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13

14 **UNITED STATES DISTRICT COURT**
FOR THE DISTRICT OF NEVADA
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17 **FEDERAL TRADE COMMISSION,** **Plaintiff,**
18 **v.**

19 **JEREMY JOHNSON, individually, as officer of**
Defendants I Works, Inc.; Cloud Nine, Inc.; CPA
20 **Upsell, Inc.; Elite Debit, Inc.; Internet Economy,**
Inc.; Market Funding Solutions, Inc.; and
21 **Success Marketing, Inc.; as a member of**
Defendant Network Agenda LLC; and as the *de*
22 ***facto* principal of numerous Defendant Shell**
Companies identified below;

10-cv-2203-RLH (GWF)

COMPLAINT

23 **DUANE FIELDING, individually, as an officer**
of Anthon Holdings, Inc., and as a member of
24 **Defendant Network Agenda LLC;**

ANDY JOHNSON, individually, as a manager of
I Works, Inc., and as titular principal of
numerous Defendant Shell Companies identified
below;

LOYD JOHNSTON, ind

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- 1 **FISCAL FIDELITY, INC., a Nevada**
- 2 **Corporation;**
- 3 **FITNESS PROCESSING, INC., a California**
- 4 **Corporation;**
- 5 **FUNDING SEARCH SUCCESS, INC., a Nevada**
- 6 **Corporation;**
- 7 **FUNDING SUCCESS, INC., a Nevada**
- 8 **Corporation;**
- 9 **GG PROCESSING, INC., a California**
- 10 **Corporation;**
- 11 **GGL REWARDS, INC., a Nevada Corporation;**
- 12 **HIGHLIGHT MARKETING, INC., a California**
- 13 **Corporation;**
- 14 **HOOPER PROCESSING, INC., a Nevada**
- 15 **Corporation;**
- 16 **INTERNET BUSINESS SOURCE, INC., a**
- 17 **California Corporation;**
- 18 **INTERNET FITNESS, INC., a Nevada**
- 19 **Corporation;**
- 20 **JET PROCESSING, INC., a Utah Corporation;**
- 21 **JRB MEDIA, INC., a Nevada Corporation;**
- 22 **LIFESTYLES FOR FITNESS, INC., a Nevada**
- 23 **Corporation;**
- 24 **MIST MARKETING, INC., a California**
- 25 **Corporation;**
- 26 **MONEY HARVEST, INC., an Oklahoma**
- 27 **Corporation;**
- 28 **MONROE PROCESSING, INC., an Oklahoma**
- 29 **Corporation;**
- 30 **NET BUSINESS SUCCESS, INC., a California**
- 31 **Corporation;**
- 32 **NET COMMERCE, INC., a New York**
- 33 **Corporation;**
- 34 **NET DISCOUNTS, INC., a Nevada**
- 35 **Corporation;**

1 **NET FIT TRENDS, INC., a Ca**

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1 Shell Companies using maildrop addresses and straw-figures as owners and officers because they
2 knew that it was unlikely they could obtain additional merchant accounts using existing
3 companies, due to these companies' negative chargeback histories. Defendants then applied
4 through intermediaries called Payment Processors for new merchant accounts in the names of
5 these "front" companies in order to continue processing the credit and debit card charges for the
6 online memberships Defendants sell. They have also attempted to drive down their chargeback
7 rates by threatening to report consumers who seek chargebacks to an Internet consumer blacklist
8 they operate called "BadCustomer.com" that will "result in member merchants blocking [the
9 consumer] from making future purchases online!" And they have attempted to counter the large
10 number of complaints about their conduct by flooding the Internet with supposedly independent
11 positive articles and other web pages.

12 5. Defendants lure consumers into their scam through websites that claim to offer
13 free or risk-free information about products or services ("products" or "programs") such as
14 government grants to pay personal expenses and Internet-based money-making opportunities. As
15 explained in greater detail below, Defendants' government grant and money-making opportunity
16 websites are replete with misrepresentations about the availability of grants for personal expenses
17 and the likely profitability of the money-making opportunities. Moreover, the government grant
18 websites frequently feature testimonials that falsely represent that consumers who use
19 Defendants' grant program are likely to obtain grants such as those obtained by the consumers in
20 the testimonials.

21 6. Consumers who arrive at Defendants' websites fill out a form and provide their
22 credit card or bank account information under the mistaken belief that their credit cards will be
23 charged or bank accounts debited only a small fee for shipping and handling, such as \$1.99 or
24 \$2.99, to receive information about obtaining government grants or making substantial amounts
25 of money. However, buried in the fine print on the Defendants' websites (if disclosed at all) or
26 on a separate Terms page are details that completely transform the offer as understood by
27 consumers. Instead of providing a free product or service for the nominal shipping and handling
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1 **PLAINTIFF**

2 11. The FTC is an independent agency of the United States Government created by
3 statute. 15 U.S.C. §§ 41-58. The FTC enforces Section 5(a) of the FTC Act, 15 U.S.C. § 45(a),
4 which prohibits unfair or deceptive acts or practices in or affecting commerce. The FTC also
5 enforces EFTA, 15 U.S.C. § 1693o(c), and Section 205.10(b) of Regulation E, 12 C.F.R.
6 § 205.10(b).

7 12. The FTC is authorized to initiate federal district court proceedings, by its own
8 attorneys, to enjoin violations of the FTC Act, EFTA, and Regulation E and to secure such other
9 equitable relief as may be appropriate in each case, including restitution and disgorgement.
10 15 U.S.C. §§ 53(b), 56(a)(2)(A), and 1693o(c).

11 **DEFENDANTS**

12 ***The Corporate Defendants***

13 13. **I Works, Inc.** (“I Works”) is a Utah company incorporated in 2000. Its
14 headquarters is located at 249 East Tabernacle Street, Suite 200, St. George, UT 84770, and it
15 has a satellite office at 100 Wilshire Blvd, Suite 750, Santa Monica, CA 90401. I Works is in the
16 business of Internet marketing. Its web servers are in several states, including Nevada.
17 Defendant Jeremy Johnson (“J. Johnson” or “Jeremy Johnson”), the mastermind for the I Works
18 Enterprise, is I Works’s sole owner and officer.

19 14. I Works does, or has done, business under numerous names including Acai, Blue
20 Sky Marketing, Business Funding Success, ClickNOffer, Denta-brite, Easy Grant Finder, Fast
21 Gov Grants, Fit Factory, GrantAcademy.com, GrantCreator.com, Grant Professor, Grant Master,
22 Grant Search, Grant Writer, Internet Economy, JRS Media Solutions, Living Lean, Net Pro
23 Marketing, Online Auction Solutions, Quick Grant Pro, Raven Media, Rebate Millionaire, SBA,
24 Track It Daily, Websavers, and 501c3.

25 15. I Works markets its products as both core products and as Forced Upsells.
26 I Works’s scheme typically involves the marketing of a core product with one or more Forced
27 Upsells. The same product can appear as the core product on one I Works website and as a
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1 Forced Upsell on a different I Works website. Using numerous merchant accounts with banks
2 such as Wells Fargo, N.A., HSBC Bank USA, First Regional Bank, Harris National Association,
3 and Columbus Bank and Trust Company, I Works has processed millions of credit and debit card
4 charges.

5 16. I Works also bundles its products as Upsells with the core products offered on the
6 websites of numerous marketing partners. In most instances, I Works requires that its products
7 be bundled as Forced Upsells with the marketing partner's core product.

8 17. I Works also provides numerous other on-line sellers with various services
9 including marketing the seller's product, processing credit and debit card charges for the product
10 through I Works's merchant accounts, responding to inquiries from Payment Processors and
11 banks, and/or handling customer service for these on-line sellers ("clients"). In numerous
12 instances, I Works bundles its products as Forced Upsells with the client's core product.

13 18. I Works markets its products and those of its clients on its own websites, on the
14 websites of its marketing partners, and through network marketing groups. Most of I Works's
15 offers fall into one of three lines: Government Grants for personal expenses, Make-Money
16 schemes, and Stay Healthy programs. I Works markets and sells these products under hundreds
17 of different names including Cost Smashers, Diet Central For Life, Express Business Funding,
18 Everyday Legal Forms, Fast Funding Solutions, Fit Factory, Funding Accelerator, Google Money
19 Profit, Grant Resource Center, Living Lean, Network Agenda, Personal Wealth, and Rebate
20 Millionaire.

21 19. I Works also operates, through Bottom Dollar, a Shell Company, the website
22 BadCustomer.com, which Defendants identify as an Internet consumer blacklist. Defendants
23 claim that consumers who seek chargebacks for the charges Defendants post to consumers' credit
24 card accounts will be reported to BadCustomer.com, which "will result in member merchants
25 blocking [the consumer] from making future purchases online!"

26 20. I Works also sells to telemarketers and list brokers "leads" that are consumers'
27 personal information, including sometimes consumers' billing information.

1 21. I Works has at least 18 active depository accounts in its own name at six different
2 banks. Since 2006, Defendants' sale of core products, Upsells (including Forced Upsells) and
3 consumer leads has generated more than \$350 million in sales.

4 22. I Works transacts or has transacted business in this District and throughout the
5 United States.

6 23. **Anthon Holdings Corp.** ("Anthon"), a company incorporated in Utah in 2003, is
7 located at 249 East Tabernacle Street, Suite 105, St. George, UT 84770. Defendant Duane
8 Fielding is Anthon's sole owner and officer.

9 24. Anthon does, or has done, business under various fictitious names, including
10 Network Agenda, Office Agenda, and PC Passport. These are also the names of products that
11 I Works includes as Forced Upsells with the core products that I Works markets.

12 25. In 2008, Anthon entered into an agreement with the Payment Processor Litle &
13 Co. through which it obtained merchant accounts in the name of various fictitious entities so that
14 Defendants could process the credit and debit card charges for I Works's sale of core products
15 and Upsells, many of which were Forced Upsells bundled with core products sold by I Works's
16 marketing partners and clients. Anthon was in VISA's Merchant Chargeback Monitoring
17 Program because of high chargeback levels associated with these accounts.

18 26. Anthon transacts or has transacted business in this District and throughout the
19 United States.

20 27. **Cloud Nine Marketing, Inc.** ("Cloud Nine"), a company incorporated in Nevada
21 in 2008, uses a maildrop address at 2232 South Nellis Blvd., Box # 333, Las Vegas, NV 89104.
22 Defendant Jeremy Johnson is Cloud Nine's sole owner and officer.

23 28. Cloud Nine does, or has done business, under various fictitious names, including
24 Fit Factory and Acai.

25 29. Cloud Nine obtained one or more merchant accounts in the name of various
26 fictitious entities, including Fitness Factory and Try Genuine Acai, so that Defendants could
27 process credit and debit card charges for I Works's sale of core products and Upsells, many of
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1 which were Forced Upsells bundled with core products sold by I Works’s marketing partners and
2 clients. Cloud Nine used various Payment Processors, including Litle & Co. and ECHO, to
3 obtain these merchant accounts.

4 30. In September 2008, I Works employees, using funds from I Works, opened one or
5 more depository accounts in the name of Cloud Nine, including an account at The Village Bank.
6 Since that time, Cloud Nine has transferred funds to I Works.

7 31. Cloud Nine transacts or has transacted business in this District and throughout the
8 United States.

9 32. **CPA Upsell, Inc.** (“CPA Upsell”), a company incorporated in California in
10 January 2009, is located at 100 Wilshire Blvd., Suite 750, Santa Monica, CA 90401, which is
11 also the address for I Works’s satellite office. Defendant Jeremy Johnson is CPA Upsell’s sole
12 owner and officer.

13 33. In 2009, some or all of I Works’s in-house sales agents moved from the I Works
14 headquarters in St. George, Utah, to the offices of I Works and CPA Upsell in Santa Monica,
15 California.

16 34. CPA Upsell markets numerous products to on-line sellers to place on their own
17 websites as Upsells. On-line sellers that do so become I Works’ marketing partners. I Works
18 processes the monthly charges or debits, and handles the customer service, for these Upsells.
19 These products include, but are not limited to, Calling Card Solutions, Credit Repair Toolkit,
20 Easy Google Profit, Express Business Funding, GetLoving.com, Grant Writer Pro, Grant
21 Master/Grant Search Assistant, Network Agenda, Rebate Millionaire, and Self Help Works.

22 35. CPA Upsell provides technical support to I Works’s marketing partners in
23 connection with the I Works Upsells.

24 36. In 2009, I Works employees, using funds from I Works, opened one or more
25 depository accounts in the name of CPA Upsell, including an account at The Village Bank.
26 Since that time, CPA Upsell has continued to receive infusions of cash from I Works. CPA
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1 Upsell's bank statements are sent to I Works's headquarters at 249 East Tabernacle, Suite 200,
2 St. George, UT 84770.

3 37. CPA Upsell transacts or has transacted business in this District and throughout the
4 United States.

5 38. **Elite Debit, Inc.** ("Elite Debit"), a company incorporated in Utah in December
6 2009, is located at 249 East Tabernacle, Suite 200, St. George, UT 84770. Defendant Jeremy
7 Johnson is Elite Debit's sole owner and officer.

8 39. Elite Debit processes credit and debit card charges, and uses remotely-created
9 payment orders, to charge or debit consumers' accounts for I Works's sale of core products and
10 Upsells, many of which are Forced Upsells bundled with core products sold by I Works'
11 marketing partners and clients.

12 40. In December 2009, I Works employees, using funds from I Works, opened one or
13 more depository accounts in the name of Elite Debit, including an account at the SunFirst Bank.
14 Elite Debit's bank statements are sent to I Works's headquarters at 249 East Tabernacle, Suite
15 200, St. George UT 84770.

16 41. Elite Debit transacts or has transacted business in this District and throughout the
17 United States.

18 42. **Employee Plus, Inc.** ("Employee Plus"), a company incorporated in Utah in 2003,
19 is located at 249 East Tabernacle Street, Suite 301, St. George, UT 84770. Employee Plus is
20 owned by Defendant Scott Leavitt.

21 43. Employee Plus obtained one or more merchant accounts in the name of various
22 fictitious entities, including Grant Search Assistant, Defendants and the various

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1 44. Employee Plus also provides payroll services to I Works and other companies that
2 are part of the I Works Enterprise. I Works employees are paid by Employee Plus and receive pay
3 stubs in the name of Employee Plus.

4 45. Employee Plus transacts or has transacted business in this District and throughout
5 the United States.

6 46. **Internet Economy, Inc.** (“Internet Economy”), a company incorporated in Nevada
7 in 2002, uses a maildrop address at 2620 South Maryland Parkway, Box # 859-A, Las Vegas, NV
8 89109. Defendant Jeremy Johnson is Internet Economy’s sole owner and officer.

9 47. Internet Economy obtained one or more merchant accounts in the name of various
10 fictitious entities, including Grant Search, so that Defendants could process the credit and debit
11 card charges for I Works’s sale of core products and Upsells, many of which were Forced Upsells
12 bundled with core products sold by I Works’s marketing partners and clients. Internet Economy
13 paid more than \$1 million in fines to its processing banks between December 2007 and March
14 2009 because of the high chargeback rates associated with these accounts.

15 48. Internet Economy does not have its own bank account. All of Internet Economy’s
16 finances are handled through one or more of I Works’s bank accounts.

17 49. Internet Economy transacts or has transacted business in this District and
18 throughout the United States.

19 50. **Market Funding Solutions, Inc.** (“Market Funding”), a company incorporated in
20 Nevada in 2008, uses a maildrop address at 4790 Caughlin Parkway, Box # 735, Reno, NV
21 89509. Defendant Jeremy Johnson is Market Funding’s sole owner and officer.

22 51. Market Funding obtained merchant accounts in the name of various fictitious
23 entities, including My Auction Tutor, Nature’s Best Acai, and Personal Wealth Academy, so that
24 Defendants could process the credit and debit card charges for I Works’s sale of core products and
25 Upsells, many of which were Forced Upsells bundled with core products sold by I Works’s
26 marketing partners and clients. Market Funding paid more than \$280,850 in fines in August 2009
27 to its processing banks because of the high chargeback rates associated with these accounts.

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Complaint
FTC v. Jeremy Johnson, et al.

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1 I Works employees, using funds from I Works, opened one or more depository accounts in the
2 name of Bottom Dollar, including an account at Zions Bank.

3 81. Defendants used Bottom Dollar to obtain one or more merchant accounts in the
4 name of various fictitious entities so that Defendants could continue to process credit and debit
5 card charges for I Works's sale of core products and Upsells, many of which are Forced Upsells
6 bundled with core products sold by I Works's marketing partners and clients.

7 82. Bottom Dollar transacts or has transacted business in this District and throughout
8 the United States.

9 83. **Bumble Marketing, Inc.** ("Bumble Marketing"), a company incorporated in
10 Nevada in September 2009, uses a maildrop address at 2764 North Green Valley Parkway, Box
11 #667, Henderson, NV 89104. Defendant Kevin Pilon is the titular owner and officer of Bumble
12 Marketing.

13 84. Bumble Marketing is one of the shell corporations that J. Johnson and I Works
14 established to act as a front on applications to obtain new merchant accounts. In September 2009,
15 I Works employees, using funds from I Works, opened one or more depository accounts in the
16 name of Bumble Marketing, including an account at Town & Country Bank.

17 85. Defendants used Bumble Marketing to obtain one or more merchant accounts in
18 the name of various fictitious entities so that Defendants could continue to process credit and
19 debit card charges for I Works's sale of core products and Upsells, many of which are Forced
20 Upsells bundled with core products sold by I Works's marketing partners and clients.

21 86. Bumble Marketing transacts or has transacted business in this District and
22 throughout the United States.

23 87. **Business First, Inc.** ("Business First"), a company incorporated in Delaware in
24 August 2009, uses a maildrop address at 1148 Pulaski Highway, Box #468, Bear, DE 19701.
25 Defendant Loyd Johnston is the titular owner and officer of Business First.

26 88. Business First is one of the shell corporations that J. Johnson and I Works
27 established to act as a front on applications to obtain new merchant accounts. In October 2009,
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1 103. **CS Processing, Inc.** (“CS Processing”), a company incorporated in Nevada in
2 April 2009, uses a maildrop address at 18124 Wedge Parkway, PMB 434, Reno, NV 89511.
3 Defendant Scott Muir is the titular owner and officer of CS Processing.

4 104. CS Processing is one of the shell corporations that J. Johnson and I Works
5 established to act as a front on applications to obtain new merchant accounts. In October 2009, a
6 depository account titled in the name of CS Processing was opened at the Town & Country Bank
7 using funds from xCel Processing, another Shell Company.

8 105. Defendants used CS Processing to obtain one or more merchant accounts in the
9 name of various fictitious entities so that Defendants could continue to process credit and debit
10 card charges for I Works’s sale of core products and Upsells, many of which are Forced Upsells
11 bundled with core products sold by I Works’s marketing partners and clients.

12 106. CS Processing transacts or has transacted business in this District and throughout
13 the United States.

14 107. **Cutting Edge Processing, Inc.** (“Cutting Edge Processing”), a company
15 incorporated in California in July 2009, uses a maildrop address at 11301 West Olympic
16 Boulevard, Box #510, Los Angeles, CA 90064. Defendant Kevin Pilon is the titular owner and
17 officer of Cutting Edge Processing.

18 108. Cutting Edge Processing is one of the shell corporations that J. Johnson and
19 I Works established to act as a front on applications to obtain new merchant accounts. In August
20 2009, I Works employees, using funds from I Works, opened one or more depository accounts in
21 the name of Cutting Edge Processing, including an account at Zions Bank.

22 109. Defendants used Cutting Edge Processing to obtain one or more merchant accounts
23 in the name of various fictitious entities so that Defendants could continue to process credit and
24 debit card charges for I Works’s sale of core products and Upsells, many of which are Forced
25 Upsells bundled with core products sold by I Works’s marketing partners and clients.

26 110. Cutting Edge Processing transacts or has transacted business in this District and
27 throughout the United States.

1 111. **Diamond J Media, Inc.** (“DJM”), a company incorporated in Nevada in 2009,
2 uses a maildrop address at 1285 Baring Blvd., Box # 506, Sparks, NV 87434. Defendant Ryan
3 Riddle is the titular owner and officer of DJM.

4 112. DJM is one of the shell corporations that J. Johnson and I Works established to act
5 as a front on applications to obtain new merchant accounts. In 2009, I Works employees, using
6 funds from I Works, opened one or more depository accounts in the name of DJM, including an
7 account at The Village Bank. DJM’s bank statements are sent to I Works’s headquarters at 249
8 East Tabernacle, Suite 200, St. George, UT 84770.

9 113. Defendants used DJM to obtain one or more merchant accounts in the name of
10 various fictitious entities so that Defendants could process the credit and debit card charges for
11 I Works’s sale of core products and Upsells, many of which are Forced Upsells bundled with core
12 products sold by I Works’s marketing partners and clients. In 2009, DJM paid more than \$86,000
13 in fines to its processing banks because of the high chargeback rates associated with these
14 accounts.

15 114. DJM transacts or has transacted business in this District and throughout the United
16 States.

17 115. **Ebusiness First, Inc.** (“Ebusiness First”), a company incorporated in California in
18 2009, uses a maildrop address at 2828 Cochran Street, Box #508, Simi Valley, CA 93065.
19 Defendant Kevin Pilon is the titular owner and officer of Ebusiness First, Inc., 2828 Cochran Street, Box #508, S

1 119. **Ebusiness Success, Inc.** (“Ebusiness Success”), a company incorporated in New
2 York in July 2009, uses a maildrop address at 163 Amsterdam Avenue, Box #324, New York, NY
3 10023. Defendant Loyd Johnston is the titular owner and officer of Ebusiness Success.

4 120. Ebusiness Success is one of the shell corporations that J. Johnson and I Works
5 established to act as a front on applications to obtain new merchant accounts. In August 2009,
6 I Works employees, using funds from I Works, opened one or more depository accounts in the
7 name of Ebusiness Success, including an account at The Village Bank. Ebusiness Success’s bank
8 statements are sent to I Works’s headquarters at 249 East Tabernacle, Suite 200, St. George, UT
9 84770.

10 121. Defendants used Ebusiness Success to obtain one or more merchant accounts in the
11 name of various fictitious entities so that Defendants could continue to process credit and debit
12 card charges for I Works’s sale of core products and Upsells, many of which are Forced Upsells
13 bundled with core products sold by I Works’s marketing partners and clients.

1 card charges for I Works's sale of core products and Upsells, many of which are Forced Upsells
2 bundled with core products sold by I Works's marketing partners and clients.

3 126. eCom Success transacts or has transacted business in this District and throughout
4 the United States.

5 127. **Excess Net Success, Inc.** ("Excess Net Success"), a company incorporated in
6 California in July 2009, uses a maildrop address at 10573 West Pico Boulevard, Box #815, Los
7 Angeles, CA 90064. Defendant Kevin Pilon is the titular owner and officer of Excess Net
8 Success.

9 128. Excess Net Success is one of the shell corporations that J. Johnson and I Works
10 established to act as a front on applications to obtain new merchant accounts. In September 2009,
11 I Works employees, using funds from I Works, opened one or more depository accounts in the
12 name of Excess Net Success, including an account at Zions Bank.

13 129. Defendants used Excess Net Success to obtain one or more merchant accounts in
14 the name of various fictitious entities so that Defendants could continue to process credit and
15 debit card charges for I Works's sale of core products and Upsells, many of which are Forced
16 Upsells bundled with core products sold by I Works's marketing partners and clients.

17 130. Excess Net Success transacts or has transacted business in this District and
18 throughout the United States.

19 131. **Fiscal Fidelity, Inc.** ("Fiscal Fidelity"), a company incorporated in Nevada in July
20 2009, uses a maildrop address at 748 South Meadow Parkway, Ste. A9 #328, Reno, NV 89521.
21 Defendant Kevin Pilon is the titular owner and officer of Fiscal Fidelity.

22 132. Fiscal Fidelity is one of the shell corporations that J. Johnson and I Works
23 established to act as a front on applications to obtain new merchant accounts.

24 133. Defendants used Fiscal Fidelity to obtain one or more merchant accounts in the
25 name of various fictitious entities so that Defendants could continue to process credit and debit
26 card charges for I Works's sale of core products and Upsells, many of which are Forced Upsells
27 bundled with the core products sold by I Works's marketing partners and clients.

1 134. Fiscal Fidelity transacts or has transacted business in this District and throughout
2 the United States.

3 135. **Fitness Processing, Inc.** (“Fitness Processing”), a company incorporated in
4 California in July 2009, uses a maildrop address at 13428 Maxella Avenue, Box #663, Marina Del
5 Ray, CA 90292. Defendant Kevin Pilon is the titular owner and officer of Fitness Processing.

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1 debit card charges for I Works’s sale of core products and Upsells, many of which are Forced
2 Upsells bundled with core products sold by I Works’s marketing partners and clients.

3 142. Funding
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1 statements are sent to I Works's headquarters at 249 East Tabernacle, Suite 200, St. George, UT
2 84770.

3 149. Defendants used GG Processing to obtain one or more merchant accounts in the
4 name of various fictitious entities so that Defendants could continue to process credit and debit
5 card charges for I Works's sale of core products and Upsells, many of which are Forced Upsells
6 bundled with core products sold by I Works's marketing partners and clients. c le, Suite 200, St. George, UT

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1 I Works employees, using funds from I Works, opened one or more depository accounts in the
2 name of Highlight Marketing, including an account at SunFirst Bank. Highlight Marketing's bank
3 statements are sent to I Works's headquarters at 249 East Tabernacle, Suite 200, St. George, UT
4 84770.

5 157. Defendants used Highlight Marketing to obtain TD(hB8w0.0000 TDr0.0600 Tc-0a,151.6a-c4j5.280

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1 163. **Internet Business Source, Inc.** (“Internet Business Source”), a company
2 incorporated in California in July 2009, uses a maildrop address at 10401-106 Venice Boulevard,
3 Los Angeles, CA 90034. Defendant Kevin Pilon is the titular owner and officer of Internet
4 Business Source.

5 164. Internet Business Source is one of the shell corporations that J. Johnson and
6 I Works established to act as a front on applications to obtain new merchant accounts. In August
7 2009, I Works employees, using funds from I Works, opened one or more depository accounts in
8 the name of Internet Business Success, including an account at Zions Bank.

9 165. Defendants used Internet Business Source to obtain one or more merchant accounts
10 in the name of various fictitious entities so that Defendants could continue to process credit and
11 debit card charges for I Works’s sale of core pr

1 170. Internet Fitness transacts or has transacted business in this District and throughout
2 the United States.

3 171. **Jet Processing, Inc.** (“Jet Processing”), a company incorporated in Nevada in
4 February 2009, uses a maildrop address at 2644 East 1300 South, St. George, UT 84790.
5 Defendant Terrason Spinks is the owner and officer of Jet Processing.

6 172. Jet Processing is one of the shell corporations that J. Johnson and I Works
7 established to act as a front on applications to obtain new merchant accounts. In September 2009,
8 I Works employees, using funds from I Works, opened one or more depository accounts in the
9 name of Jet Processing, including an account at The Village Bank. Jet Processing’s bank
10 statements are sent to I Works’s headquarters at 249 East Tabernacle, Suite 200, St. George, UT
11 84770.

12 173. Defendants used Jet Processing to obtain one or more merchant accounts in the
13 name of various fictitious entities so that Defendants could continue to process credit and debit
14 card charges for I Works’s sale of core products and Upsells, many of which are Forced Upsells
15 bundled with core products sold by I Works’s marketing partners and clients.

16 174. Jet Processing transacts or has transacted business in this District and throughout
17 the United States.

18 175. **JRB Media, Inc.** (“JRB Media”), a company incorporated in Nevada in January
19 2009, uses a maildrop address at 18124 Wedge Parkway, Box #519, Reno, NV 89511. Defendant
20 Bryce Payne is the titular owner and officer of JRB Media.

21 176. JRB Media is one of the shell corporations that J. Johnson and I Works established
22 to act as a front on applications to obtain new merchant accounts. In January 2009, I Works
23 employees, using funds from I Works, opened one or more depository accounts in the name of
24 JRB Media, including an account at The Village Bank. JRB Media’s bank statements are sent to I
25 Works’s headquarters at 249 East Tabernacle, Suite 200, St. George, UT 84770.

26 177. Defendants used JRB Media to obtain one or more merchant accounts in the name
27 of various fictitious entities so that Defendants could continue to process credit and debit card
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1 charges for I Works's sale of core products and Upsells, many of which are Forced Upsells
2 bundled with core products sold by I Works's marketing partners and clients.

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1 198. Net Business Success transacts or has transacted business in this District and
2 throughout the United States.

3 199. **Net Commerce, Inc.** (“Net Commerce”), a company incorporated in New York in
4 March 2009, uses a maildrop address at 954 Lexington Avenue, Box #516, New York, NY 10011.
5 Defendant Loyd Johnston is the titular owner and officer of Net Commerce.

6 200. Net Commerce is one of the shell corporations that J. Johnson and I Works
7 established to act as a front on applications to obtain new merchant accounts. In August 2009,
8 I Works employees, using funds from I Works, opened one or more depository accounts in the
9 name of Net Commerce, including an account at The Village Bank. Net Commerce’s bank
10 statements are sent to I Works’s headquarters at 249 East Tabernacle, Suite 200, St. George, UT
11 84770.

12 201. Defendants used Net Commerce to obtain one or more merchant accounts in the
13 name of various fictitious entities so that Defendants could continue to process credit and debit
14 card charges for I Works’s sale of core products and Upsells, many of which are Forced Upsells
15 bundled with core products sold by I Works’s marketing partners and clients.

16 202. Net Commerce transacts or has transacted business in this District and throughout
17 the United States.

18 203. **Net Discounts, Inc.** (“Net Discounts”), a company incorporated in Nevada in June
19 2009, uses a maildrop address at 2764 North Green Valley Parkway, Suite 706, Henderson, NV
20 89104. Defendant Scott Muir is the titular owner and officer of Net Discounts.

21 204. Net Discounts is one of the shell corporations that J. Johnson and I Works
22 established to act as a front on applications to obtain new merchant accounts. In June 2009,
23 I Works employees, using funds from I Works, opened one or more depository accounts in the
24 name of Net Discount, including an account at Far West Bank. Net Discounts’s bank statements
25 are sent to I Works’s headquarters at 249 East Tabernacle, Suite 200, St. George, UT 84770.

26 205. Defendants used Net Discounts to obtain one or more merchant accounts in the
27 name of various fictitious entities so that Defendants could continue to process credit and debit
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1 card charges for I Works’s sale of core products and Upsells, many of which are Forced Upsells
2 bundled with core products sold by I Works’s marketing partners and clients.

3 206. Net Discounts transacts or has transacted business in this District and throughout
4 the United States.

5 207. **Net Fit Trends, Inc.** (“Net Fit Trends”), a company incorporated in California in
6 July 2009, uses a maildrop address at 8581 Santa Monica Boulevard, Box #443, West Hollywood,
7 CA 90069. Defendant Kevin Pilon is the titular owner and officer of Net Fit Trends.

8 208. Net Fit Trends is one of the shell corporations that J. Johnson and I Works
9 established to act as a front on applications to obtain new merchant accounts. In August 2009,
10 I Works employees, using funds from I Works, opened one or more depository accounts in the
11 name of Net Fit Trends, including an account at Zions Bank.

12 209. Defendants used Net Fit Trends to obtain one or more merchant accounts in the
13 name of various fictitious entities so that Defendants could continue to process credit and debit
14 card charges for I Works’s sale of core products and Upsells, many of which are Forced Upsells
15 bundled with core products sold by I Works’s marketing partners and clients.

16 210. Net Fit Trends transacts or has transacted business in this District and throughout
17 the United States.

18 211. **Optimum Assistance, Inc.** (“Optimum Assistance”), a company incorporated in
19 Nevada in September 2009, uses a maildrop address at 963 Topsy Lane, Suite 306 #312, Carson
20 City, NV 89705. Defendant Scott Muir is the titular owner and officer of Optimum Assistance.

21 212. Optimum Assistance is one of the shell corporations that J. Johnson and I Works
22 established to act as a front on applications to obtain new merchant accounts. In October 2009, a
23 depository account titled in the name of Optimum Assistance was opened at the Town & Country
24 Bank using funds from xCel Processing, another Shell Company. Optimum Assistance’s bank
25 statements are sent to I Works’s headquarters at 249 East Tabernacle, Suite 200, St. George, UT
26 84770.

1 213. Defendants used Optimum Assistance to obtain merchant accounts in the name of
2 various fictitious entities so that Defendants could continue to process credit and debit card
3 charges for I Works’s sale of core products and Upsells, many of which are Forced Upsells
4 bundled with core products sold by I Works’s marketing partners and clients.

5 214. Optimum Assistance transacts or has transacted business in this District and
6 throughout the United States.

7 215. **Power Processing, Inc.** (“Power Processing”), a company incorporated in
8 Oklahoma in October 2009, uses a maildrop address at 7380 South Olympia Avenue, Box #304,
9 Tulsa, OK 74132. Defendant Kevin Pilon is the titular owner and officer of Power Processing.

10 216. Power Processing is one of the shell corporations that J. Johnson and I Works
11 established to act as a front on applications to obtain new merchant accounts. In November 2009,
12 I Works employees, using funds from I Works, opened one or more depository accounts in the
13 name of Power Processing, including an account at SunFirst Bank. Power Processing’s bank
14 statements are sent to I Works’s headquarters at 249 East Tabernacle, Suite 200, St. George, UO.0.2 Power Processing

1 name of Premier Processing, including an account at The Village Bank. Premier Performance's
2 bank statements are sent to I Works's headquarters at 249 East Tabernacle, Suite 200, St. George,
3 UT 84770.

4 221. Defendants used Premier Performance to obtain one or more merchant accounts in
5 the name of various fictitious entities so that Defendants could continue to process credit and
6 debit card charges for I Works's sale of core products and Upsells, many of which are Forced
7 Upsells bundled w(orce)Tj20.5200 0.0000 2d

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1 228. Razor Processing is one of the shell corporations that J. Johnson and I Works
2 established to act as a front on applications to obtain new merchant accounts. In July 2009, a
3 depository account titled in the name of Razor Processing was opened at the Town & Country
4 Bank using funds from xCel Processing, another Shell Company. Razor Processing's bank
5 statements are sent to I Works' headquarters at 249 East Tabernacle, Suite 200, St. George, UT
6 84770.

7 229. Defendants used Razor Processing to obtain one or more merchant processing
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1 235. **Revive Marketing, Inc.** (“Revive Marketing”), a company incorporated in Nevada
2 in 2009, uses a maildrop address at 561 Keystone Avenue, Box #301, Reno, NV 89503.
3 Defendant Loyd Johnston is the titular owner and officer of Revive Marketing.

4 236. Revive Marketing is one of the shell corporations that J. Johnson and I Works
5 established to act as a front on applications to obtain new merchant accounts. In September 2009,
6 I Works employees, using funds from I Works, opened one or more depository accounts in the
7 name of Revive Marketing, including an account at Town & Country Bank. Revive Marketing’s
8 bank statements are sent to I Works’s headquarters at 249 East Tabernacle, Suite 200, St. George,
9 UT 84770.

10 237. Defendants used Revive Marketing to obtain one or more merchant accounts in the
11 name of various fictitious entities so that Defendants could continue to process credit and debit
12 card charges for I Works’s sale of core products and Upsells, many of which are Forced Upsells
13 bundled with core products sold by I Works’s marketing partners and clients.

14 238. Revive Marketing transacts or has transacted business in this District and
15 throughout the United States.

16 239. **Simcor Marketing, Inc.** (“Simcor Marketing”), a company incorporated in
17 Nevada in September 2009, uses a maildrop address at 8550 West Desert Inn Road, Suite 102-
18 379, Las Vegas, NV 89117. Defendant Scott Muir is the titular owner and officer of Simcor
19 Marketing.

20 240. Simcor Marketing is one of the shell corporations that J. Johnson and I Works
21 established to act as a front on applications to obtain new merchant accounts. In September 2009,
22 I Works employees, using funds from I Works, opened one or more depository accounts in the
23 name of Simcor Marketing, including an account at Town & Country Bank. Simcor Marketing’s
24 bank statements are sent to I Works’s headquarters at 249 East Tabernacle, Suite 200, St. George,
25 UT 84770.

26 241. Defendants used Simcor Marketing to obtain one or more merchant accounts in the
27 name of various fictitious entities so that Defendants could continue to process credit and debit
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1 card charges for I Works’s sale of core products and Upsells, many of which are Forced Upsells
2 bundled with core products sold by I Works’s marketing partners and clients.

3 242. Simcor Marketing transacts or has transacted business in this District and
4 throughout the United States.

5 243. **Summit Processing, Inc.** (“Summit Processing”), a company incorporated in
6 Nevada in September 2009, uses a maildrop address at 9 Retail Road, Suite 8 Box #438, Dayton,
7 NV 89403. Defendant Loyd Johnston is the titular owner and officer of Summit Processing.

8 244. Summit Processing is one of the shell corporations that J. Johnson and I Works
9 established to act as a front on applications to obtain new mer

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1 249. Defendants used The Net Success to obtain one or more merchant accounts in the
2 name of various fictitious entities so that Defendants could continue to process credit and debit
3 card charges for I Works’s sale of core products and Upsells, many of which are Forced Upsells
4 bundled with core products sold by I Works’s marketing partners and clients.

5 250. The Net Success tra~~ns~~actio~~n~~ ha

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1 from Power Processing, another Shell Company. Tran Voyage's bank statements are sent to
2 I Works's headquarters at 249 East Tabernacle, Suite 200, St. George, UT 84770.

3 257. Defendants used Tran Voyage to obtain merchant accounts in the name of various
4 fictitious entities so that Defendants could continue to process credit and debit card charges for
5 I Works's sale of core products and Upsells, many of which are Forced Upsells bundled with core
6 products sold by I Works's marketing partners and clients.

7 258. Tran Voyage transacts or has transacted business in this District and throughout the
8 United States.

9 259. **Unlimited Processing, Inc.** ("Unlimited Processing"), a company incorporated in
10 New York in July 2009, uses a maildrop address at 111 East 14 Street, Box #320, New York,

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1 Reduction Plans set forth the reasons for the excessive chargebacks and outline the steps that will
2 be taken to reduce the chargeback rates.

3 281. Fielding has signatory authority over bank accounts titled in the name of Anthon
4 and Network Agenda, which accounts received funds from I Works directly, and/or contain funds
5 from I Works's sale of core products and Upsells.

6 282. Fielding received reports from the I Works call centers about consumer complaints,
7 and communications from Payment Processors, VISA, MasterCard, and others about the high
8 level of chargebacks, related to I Works's marketing of its core products and Upsells.

9 283. At all times material to this Complaint, acting alone or in concert with others,
10 Fielding has formulated, directed, controlled, had the authority to control, or participated in the
11 acts and practices of I Works, Anthon, Network Agenda, and/or one or more of the Corporate
12 Defendants named herein, including the acts and practices set forth in this Complaint.

13 284. Fielding transacts or has transacted business in this District and throughout the
14 United States in connection with the matters alleged herein.

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1 Defendants could continue to process the credit and debit card charges for I Works's sale of core
2 products and Upsells.

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1 304. On behalf of I Works, Leavitt obtained one or more merchant accounts in the name
2 of Employee Plus d/b/a Grant Search Assistant so that Defendants could continue to process the
3 credit and debit card charges for I Works's sale of core products and Upsells.

4 305. Leavitt communicates with the Payment Processors and banks I Works uses or
5 used to process sales for its core products and Upsells.¶

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1 CS Processing, GGL Rewards, Highlight Marketing, Mist Marketing, Net Discounts, Optimum
2 Assistance, Razor Processing, and Simcor Processing.

3 311. On behalf of I Works, Muir obtained merchant accounts in the name of one or
4 more of the Shell Companies so that Defendants could continue to process the credit and debit
5 card charges for I Works's sale of core products and Upsells.

6 312. Muir has signatory authority over at least 12 accounts at three different ba
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1 321. On behalf of I Works, Payne obtained one or more merchants accounts in the name
2 of JRB Media so that Defendants could continue to process the credit and debit card charges for
3 I Works’ sale of core products and Upsells.

4 322. Payne has signatory authority over a bank account titled in the name of Defendant
5 JRB Media, which account received funds from I Works directly and/or contains funds from
6 I Works’s sale of core products and Upsells.

7 323. Payne received reports from the I Works call centers about consumer complaints,
8 and communications from Payment Processors, VISA, MasterCard, and others about the high
9 level of chargebacks, related to I Works’s marketing of its core products and Upsells.

10 324. At all times material to this Complaint, acting alone or in concert with others,
11 Payne has formulated, directed, controlled, had the authority to control, or participated in the acts
12 and practices of I Works and/or one or more of the other business entities named herein, including
13 the acts and practices set forth in this Complaint.

14 325. Payne transacts or has transacted business in this District and throughout the
15 United States in connection with the matters alleged herein.

16 326. **Kevin Pilon** (“Pilon”) works at I Works where he facilitates I Works’s credit and
17 debit card processing for I Works’s sale of core products and Upsells. He is part of the Merchant
18 Account department and is or was responsible for working with Payment Processors.

19 327. Pilon is the titular owner and000ob4iecNDK1 in cor owner
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1 least 27 maildrops in nine states used by the I Works Enterprise between August 2009 and May
2 2010.

3 329. Pilon is the titular owner and officer of Shell Company Bottom Dollar which does
4 business as BadCustomer.com. In connection with BadCustomer.com, Pilon works closely with
5 Defendant Jeremy Johnson.

6 330. On behalf of I Works, Pilon obtained merchant accounts in the name of one or
7 more Shell Companies so that Defendants could continue to process the credit and debit card
8 charges for I Works's sale of core products and Upsells.

9 331. Pilon has signatory authority over bank accounts titled in the name of numerous
10 Shell Companies, which accounts received funds from I Works directly and/or contain funds from
11 I Works's sale of core products and Upsells.

12 332. Pilon, as a member of
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337. Riddle approved websites offering the core produc

1 346. **Terrason Spinks** (“Spinks”) is a business associate of Jeremy Johnson. Spinks
2 has or had an office at I Works’s headquarters at 249 East Tabernacle, St. George, UT.

3 347. Spinks obtains merchant accounts for the I Works Enterprise.

4 348. Spinks is the titular owner and officer of Jet Processing, a Shell Company that
5 I Works and J. Johnson established to act as a front on applications to obtain new merchant
6 accounts. Spinks purchased Jet Processing in 2009 from I Works and J. Johnson. Even after the
7 sale, Jet Processing remains a part of the common enterprise.

8 349. Spinks submitted a Chargeback Reduction Plan to a processing bank on behalf of
9 Defendant Jet Processing.

10 350. Spinks has signatory authority over at least six bank accounts in the name of Jet
11 Processing, one or more of which received funds from I Works directly and/or contains funds
12 from I Works’s sale of core products and Upsells.

13 351. Spinks received reports from the I Works call centers about consumer complaints,
14 and communications from Payment Processors, VISA, MasterCard, and others about the high
15 level of chargebacks, related to I Works’s marketing of

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Complaint
FTC v. Jeremy Johnson, et al.

1 recurring charges. Defendants also fail to disclose or to disclose adequately that they will charge
2 consumers' credit cards or debit funds from their bank accounts recurring monthly fees for Forced
3 Upsells - additional bundled products from which consumers cannot opt-out.

4 ***The Grant Lure***

5 359. Defendants offer their grant product on hundreds of websites that tout the
6 availability of government grants to pay personal expenses. These websites frequently represent
7 that government grants are available to pay medical bills, start home businesses, for free
8 healthcare, pay power bills, replace kitchen and bathroom faucets, fix up a home, or pay a
9 mortgage.

10 360. One offer proclaims "Now It's Your Turn to Claim Government Grant Money." A
11 different offer promises that "Finding Government Grant money has never been easier or
12 quicker!"

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364. Spam emails sent by Defendants a

1 367. Defendants have marketed their grant products under various names that invoke a
2 connection between their products and government grants, such as: Fed Grant USA, Federal
3 Grant Connection, Grant Stimulus Save, Govt Grant Connection, Fast Government Grants, Fast
4 Gov Grants.com, Get Government Dollars, Government Funding Solutions, and Gov Grant
5 Central. Defendants have also marketed their grant products through websites with names such
6 as: federalgovernmentgrantsolutions.com and availablefederalgrantsonline.com.

7 368. In fact, there are few, if any, government grants available to individual consumers.
8 In addition, contrary to Defendants' representations, government grants are not available to
9 individuals to pay personal expenses such as their mortgage, bills, Christmas presents, and
10 emergencies. Instead, most government grants are awarded to colleges, universities, and other
11 nonprofit organizations. Moreover, Defendants do not possess and rely upon a reasonable basis to
12 substantiate their representation that government grants are available to individuals for personal
13 expenses.

14 369. In many instances, Defendants also represent that consumers who provide their
15 names, addresses, telephone numbers, and credit or debit card information will be charged a
16 nominal shipping and handling fee to receive a CD and access to a website, which Defendants
17 manage, that contains information that will enable the consumer to find and obtain government
18 grants to pay personal expenses. A typical representation is: "Our program doesn't just list
19 Grants, it walks you step-by-step through how to qualify, who to contact (including address
20 details) and many examples of how to get Government and Private Grants!" Yet another offer
21 represents that the grant product "contains valuable information you need to know about how and
22 where to access grant money that may be available. . . You'll also have the tools and resources
23 necessary to find, apply for and secure this money." A streaming video of a male model on a
24 grant website's Order page, in the lower right hand corner, states, among other things, that the
25 online membership program:

26 walks you step by step through exactly how to qualify and who to contact. It includes all
27 required addresses and what to say to easily get the tax-free cash just sitting there waiting
28 for you. . . No matter who you are, rich or poor, black or white, employed or unemployed,
 as long as you are a U.S. citizen, you can apply for funding faster than you ever dreamed

1 possible. Go ahead, request this CD today and get started on your path to finding and
2 applying for the funding you're seeking.

3 370. In order to convince consumers they are likely to receive grants by using
4 Defendants' grant product, in numerous instances Defendants include on their grant sites
5 testimonials from happy consumers who supposedly used the grant product to receive funds to fix
6 a car, pay utility bills, avoid foreclosure, buy Christmas presents, and pay for emergency expenses.
7 In doing so, Defendants represent that consumers who use the grant product are likely to obtain
8 grants such as those obtained by the happy consumers.

9 371. In fact, consumers are not likely to find and obtain grants using Defendants' grant
10 product as there are few, if any, government grants for individuals to pay personal expenses.
11 Moreover, Defendants did not possess and rely upon a reasonable basis to substantiate their
12 representation that consumers are likely to find and obtain government grants for personal
13 expenses using the Defendants' grant product.

14 372. Consumers are not likely to obtain grants such as those obtained by the consumers
15 in the testimonials. The individuals quoted in the testimonials received funds only from a
16 nonprofit organization funded wholly or partially by Defendants. Defendants provided payments
17 to approximately .04% of all consumers that Defendants' billed for Defendants' grant product.
18 The only manner in which Defendants add a caveat to their testimonials is by way of a small
19 asterisk at the end of each testimonial. If consumers can even see the fine print at the bottom of
20 the web page, they will only find Defendants' tiny disclosure that "Results May Vary," which
21 does nothing to correct the representation that consumers using the grant product are likely to
22 obtain grants such as those obtained by the happy consumers. Moreover, many of the sites
23 contain one or more testimonials that are false or bogus.

24 *The Make-Money Opportunity Lure*

25 373. In numerous instances, Defendants lure consumers through websites that tout
26 money-making opportunities that are likely to yield significant income. Their typical make-
27 money website promises that consumers can generate large amounts of income via Internet search
28 engine advertising on Google, through rebate programs and auctions on sites such as eBay, and by

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1 Defendants' products. Moreover, Defendants did not possess and rely upon a reasonable basis to
2 substantiate their representations that consumers can expect to earn these amounts per day.

3 ***The Promises That the Offers Are Free or Risk-Free***

4 379. In addition to extravagant claims about getting federal grants or substantial income
5 via Internet search engine advertising, auctions, or other money-making products, Defendants
6 further entice consumers by emphasizing that, except for a nominal fee of as little as \$1.99 or
7 \$2.99 to cover the shipping and handling of a CD, what Defendants are offering is "free." Thus,
8 large banners encourage consumers to "Order your FREE CD today" and "Get your FREE
9 Software" that has information on how to receive government grants or make money. For
10 instance, one of Defendants' money-making sites claims that "Our FREE CD shows how to beat
11 the system." If Defendants make any reference to the Forced Upsells, they are referred to as
12 bonus "gifts."

13 380. In order to reassure consumers and convince them to enter their billing information
14 for the small amount, Defendants expressly assert that their free offers are "risk free." Typical
15 representations by Defendants include: "Get Instant Access To Your Risk-Free Google
16 Software . . ."; "Get Our Risk-Free Grant Software Kit"; "Information worth thousands of dollars!
17 It's Yours Now RISK FREE!" and "Claim Your Risk-Free CD . . ."

18 381. To further emphasize the ostensibly free and risk-free nature of their offers,
19 Defendants often include tables detailing that the consumer's TOTAL monetary outlay is only the
20 nominal shipping and handling fee. Defendants' tables identify that all other items, including a
21 CD with product information, access to online tutorials, and unlimited customer support, are free
22 or are included with the payment of a nominal shipping and handling fee. Sometimes the tables
23 include a reference to "bonus" products, which Defendants also list as free.

24 382. In many instances, Defendants attempt to create a sense of urgency. Defendants'
25 websites represent that only one of 64000 FREE CD's, 13000 Grant Software Kits, 5000 RISK FREE!
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1 its two main core products, the grant product and the make-money product, as Forced Upsells,
2 enrolling consumers who provided Defendants with their billing information to pay the small fee
3 for Defendants' grant product in its make-money product and vice-versa. Each of these Forced
4 Upsells imposes additional recurring monthly charges or debits of as much as \$39.97 to the
5 consumer's account.

6 386. Consumers are unaware that Defendants will use their billing information to assess
7 these high fees for both the core product and the Forced Upsells. Consumers often are unaware
8 they have been enrolled in trial memberships because Defendants bury the terms of their true
9 offers in tiny, hard-to-read print that is overshadowed by the extravagant promises that consumers
10 can use their government grants for personal expenses or make lots of money through Defendants'
11 supposedly free and risk-free offers.

12 387. In many cases, any disclosures about the Defendants' Forced Upsells are hidden in
13 the middle of the tiny cramped text about the core product. In other instances, the Upsell
14 disclosures appear only in a small boxes at the bottom of the Order page, well below the "Submit"
15 button. In many instances, the description of the Upsell as a "bonus" product lacks any cost or
16 cancellation information.

17 388. Tiny hyperlinks at the bottom of various pages on Defendants' marketing websites,
18 if they function, may connect to a lengthy Terms and Conditions page full of obtuse legalese, only
19 one small part of which mentions trial memberships, bonus products, cancellation requirements,
20 and costs. In some instances, there is convoluted language that the consumer has agreed to a one-
21 time fee of as much as \$189 and then recurring monthly charges or debits of as much as \$59.95 to
22 a bank account by ordering the free software.
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1 three days for the advertised product, as well as trial periods of differing lengths for the Forced
2 Upsells. Consumers, seeing the express representation that all they have to pay is the small fee for
3 shipping and handling, do not expect to have to cancel one or more trial memberships that they
4 did not even know they had been signed up for.

5 390. In some instances, after having provided their billing information, consumers
6 receive a confirmation web page, and/or a confirmation email, with the log-in and password to
7 Defendants' membership sites for the advertised product and the Forced Upsells. The
8 confirmation page includes no information about memberships, their costs, or the need to cancel
9 to avoid charges. Defendants also know that many consumers never see Defendants' confirmation
10 emails because they are frequently trapped by consumers' Spam filters.

11 391. In numerous instances, the CD for the core product comes with a return address of
12 one of Defendants' many maildrops. A printed notice from Bad Customer.com accompanying the
13 CD warns that consumers who seek a chargeback "will be reported to the internet consumer
14 blacklist . . . and will result in member merchants blocking you from making purchases online!"

15 392. Consumers who call the telephone numbers listed on their billing statements next
16 to the charges and debits learn for the first time that Defendants enrolled them not only in an
17 expensive membership program involving the advertised "free" and "risk-free" core product, but
18 also enrolled them, through no choice of their own, into forced memberships for other products
19 marketed and sold by Defendants, the Forced Upsells. It is only then that consumers learn that
20 when they agreed to provide their billing information for a transaction with a small fee, ~~that~~ Defendants
21 Defendants used the billing information to assess a hefty one-time charge of as much as \$189 and
22 recurring monthly charges of as much as \$59.95 for the core product, as well as recurring charges
23 related to Defendants' Forced Upsells. Therefore, what consumers expected to be a fee of a f

1 393. In many instances, consumers who try to cancel Defendants' membership programs
2 find that after they speak to Defendants about cancelling one program, they continue to be charged
3 for Defendants' other membership programs. Only then do consumers learn that they must call
4 separate telephone numbers to cancel their memberships in Defendants' program for the core
5 product as well as for Defendants' Forced Upsells.

6 394. In sum, when marketing their government grant and make-money opportunities,
7 Defendants represent that consumers need to pay only a nominal amount for shipping and
8 handling, such as \$1.99 or \$2.99. Defendants, however, have failed to disclose, or to disclose
9 adequately, material terms of the offers, including: (a) that Defendants enroll consumers in
10 Negative Option Plans for not only the product or service that was the subject of the sales offer,
11 but for other products or services, as well; (b) the amount of the one-time and recurring charges
12 and the frequency and duration of the recurring charges associated with the multiple Negative
13 Option Plans; (c) that consumers must cancel the Negative Option Plans within a limited time
14 period to avoid the one-time and recurring charges; (d) the time period during which consumers
15 must cancel the Negative Option Plans in order to avoid one-time and recurring charges; and (e)
16 that each Negative Option Plan must be cancelled separately and the procedure for cancelling the
17 plans.

18 ***Defendants' Unfair Billing of Forced Upsells***

19 395. Defendants also arrange

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402. In numerous instances, Defendants' practice of charging or debiting consumers'

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412. When the merchant banks began to terminate merchant accounts in the name of I Works or where J. Johnson was listed as a principal, Defendants established other merchant accounts to continue to process the credit and debit card charges for Defendants' sale of core products and Upsells.

413. In order to obtain new merchant accounts, Defendants set up numerous corporations in at least six states to act as fronts on new merchant account applications. Defendants directed I Works employees to make up names for these companies and obtain maildrop addresses, telephone numbers, and bank accounts for ea

1 the website associated with the merchant account be clearly and conspicuously disclosed in large
2 type throughout the website including on the Order page adjacent to the Submit button.

3 415. To obtain new merchant accounts, Defendants created “dummy” underwriting sites
4 to include with their applications. Defendants’ dummy underwriting sites differ significantly from
5 the websites that actually generated Defendants’ sales. For example, Defendants’ dummy
6 underwriting sites usually had highly visible disclosures about the trial memberships and their
7 monthly cost that were simple, clear and concise, and in a large font; did not include Upsells; did
8 not contain extravagant earnings claims; and did not include trademarked terms such as Google or
9 eBay.

10 416. Furthermore, Defendants often used the dummy underwriting sites to deflect blame
11 when confronted by angry consumers. When a bank or other entity contacted Defendants or one
12 of Defendants’ Payment Processors requesting information on behalf of an upset consumer
13 concerning one of Defendants’ charges or debits, Defendants routinely responded to the request
14 by referring the requestor to a dummy underwriting site, containing the more visible and clear
15 disclosures and no Upsells, rather than to the websites that actually generated Defendants’ sales.

16 417. Through these Shell Companies, Defendants continue to market these products in
17 the same manner that caused them to receive astronomical amounts of chargebacks in the first
18 instance, by using false claims, Forced Upsells, phony testimonials, fake positive reviews, and
19 hiding material terms of their Negative Option Plans.

20 ***Consumer Complaints***

21 418. Defendants receive and respond to thousands of consumer complaints from State
22 Attorneys Ge

1 **VIOLATIONS OF THE FTC ACT**

2 419. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits “unfair or deceptive acts
3 or practices in or affecting commerce.”

4 420. Misrepresentations or deceptive omissions of material fact constitute deceptive acts
5 or practices prohibited by Section 5(a) of the FTC Act.

6 421. Acts or practices are unfair under Section 5(a) of the FTC Act if they cause
7 substantial injury to consumers that consumers cannot reasonably avoid themselves and that is not
8 outweighed by countervailing benefits to consumers or

1 consumers using Defendants' grant product are likely to find and obtain government grants to pay
2 personal expenses.

3 427. The representation set forth in Paragraph 426 of this Complaint is false,
4 misleading, and/or was not substantiated at the time the representation was made because
5 consumers using Defendants' grant product are unlikely to find and obtain government grants to
6 pay personal expenses.

7 428. Therefore, the making of the representation set forth in Paragraph 426 of this
8 Complaint constitutes a deceptive act or practice in violation of Section 5(a) of the FTC Act,
9 15 U.S.C. § 45(a).

10 **COUNT III**

11 **Misrepresenting the Amount of Income**
12 **That Consumers Are Likely to Earn Using Defendants' Products**

13 429. In numerous instances in connection with the marketing and sale of make-money
14 products or services, Defendants represent, directly or indirectly, expressly or by implication, to
15 consumers that consumers are likely to earn substantial income such as \$200 - \$943 or more per
16 day by using products marketed and sold by Defendants.

17 430. The representation set forth in Paragraph 429 of this Complaint is false,
18 misleading, and/or was not substantiated at the time the representation was made because
19 consumers using Defendants' make-money products are not likely to earn substantial income such
20 as \$200 - \$943 or more per day.

21 431. Therefore, the making of the representation set forth in Paragraph 429 of this
22 Complaint constitutes a deceptive act or practice in violation of Section 5(a) of the FTC Act,
23 15 U.S.C. § 45(a).

COUNT IV

Misrepresenting the Free or Risk-free Nature of Defendants' Offers

432. In numerous instances, in connection with the marketing and sale of various products or services, including grant and make-money products, Defendants represent, directly or indirectly, expressly or by implication, that Defendants' offers are free or risk-free.

433. In truth and in fact, Defendants' offers are not free or risk-free. Consumers who provide their billing information to pay a nominal fee are likely to be enrolled in Negative Option Plans for a core product and billed high one-time and recurring amounts if they do not cancel during undisclosed or poorly disclosed trial memberships of limited duration. Defendants also immediately enroll consumers into Forced Upsells with high monthly fees.

434. Therefore, Defendants' representations as set forth in Paragraph 432 of this Complaint constitute a deceptive act or practice in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

COUNT V

Failing to Disclose that Consumers Will be Entered Into Negative Option Continuity Plans

435. In numerous instances, in connection with the marketing and sale of various products or services, including products that purport to enable consumers to obtain government grants for personal expenses and products that purport to enable consumers to earn money, Defendants represent that consumers need pay only a nominal amount, such as \$1.99 or \$2.99, for a shipping and handling fee.

436. In numerous instances in which Defendants have made the representation set forth in Paragraph 435 of this Complaint, Defendants have failed to disclose, or disclose a5.2800 0.0000

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- B. the amount of the one-time and recurring charges and the frequency and duration of the recurring charges associated with the Negative Option Plans;
- C. that consumers must cancel the Negative Option Plans within a limited time period to avoid the one-time and recurring charges;
- D. the time period during which consumers must cancel the Negative Option Plans in order to avoid one-time and recurring charges;
- E. that each Negative Option Plan must be cancelled separately and the procedure for cancelling the Plans.

437. Defendants' failure to disclose, or disclose adequately, the material information described in Paragraph 436, above, in light of the representation described in Paragraph 435, above, constitutes a deceptive act or practice in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

COUNT VI

**Misrepresenting That Consumers Using Defendants' Grant Product
Are Likely to Obtain Grants Such as Those Obtained
By Consumers in the Testimonials**

438. In connection with the marketing and sale of grant-related products or services, Defendants represent, directly or indirectly, expressly or by implication, that consumers who use Defendants' grant product are likely to

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Complaint
FTC v. Jeremy Johnson, et al.

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1 457. By engaging in violations of EFTA and Regulation E as alleged in Paragraphs 454
2 and 455 of this Complaint, Defendants have engaged in violations of the FTC Act, 15 U.S.C.
3 § 1693o(c).

4 **CONSUMER INJURY**

5 458. Defendants' misrepresentations, deceptive omissions, and unfair billing practices
6 have generated more than \$350 million in sales. After refunds and chargebacks, the unreimbursed
7 consumer injury is more than \$275 million. Consumers have suffered and will continue to suffer
8 substantial injury as a result of Defendants' violations of Section 5(a) of the FTC Act, 15 U.S.C. §
9 45(a), Section 907(a) of EFTA, 15 U.S.C. § 1693e(a), and Section 205.10(b) of Regulation E, 12
10 C.F.R. § 10(b), as set forth above. In addition, Defendants have been unjustly enriched as a result
11 of their unlawful acts or practices. Absent injunctive relief by this Court, Defendants are likely to
12 continue to injure consumers, reap unjust enrichment, and harm the public interest.

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

14 459. Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), empowers this Court to grant
15 injunctive and such other relief as the Court may deem appropriate to halt and redress violations
16 of the FTC Act, EFTA, and Regulation E. The Court, in the exercise of its equitable jurisdiction,
17 may award ancillary relief, including rescission or reformation of contracts, restitution, the refund
18 of monies paid, and the disgorgement of ill-gotten monies, to prevent and remedy any violation of
19 any provision of law enforced by the FTC.

20 **PRAYER FOR RELIEF**

21 WHEREFORE, Plaintiff Federal Trade Commission, pursuant to Section 13(b) of the FTC
22 Act, 15 U.S.C. § 53(b), EFTA, Regulation E, and the Court's own equitable powers, requests that
23 the Court:

24 1. Award the FTC such injunctive and ancillary relief as may be necessary to avert
25 the likelihood of consumer injury during the pendency of this action and to preserve the
26 possibility of effective final relief, including, but not limited to, temporary and preliminary
27 injunctions, asset freeze, and appointment of a receiver;

