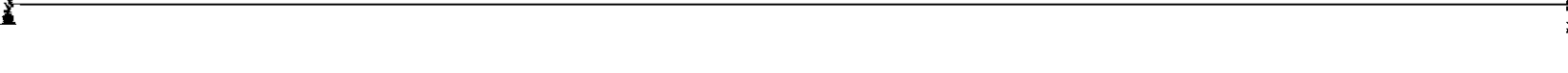
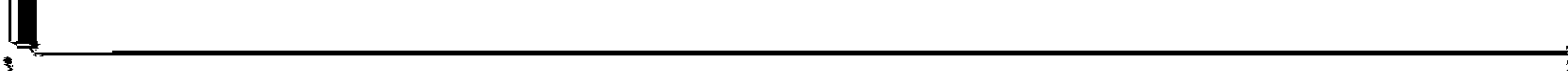
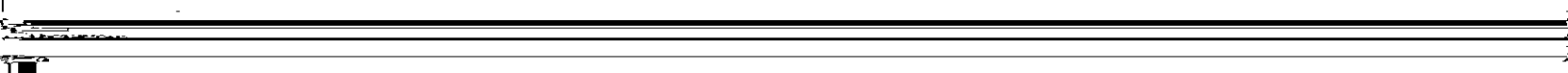
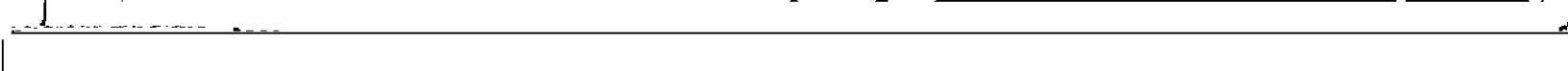
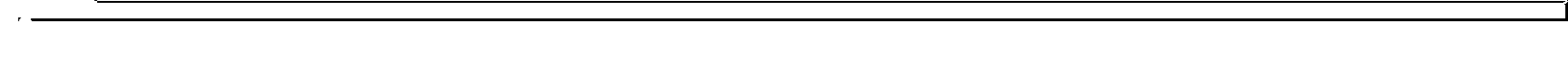
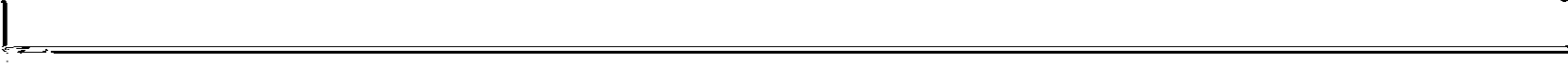
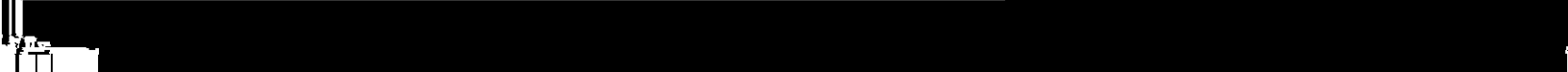
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The total cost to the customer was \$24,000 to \$340,000 for "renting" the \$1,500 Matrix box.



those agreements. If these contracts are assigned or sold, either by the Chapter 7 trustee or by

NorVarencia if the bankruptcy action is dismissed, the customers could be subject to the same

27. In truth and in fact:

a. Payment on the rental agreement and associated service agreements would not

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- a. That it had no long-term commitment from any service provider for the services it was promising to provide to its customers.
- b. That the equipment covered by the rental agreement would be of little or no value to the customer if NorVergence failed to provide the promised telecommunications services.

31. These facts would have been material to consumers in their contracting with NorVergence for services and rental of the equipment. The failure to disclose these facts, in light of the representations made in Paragraph 29 above, is a deceptive act or practice in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

COUNT III

32. In numerous instances, in connection with the deceptive sale and financing of

provides the promised telecommunications services; and

b. File collection suits in distant forums,

NorVergence provided others with the means and instrumentalities for the commission of deceptive or unfair acts or practices.

35. Therefore, defendant's practices, as set forth in paragraph 34, constitute deceptive or unfair acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

CONSUMER INJURY

36. Consumers throughout the United States have suffered substantial monetary loss as a result of defendant's unlawful acts or practices. In addition, defendant has been unjustly enriched as a result of its unlawful practices. Absent injunctive relief by this Court, and depending on the proceedings in and outcome of the bankruptcy case, defendant may continue to injure consumers and to harm the public interest.

THIS COURT'S POWER TO GRANT RELIEF

37. Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), empowers the Court to grant

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[REDACTED]

[REDACTED]

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