

# Exhibit A

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5 Federal Trade Commission  
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14 Attorneys for Plaintiff Federal Trade Commission

15 UNITED STATES DISTRICT COURT  
16 FOR THE DISTRICT OF NEVADA  
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18 FEDERAL TRADE COMMISSION,  
19 Plaintiff,  
20 v.

21 JEREMY JOHNSON, individually, as officer of  
Defendants I Works, Inc.; Cloud Nine, Inc.; CPA  
22 Upsell, Inc.; Elite Debit, Inc.; Internet Economy,  
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First Amended Complaint

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1 LLC;  
2 BARBARA JOHNSON, individually, and as an  
3 owner, manager, or officer of KV Electric, Inc.  
4 and the KB Family Limited Partnership;  
5 KERRY JOHNSON, individually, and as an  
6 owner, manager, or officer of KV Electric, Inc.  
7 and the KB Family Limited Partnership;  
8 THE KB FAMILY LIMITED PARTNERSHIP;  
9 a Utah limited partnership;  
10 KV ELECTRIC, INC., a Utah Corporation;  
11 ORANGE CAT INVESTMENTS, LLC, a Utah  
12 limited liability company;  
13 ZIBBY, LLC, a Utah limited liability company;  
14 and  
15 ZIBBY FLIGHT SERVICE, LLC, a Delaware  
16 limited liability company;  
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18 Relief Defendants.

15 Plaintiff, the Federal Trade Commission, (“FTC” or “Commission”), for its Complaint  
16 alleges that:

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18 1. The FTC brings this action pursuant to Section 13(b) of the Federal Trade  
19 Commission Act (“FTC Act”), 15 U.S.C. § 53(b) and Section 917(c) of the Electronic Fund  
20 Transfer Act (“EFTA”), 15 U.S.C. § 1693o(c), to obtain permanent injunctive relief, rescission  
21 or reformation of contracts, restitution, disgorgement of ill-gotten monies, and other equitable  
22 relief for Defendants’ acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C.  
23 § 45(a), Section 907(a) of EFTA, 15 U.S.C. § 1693e(a), and Section 205.10(b) of Regulation E,  
24 12 C.F.R. § 205.10(b), in connection with the marketing and sale of Internet-based  
25 information products and services.  
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JURISDICTION AND VENUE

2. This Court has subject matter jurisdiction pursuant to 28 U.S.C. §§ 1331, 1337(a), and 1345, and 15 U.S.C. §§ 45(a) and 53(b). This action arises under 15 U.S.C. § 45(a) and 15 U.S.C. §§ 1693e and 1693o(c).

3. Venue in the United States District Court for the District of Nevada is proper under 28 U.S.C. §1391(b) and (c) and 15 U.S.C. § 53(b).

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1 consumer] from making future purchases online!” And they have attempted to counter the large  
2 number of complaints about their conduct by flooding the Internet with supposedly independent  
3 positive articles and other web pages.

4 5. Defendants lure consumers into their scam through websites that claim to offer  
5 free or risk-free information about products or services (“products” or “programs”) such as  
6 government grants to pay personal expenses and Internet-based money-making opportunities.  
7 As explained in greater detail below, Defendants’ government grant and money-making

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1 bank accounts) hefty one-time fees of as much as \$189 and then recurring monthly fees of as  
2 much as \$59.95 for the core product, as well as recurring monthly fees for the Forced Upsells  
3 costing as much as \$39.97.

4 7. Defendants also market their products through numerous online sellers that are  
5 Defendants' marketing partners and clients. Defendants bundle their products as Upsells,  
6 usually as Forced Upsells, with the core products offered on the websites of Defendants'  
7 marketing partners. Defendants then impose monthly recurring charges or debits to consumers'  
8 accounts for these Upsells. In many cases, when Defendants charge or debit consumers'  
9 accounts for Defendants' Forced Upsells, Defendants know that their marketing partners do not  
10 disclose, or do not disclose adequately, the terms of Defendants' Forced Upsells. Defendants  
11 also provide services, such as marketing, processing charges and debits, and handling customer  
12 service to on-line sellers who are Defendants' clients. In numerous instances, when Defendants  
13 provide the services to their clients, Defendants bundle their products as Forced Upsells with the  
14 client's core product. Defendants then impose recurring charges and debits to consumers'  
15 accounts for these Forced Upsells.

16 8. When consumers receive their credit card or bank statements, they learn that they  
17 have been billed far more than the minimum shipping and handling fee they agreed to pay.  
18 Instead, their statements show expensive charges for the core product as well as for one or more  
19 of Defendants' Forced Upsells. Where the core product is offered by Defendants' marketing  
20 partners or clients, consumers find charges or debits for Defendants' Upsells as well as for the  
21 marketing partner's or client's core product. Some consumers fail to notice the unauthorized  
22 charges for several billing cycles, if at all.

23 9. Defendants violate the FTC Act by: (1) misrepresenting that government grants  
24 are available to individuals to pay for personal expenses; (2) misrepresenting that consumers  
25 using Defendants' grant product are likely to find and obtain government grants to pay personal  
26 expenses; (3) misrepresenting that users of Defendants' make-money products are likely to earn  
27 substantial income such as \$209-\$909 per day; (4) misrepresenting that Defendants' offers are  
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1 “free” and “risk-free,” when in reality the offers are for expensive Negative Option Plans with  
2 pricey one-time charges and monthly recurring fees; (5) failing to disclose, or disclose  
3 adequately, that Defendants immediately enroll consumers, who agree to pay a small shipping or  
4 processing fee, in Defendants’ Negative Option Plans and bill the consumers’ credit cards or  
5 debit funds from their bank accounts the high one-time fee and the monthly charges associated  
6 with the plans unless consumers cancel within a trial period of as few as three days; (6)  
7 misrepresenting that consumers using Defendants’ product are likely to obtain grants such  
8 as those obtained by the individuals whose testimonials appear on Defendants’ government grant  
9 websites; (7) misrepresenting that the positive articles and other web pages about Defendants’  
10 grant and money-making products posted on the Internet are independent reviews from unbiased  
11 consumers who have successfully used Defendants’ grant and money-making products; (8)  
12 failing to disclose that the positive reviews of Defendants’ grant and money-making products  
13 were created and posted by Defendants or their agents; and (9) charging consumers’ credit cards  
14 and debiting their bank accounts without their authorization for Defendants’ Forced Upsells that  
15 are bundled with the core products sold by Defendants’ marketing partners and clients.

16 10. Defendants also violate EFTA and Regulation E by debiting consumers’ bank  
17 accounts on a recurring basis without obtaining written authorization signed or similarly  
18 authenticated by the consumers for preauthorized electronic fund transfers from their accounts,  
19 and by failing to provide these consumers with a copy of the written authorization.

20 11. Furthermore, since at least 2006, defendant Jeremy Johnson, has transferred at  
21 least \$22 million of assets of the I Works Enterprise, directly and indirectly, to the Relief  
22 defendants – defendant Jeremy Johnson’s wife and parents, and the companies they own or  
23 control. These transfers have been gratuitous, with the I Works Enterprise receiving no (or only  
24 token) consideration in exchange for the transferred assets.

25 PLAINTIFF

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

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

8 DEFENDANTS

9 The Corporate Defendants

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

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

22 16. I Works markets its products as both core products and as Forced Upsells.  
23 I Works's scheme typically involves the marketing of a core product with one or more Forced  
24 Upsells. The same product can appear as the core product on one I Works website and as a  
25 Forced Upsell on a different I Works website. Using numerous merchant accounts with banks  
26 such as Wells Fargo, N.A., HSBC Bank USA, FR Regional Bank, Harris National Association,

1 and Columbus Bank and Trust Company, I Works has processed millions of credit and debit card  
2 charges.

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

6 18. I Works also provides numerous other on-line sellers with various services  
7 including marketing the seller's product, processing credit and debit card charges for the product  
8 through I Works's merchant accounts, responding to inquiries from Payment Processors and  
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1 22. 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 23. I Works transacts or has transacted business in this District and throughout the  
5 United States.

6 24. 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 25. Anthon does, or has done, business under various fictitious names, including  
10 Network Agenda, Office Agenda, and PC Passports. They are also the names of products that  
11 I Works includes as Forced Upsells with the core products that I Works markets.

12 26. 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 27. Anthon transacts or has transacted business in this District and throughout the  
19 United States.

20 28. 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 29. Cloud Nine does, or has done business, under various fictitious names, including  
24 Fit Factory and Acai.

25 30. Cloud Nine obtained one or more merchant accounts in the name of various  
26 fictitious entities, including Fitness Factory and True 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

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

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

8 40. 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 41. 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 42. Elite Debit transacts or has transacted business in this District and throughout the  
17 United States.

18 43. Employee Plus, Inc ("Employee Plus"), a company incorporated in Utah in 2003,  
19 is located at 249 East Tabernacle Street, ~~200~~ St. George, UT 84770. Employee Plus is  
20 owned by Defendant Scott Leavitt.

21 44. Employee Plus obtained one or more merchant accounts in the name of various  
22 fictitious entities, including Grant Search Assistant, so that Defendants could process the credit  
23 and debit card charges for I Works's sale of core products and Upsells, many of which were  
24 Forced Upsells bundled with core products sold by I Works's marketing partners and clients.  
25 Employee Plus paid more than \$167,000 in fines to its processing banks in 2007 because of the  
26 high chargeback rates associated with these accounts.



1 45. 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  
3 pay stubs in the name of Employee Plus.

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

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

9 48. 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.

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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 67. Big Bucks Pro transacts or has transacted business in this District and throughout  
4 the United States.

5 68. Blue Net Progress, Inc("Blue Net "), a company incorporated in Oklahoma in  
6 November 2009, uses a maildrop address at 5030 North May Ave., Box #284, Oklahoma City,  
7 OK 73112. Defendant Scott Muir is the titular owner and officer of Blue Net.

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

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

17 71. Blue Net Progress transacts or has transacted business in this District and  
18 throughout the United States.

19 72. Blue Streak Processing, Inc("Blue Streak Processing"), a company incorporated  
20 in Delaware in November 2009, uses a maildrop address at 40 East Main St., Box #320, Newark,  
21 DE 19711. Defendant Loyd Johnston is the titular owner and officer of Blue Streak Processing.

22 73. Blue Streak Processing is one of the shell corporations that J. Johnson and  
23 I Works established to act as a front on applications to obtain new merchant accounts. In  
24 December 2009, an account titled in the name of Blue Streak Processing was opened at the  
25 SunFirst Bank using funds from Power Processing, another Shell Company. Blue Streak  
26 Processing's bank statements are sent to I Works's headquarters at 249 East Tabernacle, Suite  
27 200, St. George, UT 84770.

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

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First Amended Complaint



1           104. 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           105. CS Processing is one of the shell corporations that J. Johnson and I Works  
5 established to act as a front on applications ~~to~~ in new merchant accounts. In October 2009, a  
6 depository account titled in the name of CS Processing was opened at the Town & Country Bank

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1           120. 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           121. 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           122. Defendants used Ebusiness Success to obtain one or more merchant accounts in  
11 the name of various fictitious entities so that Defendants could continue to process credit and  
12 debit card charges for I Works’s sale of core products and Upsells, many of which are Forced  
13 Upsells bundled with core products sold by I Works’s marketing partners and clients.

14           123. Ebusiness Success transacts or has transacted business in this District and  
15 throughout the United States.

16           124. eCom Success, Inc. (“eCom Success”), a company incorporated in Delaware in  
17 August 2009, uses a maildrop address at 364 Main Street, Suite 155, Middletown, DE 19709.  
18 Defendant Loyd Johnston is the titular owner and officer of eCom Success.

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

25           126. Defendants used eCom Success to obtain one or more merchant accounts in the  
26 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.

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

5 128. 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.

9 129. 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.

13 130. 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.

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

19 132. 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.

22 133. 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.

24 134. 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           135. Fiscal Fidelity transacts or has transacted business in this District and throughout  
2 the United States.

3           136. 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  
5 Del Ray, CA 90292. Defendant Kevin Pilon is the owner and officer of Fitness Processing.

6           137. Fitness 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 August 2009,  
8 I Works employees, using funds from I Works, opened one or more depository accounts in the  
9 name of Fitness Processing, including an account at Zions Bank.

10           138. Defendants used Fitness Processing to obtain one or more merchant accounts in  
11 the name of various fictitious entities so that Defendants could continue to obtain merchant accounts.

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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  
3 bank statements are sent to I Works's headquarters at 249 East Tabernacle, Suite 200, St. George,  
4 UT 84770.

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

9 159. Highlight Marketing transacts or has transacted business in this District and  
10 throughout the United States.

11 160. Hooper Processing, Inc("Hooper Processing"), a company incorporated in  
12 Nevada in September 2009, uses a maildrop address at 1894 HWY 50 East, Suite 4 Box #182,  
13 Carson City, NV 89701. Defendant Andy Johnson is the titular owner and officer of Hooper  
14 Processing.

15 161. Hooper Processing is one of the shell corporations that J. Johnson and I Works  
16 established to act as a front on applications for new merchant accounts. In September 2009,  
17 I Works employees, using funds from I Works, opened one or more depository accounts in the  
18 name of Hooper Processing, including an account at Town & Country Bank. Hooper  
19 Processing's bank statements are sent to I Works's headquarters at 249 East Tabernacle, Suite  
20 200, St. George, UT 84770.

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

25 163. Hooper Processing transacts or has transacted business in this District and  
26 throughout the United States.



1           164. 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           165. 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           166. Defendants used Internet Business Source to obtain one or more merchant  
10 accounts in the name of various fictitious entities so that Defendants could continue to process  
11 credit and debit card charges for I Works’s sale of core products and Upsells, many of which are  
12 Forced Upsells bundled with core products sold by I Works’s marketing partners and clients.

13           167. Internet Business Source transacts or has transacted business in this District and  
14 throughout the United States.

15           168. Internet Fitness, Inc. (“Internet Fitness”), a company incorporated in Nevada in  
16 June 2009, uses a maildrop address at 2510 East Sunset Road, Bldg. 5 Suite 527, Las Vegas, NV  
17 89120. Defendant Andy Johnson is the titular owner and officer of Internet Fitness.

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

24           170. Defendants used Internet Fitness 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 core products sold by I Works’s marketing partners and clients.

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

3           172. 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           173. Jet Processing is one of the shell corporations that J. Johnson and I Works  
7 established to act as a front on applications to

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

3           200. 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  
5 10011. Defendant Loyd Johnston is the titular owner and officer of Net Commerce.

6           201. 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  
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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.

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

5 208. 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.

8 209. 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.

12 210. 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.

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

18 212. 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.

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1 214. 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.

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

7 216. 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 owner and officer of Power Processing.

10 217. 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, UT  
15 84770.

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

20 219. Power Processing transacts or has transacted business in this District and  
21 throughout the United States.

22 220. Premier Performance, Inc.("Premier Performance"), a company incorporated in  
23 New York in August 2009, uses a maildrop address at 245 Eighth Avenue, Box #228, New York,  
24 NY 10011. Defendant Loyd Johnston is the titular owner and officer of Net Business Success.

25 221. Premier Performance is one of the shell corporations that J. Johnson and I Works  
26 established to act as a front on applications to obtain new merchant accounts. In August 2009,  
27 I Works employees, using funds from I Works, opened one or more depository accounts in the  
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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.

4 222. 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 with core products sold by I Works's marketing partners and clients.

8 223. Premier Performance transacts or has transacted business in this District and  
9 throughout the United States.

10 224. Pro Internet Services, Inc.("Pro Internet Services"), a company incorporated in  
11 New York in March 2009, uses a maildrop address at 331 West Street, Box #183, New York,  
12 NY 10019. Defendant Loyd Johnston is the titulanew and officer of Pro Internet Services.

13 225. Pro Internet Services 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 August 2009,  
15 I Works employees, using funds from I Works, opened one or more depository accounts in the  
16 name of Pro Internet Services. Pro Internet Services's bank statements are sent to I Works's  
17 headquarters at 249 East Tabernacle, Suite 200, St. George, UT 84770.

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

22 227. Pro Internet Services transacts or has transacted business in this District and  
23 throughout the United States.

24 228. Razor Processing, Inc("Razor Processing"), a company incorporated in  
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1           229.   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

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1           236. Revive Marketing, Inc. (“Revive Marketing”), a company incorporated in  
2 Nevada 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           237. 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          238. 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          239. Revive Marketing transacts or has transacted business in this District and  
15 throughout the United States.

16          240. 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          241. 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          242. 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.

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

5 244. 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.

8 245. 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 merchant accounts. In September 2009,  
10 I Works employees, using funds from I Works, opened one or more depository accounts in the  
11 name of Summit Processing, including an account at Town & Country Bank. Summit  
12 Processing's bank statements are sent to I Works's headquarters at 249 East Tabernacle, Suite  
13 200, St. George, UT 84770.

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

18 247. Summit Processing transacts or has transacted business in this District and  
19 throughout the United States.

20 248. The Net Success, Inc("The Net Success"), a company incorporated in Nevada in  
21 July 2009, uses a maildrop address at 59 Damonte Ranch Parkway, Suite B-289, Reno, NV  
22 89521. Defendant Kevin Pilon is the titular owner and officer of The Net Success.

23 249. The Net Success is one of the shell corporations that J. Johnson and I Works  
24 established to act as a front on applications to obtain new merchant accounts. In July 2009,  
25 I Works employees, using funds from I Works, opened one or more depository accounts in the  
26 name of The Net Success, including an account at Zions Bank.

1           250. 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           251. The Net Success transacts or has transacted business in this District and  
6 throughout the United States.

7           252. Tranfirst, Inc. ("Tranfirst"), a company incorporated in Delaware in August 2009,  
8 uses a maildrop address at 4142 Olgren Stanton Road, Box #614, Newark, DE 19713.  
9 Defendant Loyd Johnston is the titular owner and officer of Tranfirst.

10           253. Tranfirst is one of the shell corporations that J. Johnson and I Works established to  
11 act as a front on applications to obtain new merchant accounts. In October 2009, I Works  
12 employees, using funds from I Works, opened one or more depository accounts in the name of  
13 Tranfirst, including an account at Town & Country Bank. Tranfirst's bank statements are sent to  
14 I Works's headquarters at 249 East Tabernacle, Suite 200, St. George, UT 84770.

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.

3 258. 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.

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

9 260. Unlimited Processing, Inc. ("Unlimited Processing"), a company that obtained a patent for a  
10 method of processing credit and debit card charges, and an application to obtain a new patent for a  
11 method of processing credit and debit card charges.

12 p263 "Unlimited Processing" transacts or has transacted business in this District and throughout  
13 the United States.

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1           265.   xCel 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,  
3 I Works employees, using funds from I Works, opened one or more depository accounts in the  
4 name of xCel Processing, including an account at Town & Country Bank. xCel Processing's  
5 bank statements are sent to I Works's headquarters at 249 East Tabernacle, Suite 200, St. George,  
6 UT 84770.

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

11           267.   Xcel Processing transacts or has transacted business in this District and throughout  
12 the United States.

13           268.   The Defendants described in Paragraphs 63 through 266 of this Complaint  
14 collectively are referred to as the "Shell Companies"

15           269.   I Works, Anthon, Cloud Nine, CPA Upsell, Elite Debit, Employee Plus, Internet  
16 Economy, Market Funding, Network Agenda, Success Marketing and the Shell Companies  
17 collectively are referred to as the "Corporate Defendants" or the "I Works Enterprise."

18 The Individual Defendants

19           270.   Jeremy Johnson ("J. Johnson") is the sole owner and officer of Corporate  
20 Defendants I Works, Cloud Nine, CPA Upsell, Elite Debit, Internet Economy, Market Funding,  
21 and Success Marketing, a member and manager of Corporate Defendant Network Agenda, and  
22 the de facto principal behind the Shell Companies that he established, using I Works employees  
23 and business associates, to act as fronts for I Works. J. Johnson is the mastermind behind the I  
24 Works Enterprise.

25           271.   J. Johnson hires and supervises the managers working at his companies. He has  
26 the authority to approve the websites offering the products sold by I Works. He signs legal

1 documents on behalf of I Works, including contracts with marketing partners and network  
2 marketing groups, court settlements, and corporate resolutions.

3 272. On behalf of I Works, J. Johnson used various Payment Processors, including First  
4 Data, ECHO, Global Payment Systems, Litle & Co., Moneris, Payment Tech, Trident, and Vital,  
5 as well as several Independent Sales Organizations (“ISOs”), including CardFlex, RDK, Inc.,  
6 Merchant eSolutions, Pivotal Payments, PowerPay, and Swipe Merchant Solutions, which act as  
7 sales agents for the Payment Processors and the merchant banks. J. Johnson and I Works worked  
8 with these Payment Processors and ISOs to obtain numerous merchant accounts at various  
9 merchant banks, including Wells Fargo, N.A., HSBC Bank USA, First Regional Bank, Harris  
10 National Association, and Columbus Bank and Trust Company. Defendants used these accounts  
11 with the Payment Processors and merchant banks to process the credit and debit card charges for  
12 I Works’s sale of core products and Upsells.

13 273. As described in detail below, after the banks began to terminate the merchant  
14 accounts in the name of I Works or the other Corporate Defendants where J. Johnson was listed  
15 as an officer, J. Johnson directed I Works’s employees to create numerous corporations to act as  
16 fronts on new merchant account applications so Defendants could continue to process the  
17 credit and debit card charges for I Works’s sale of core products and Upsells. The straw-figure  
18 principals of these Shell Companies are or were I Works employees or J. Johnson’s business  
19 associates. The only purpose of these Shell Companies was to obtain merchant accounts in their  
20 own names because banks would no longer open merchant accounts in the name of I Works or  
21 with J. Johnson listed as the principal due to the negative history associated with their earlier  
22 merchant accounts, including the high chargeback rates, the more than \$2.8 million in chargeback  
23 fines paid by I Works and the other J. Johnson-owned Corporate Defendants, and the numerous  
24 terminated merchant accounts. Jeremy Johnson has directed at least one Shell Company to pay  
25 his personal income taxes.



1           274. J. Johnson also created companies, including Corporate Defendant Elite Debit, that  
2 use remotely-created payment orders to debit consumers' bank accounts for I Works's sale of  
3 core products and Upsells.

4           275. J. Johnson has signatory authority over numerous accounts at financial institutions  
5 that contain funds from I Works's sale of core products and Upsells.

6           276. Since 2006, J. Johnson has personally received more than \$48 million in  
7 distributions and salary from the Corporate Defendants.

8           277. J. Johnson received reports from the I Works call centers about consumer  
9 complaints, and communications from Payment Processors, VISA, MasterCard, and others about  
10 the high level of chargebacks, related to I Works's marketing of its core products and Upsells.  
11 Chargeback fines totaling more than \$2 million were levied by merchant banks against Johnson's  
12 companies, including Defendants I Works, Internet Economy, and Market Funding.

13           278. At all times material to this Complaint, acting alone or in concert with others,  
14 J. Johnson has formulated, directed, controlled, had the authority to control, or participated in the  
15 acts and practices of I Works and/or one or more of the Corporate Defendants named herein,  
16 including the acts and practices set forth in this Complaint.

17           279. J. Johnson transacts or has transacted business in this District and throughout the  
18 United States in connection with the matters alleged herein.

19           280. Duane Fielding ac debdi88 TD unts fo -16(o).8(f)]TJ T\* .0007 Tc8d Upsells.C

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

3 282. 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.

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

9 284. At all times material to this Complaint, acting alone or in concert with others,  
10 Fielding has formulated, directed, controlled, had 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.

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

15 286. Andy Johnson ("A. Johnson"), J. Johnson's brother, is the manager of the  
16 Research and Development department at I Works. As part of his official duties at I Works, A.  
17 Johnson created, or arranged for the creation of, and manages, several products, including Rebate  
18 Millionaire and Cost Smashers, which I Works markets and sells directly and through its  
19 marketing partners and clients.

20 287. A. Johnson is the titular owner and officer of at least three defendant Shell  
21 Companies, including Funding Success, Hooper Processing, and Internet Fitness, that I Works  
22 and J. Johnson established to act as fronts on applicati  
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1 rental fee for at least 50 maildrops in 13 states used by the I Works Enterprise between August  
2 2009 and April 2010.

3 297. Johnston is the titular owner and officer of at least 15 Shell Companies that  
4 I Works and J. Johnson established to act as fronts on applications to obtain new merchant  
5 accounts. These Shell Companies include Defendants Blue Streak Processing, Business First,  
6 Cold Bay Media, Ebusiness Success, Ecom Success, Money Harvest, Monroe Processing, Net  
7 Commerce, Premier Performance, Pro Internet Services, Revive Marketing, Summit Processing,  
8 Tranfirst, Tran Voyage, and Unlimited Processing.

9 298. On behalf of I Works, Johnston obtained one or more merchant accounts in the  
10 name of numerous Shell Companies so that Defendants could continue to process the credit and  
11 debit card charges for I Works's sale of core products and Upsells.

12 299. Johnston has signatory authority over bank accounts titled in the name of various  
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1           305. 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 that Defendants could continue to process the  
3 credit and debit card charges for I Works's sale of core products and Upsells.

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

6           307. Leavitt has signatory authority over more than 90 bank accounts titled in the name  
7 of various Corporate Defendants. These accounts received funds from I Works directly and/or  
8 contain funds from I Works's sale of core products and Upsells. Leavitt's signature appears on  
9 thousands of checks written on behalf of the Corporate Defendants and he also arranges for the  
10 electronic transfer of funds from the Shell Companies to I Works and vice-versa.

11           308. Leavitt received reports from the I Works call centers about consumer complaints,  
12 and communications from Payment Processors, VISA, MasterCard, and others about the high  
13 level of chargebacks, related to I Works's marketing of its core products and Upsells. His  
14 company, Employee Plus, paid fines to its processing banks because of high chargeback levels.  
15 As the Finance Manager, Leavitt was in a position to see the bank statements reflecting the  
16 thousands of chargebacks associated with I Works's sale of core products and Upsells.

17           309. At all times material to this Complaint, acting alone or in concert with others,  
18 Leavitt has formulated, directed, controlled, had the authority to control, or participated in the  
19 acts and practices of I Works, Employee Plus, and/or one or more of the other business entities  
20 named herein, including the acts and practices set forth in this Complaint.

21           310. Leavitt transacts or has transacted business in this District and throughout the  
22 United States in connection with the matters alleged herein.

23           311. Scott Muir ("Muir"), Jeremy and Andy Johnson's uncle, is a former employee of  
24 I Works and is currently employed by BadCustomer.com, an affiliate company of I Works. Muir  
25 is the titular owner and officer of at least 12 Shell Companies that I Works and J. Johnson  
26 established to act as fronts on applications to obtain new merchant accounts. These Shell  
27 Companies include Big Bucks Pro, Blue Net Progress, Bolt Marketing, Business Loan Success,  
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1 CS Processing, GGL Rewards, Highlight Marketing, Mist Marketing, Net Discounts, Optimum  
2 Assistance, Razor Processing, and Simcor Processing.

3 312. 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.

6 313. Muir has signatory authority over at least 12 accounts at three different banks, all  
7 of which are titled in the name of Shell Companies. These accounts received funds from I Works  
8 directly and/or contain funds from I Works's sale of core products and Upsells.

9 314. As a former employee of I Works, and through his current work for  
10 BadCustomer.com, Defendants' Internet blacklist of consumers who have sought chargebacks of  
11 Defendants' charges and debits, Muir learned of the high level of chargebacks related to  
12 I Works's marketing of its core products and Upsells. Moreover, some of the bank accounts over  
13 which Muir has signatory authority received large numbers of debits because of chargebacks.

14 315. At all times material to this Complaint, acting alone or in concert with others, Muir  
15 has formulated, directed, controlled, had the authority to control, or participated in the acts and  
16 practices of I Works and/or one or more of the other business entities named herein, including the  
17 acts and practices set forth in this Complaint.

18 316. Muir transacts or has transacted business in this District and throughout the United  
19 States in connection with the matters alleged herein.

20 317. Bryce Payne("Payne") is the current General Manager of I Works.

21 318. Payne has authority to hire and fire persons who work for I Works.

22 319. Payne has signed contracts on behalf of I Works.

23 320. Payne has the authority to approve websites offering the products I Works sells.

24 321. Payne is the titular owner and officer of Defendant JRB Media, one of the Shell  
25 Companies that I Works and J. Johnson established to act as a front on applications to obtain new  
26 merchant accounts.

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1 338. Riddle approved websites offering the core products and Upsells sold by I Works.

2 339. Riddle entered into marketing and other contracts on behalf of I Works.

3 340. Riddle communicated with I Works's merchant banks and Payment Processors.

4 Riddle sent Progress Reports and Chargeback Reduc

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1 348. Spinks obtains merchant accounts for the I Works Enterprise.

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

6 350. Spinks submitted a Chargeback Reduction Plan to a processing bank on behalf of  
7 Defendant Jet Processing.

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

11 352. Spinks received reports from the I Works call centers about consumer complaints,  
12 and communications from Payment Processors, Visa, MasterCard, and others about the high  
13 level of chargebacks, related to I Works's marketing of its core products and Upsells.

14 353. At all times material to this Complaint, acting alone or in concert with others,  
15 Spinks has formulated, directed, controlled, had the authority to control, or participated in the acts  
16 and practices of I Works and/or one or more of the other business entities named herein, including  
17 the acts and practices set forth in this Complaint.

18 354. Spinks transacts or has transacted business in this District and throughout the  
19 United States in connection with the matters alleged herein.

20 355. Fielding, A. Johnson, J. Johnson, Johnston, Leavitt, Muir, Payne, Pilon, Riddle,  
21 and Spinks are collectively referred to as "Individual Defendants."

22 356. The Corporate and Individual Defendants are collectively referred to as  
23 "Defendants"

#### 24 COMMON ENTERPRISE

25 357. The Corporate Defendants have operated and functioned as a common enterprise  
26 while engaging in the unfair and deceptive acts and practices and other violations of law alleged  
27 in this Complaint. The Corporate Defendants have conducted the business practices through an  
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1 interrelated network of companies that have common control, ownership, officers, managers,

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First Amended Complaint

1 Defendants' deceptive acts and practices to Kerry Johnson as a gift. According to  
2 Relief defendant Kerry Johnson, in 2010, defendant J. Johnson and he exchanged  
3 the bulky silver bars for their equivalent value in silver coins and small silver bars;  
4 and

5 b. In 2009, defendant J. Johnson directed defendant Employee Plus to gratuitously  
6 transfer at least \$697,500 to Relief defendant Kerry Johnson, even though Relief  
7 defendant Kerry Johnson was neither employed by nor provided services or any  
8 other consideration to defendant Employee Plus in exchange for these assets.

9 365. Relief defendant Barbara Johnson is J. Johnson's mother. Relief defendant  
10 Barbara Johnson with her husband, Relief defendant Kerry Johnson, own and manage Relief  
11 defendants KB Family Limited Partnership and Electric, Inc., which as described below have  
12 received gratuitous transfers of significant assets from the I Works Enterprise. Relief defendant  
13 Barbara Johnson resides in Utah.

14 366. In addition to funds defendant J. Johnson gratuitously transferred to Relief  
15 defendants KB Family Limited Partnership and KV Electric, Inc., Relief defendant Barbara  
16 Johnson has directly received, individually or jointly with others, at least \$77,500 in funds and/or  
17 property that can be traced directly to Defendants' deceptive acts and practices for which she has  
18 no legitimate claim. For example, in 2009, defendant J. Johnson directed defendant Employee  
19 Plus to gratuitously transfer at least \$77,500 to Relief defendant Barbara Johnson, even though  
20 Relief defendant Barbara Johnson was neither employed by nor provided services or any other  
21 consideration to defendant Employee Plus in exchange for these assets.

22 Corporate Relief Defendants

23 367. Relief defendant Orange Cat Investments, LLC ("Orange Cat Investments"), is a  
24 Utah limited liability company, located at 529 S. Woodview Circle, St. George, UT. Defendant  
25 J. Johnson and Relief defendant Sharla Johnson are the managers and sole members of Relief  
26 defendant Orange Cat Investments. Relief defendant Orange Cat Investments was organized  
27 under Utah law in 2007.

1           368. Individually or jointly with others, Relief defendant Orange Cat Investments has  
2 received funds and/or property that can be traced directly to Defendants’ deceptive acts and  
3 practices and for which it has no legitimate claim. For example, defendant I Works’ records  
4 show that between December 2007 and March 2010, defendant I Works gratuitously transferred  
5 at least \$5,100,000 in funds and assets to Relief defendant Orange Cat Investments.

6           369. Relief defendant Zibby, LLC (“Zibby”), is a Utah limited liability company,  
7 located at 529 S. Woodview Circle, St. George, UT. Defendant J. Johnson and Relief defendant  
8 Sharla Johnson are the managers and sole members of Relief defendant Zibby. Relief defendant  
9 Zibby was organized under Utah law in 2002.

10           370. Individually or jointly with others, Relief defendant Zibby has received funds  
11 and/or property that can be traced directly to Defendants’ deceptive acts and practices and for  
12 which it has no legitimate claim. For example, since 2006, defendant I Works gratuitously  
13 transferred more than \$13 million in aggregate funds to Relief defendant Zibby.

14           371. Relief defendant Zibby Flight Service, LLC (“Zibby Flight Service”), is a  
15 Delaware limited liability company, located in St. George, UT. Defendant J. Johnson and Relief  
16 defendant Sharla Johnson are the managers and

1 374. Individually or jointly with others, Relief defendant KV Electric has received at  
2 least \$807,505.90 in funds and/or property that can be traced to Defendants' deceptive acts and  
3 practices and for which it has no legitimate claim.

4 375. For example, between January 30, 2008, and June 21, 2010, defendant J. Johnson  
5 caused at least \$807,505.90 to be gratuitously ~~stolen~~ transferred from Relief defendant Zibby to Relief  
6 defendant KV Electric.

7 376. Relief defendant KB Family Limited Partnership ("KB Family Limited  
8 Partnership") is a Utah limited partnership wholly-owned by Relief defendants Kerry and Barbara  
9 Johnson.

10 377. Individually or jointly with others, Relief defendant KB Family Limited  
11 Partnership has received at least \$1.75 million in funds and/or property that can be traced to  
12 Defendants' deceptive acts and practices and for which it has no legitimate claim. For example,  
13 in or about early March 2009, Relief defendant KB Family Limited Partnership deposited two  
14 checks of \$25,000 each drawn on a bank account in the name of defendant I Works and made  
15 payable to Relief defendant KB Family Limited Partnership.

16 378. Furthermore, on or about December 7, 2009, defendant J. Johnson caused Relief  
17 defendant Sharla Johnson to transfer \$1.7 million to Relief defendant KB Family Limited  
18 Partnership. The \$1.7 million included proceeds of the \$3.1 million home equity line of credit  
19 secured by the Johnson Residence discussed above, and funds from a reserve account ending in  
20 X485 at Sunfirst Bank in the name of defendant Elite Debit.

#### 21 COMMERCE

22 379. At all times relevant to this Complaint, Defendants have maintained a substantial  
23 course of trade in or affecting commerce, as "commerce" is defined in Section 4 of the FTC Act,  
24 15 U.S.C. § 44.

DEFENDANTS' BUSINESS PRACTICES

The Lures

380. In numerous instances, consumers are drawn into Defendants' scheme through websites that trumpet the availability of government grants to pay personal expenses or websites that offer a money-making opportunity. Defendants offer information regarding grants and make-money opportunities, purportedly at a nominal cost of \$1.99 or \$2.99. Defendants fail to disclose or to disclose adequately that their offer includes a Negative Option Plan for an online membership; consumers who do not cancel their memberships within a short period of time will be billed a hefty one-time charge and enrolled in a continuity plan that will result in monthly recurring charges. Defendants also fail to disclose or to disclose adequately that they will charge consumers' credit cards or debit funds from their bank accounts recurring monthly fees for Forced Upsells - additional bundled products from which consumers cannot opt-out.

The Grant Lure

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

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

383. Another offer hypes the billions of dollars available for "Personal Grants!" and encourages individuals to "claim your share of the millions of dollars in Grant Money Given Away Every Year!" According to this offer, "some of the Government Grants that have been funded" include "\$9,500 to pay medical bills," "\$50,000 for college," and "\$10,000 for free healthcare."



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1           388. Defendants provide their affiliates with ready-to-send emails that advertise the  
2 Defendants' grant and money-making programs. The Defendants make these emails available on  
3 a website for affiliates called the I Works Media Center. The emails include a default link to  
4 ravenmediainc.com, an URL that is registered to an individual with an I Works email address. In  
5 one of the emails, Defendants proclaim that "Every year, the government gives away MILLIONS  
6 of dollars to people JUST LIKE YOU! Need FAST CASH to start a business, attend college, or  
7 pay off bills?" And, another email states that consumers can use "FREE MONEY doled out  
8 by 1,400 government agencies" to "buy a new home, car, pay for college, medical bills, groceries,  
9 bills, and more." A third email announces there are "THOUSANDS of dollars in FREE  
10 Government grant money for the holidays!" and features a woman in a Santa Claus hat holding a  
11 wad of hundred dollar bills.

12           389. Defendants have marketed their grant products under various names that invoke a  
13 connection between their products and government grants, such as: Fed Grant USA, Federal  
14 Grant Connection, Grant Stimulus Save, Gov Grant Connection, Fast Government Grants, Fast  
15 Gov Grants.com, Get Government Dollars, Government Funding Solutions, and Gov Grant  
16 Central. Defendants have also marketed their grant products through websites with names such  
17 as: federalgovernmentgrantsolutions.com and availablefederalgrantsonline.com.

18           390. In fact, there are few, if any, government grants available to individual consumers.  
19 In addition, contrary to Defendants' representations, government grants are not available to  
20 individuals to pay personal expenses such as their mortgage, bills, Christmas presents, and  
21 emergencies. Instead, most government grants are awarded to colleges, universities, and other  
22 nonprofit organizations. Moreover, Defendants do not possess and rely upon a reasonable basis  
23 to substantiate their representation that government grants are available to individuals for  
24 personal expenses.

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

10 walks you step by step through exactly how to qualify and who to contact. It includes all  
 11 required addresses and what to say to easily get the tax-free cash just sitting there waiting  
 12 for you. . . No matter who you are, rich or poor, black or white, employed or unemployed,  
 13 as long as you are a U.S. citizen, you can apply for funding faster than you ever dreamed  
 14 possible. Go ahead, request this CD today and get started on your path to finding and  
 15 applying for the funding you're seeking.

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

22 393. In fact, consumers are not likely to find and obtain grants using Defendants' grant  
 23 product as there are few, if any, government grants for individuals to pay personal expenses.  
 24 Moreover, Defendants did not possess and rely upon a reasonable basis to substantiate their  
 25 representation that consumers are likely to find and obtain government grants for personal  
 26 expenses using the Defendants' grant product.

27 394. Consumers are not likely to obtain grants such as those obtained by the consumers  
 28 in the testimonials. The individuals quoted in the testimonials received funds only from a  
 nonprofit organization funded wholly or partially by Defendants. Defendants provided payments  
 to approximately .04% of all consumers that Defendants' billed for Defendants' grant product.

1 The only manner in which Defendants add a caveat to their testimonials is by way of a small  
2 asterisk at the end of each testimonial. If consumers can even see the fine print at the bottom of  
3 the web page, they will only find Defendants' tiny disclosure that "Results May Vary," which  
4 does nothing to correct the representation that consumers using the grant product are likely to  
5 obtain grants such as those obtained by the happy consumers. Moreover, many of the sites  
6 contain one or more testimonials that are false or bogus.

7 The Make-Money Opportunity Lure

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1 three days, converts to a paying membership with a one-time fee of as much as \$189 and then  
2 monthly recurring fees of as much as \$59.95.

3 407. In most instances, in addition to the core product advertised on Defendants'  
4 website, Defendants also automatically enroll consumers in one or more of Defendants' other,  
5 unrelated membership programs without giving consumers the option of unchecking a box or  
6 using other means to decline the Forced Upsell. The products Defendants bundle with their core  
7 products as Forced Upsells include: Express Business Funding, a small business alternative-  
8 funding online membership; (2) Fit Factory, an online health/weight-loss site; (3) Cost Smashers,  
9 a savings club; (4) Network Agenda, a small business, Internet-based scheduling tool; (5) Living  
10 Lean, an online weight-loss program; and (6) Rebate Millionaire, a program that teaches people  
11 how to make money buying and selling items on action sites such as eBay. Defendants also use  
12 its two main core products, the grant product and the make-money product, as Forced Upsells,  
13 enrolling consumers who provided Defendants with their billing information to pay the small fee  
14 for Defendants' grant product in its make-money product and vice-versa. Each of these Forced  
15 Upsells imposes additional recurring monthly charges or debits of as much as \$39.97 to the  
16 consumer's account.

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

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1           421. In numerous instances, consumers do not receive a confirmation page or email  
2 regarding Defendants' Upsells bundled with the core products sold by Defendants' marketing  
3 partners.

4           422. In numerous instances, consumers have not authorized Defendants to charge their  
5 credit cards or debit their bank accounts for the Upsells bundled with the core products sold by  
6 Defendants' marketing products.

7           423. In numerous instances, Defendants' ~~practice~~ of charging or debiting consumers'  
8 accounts for undisclosed or inadequately disclosed Forced Upsells on their marketing partners'  
9 websites has caused consumers' credit and debit accounts to be charged substantial recurring fees  
10 for Defendants' Forced Upsells.

11           424. In numerous instances, Defendants' ~~practice~~ of charging or debiting consumers'  
12 accounts for undisclosed or inadequately disclosed Forced Upsells on their marketing partners'  
13 websites has depleted consumers' checking accounts, causing consumers to incur costly overdraft  
14 fees.

15           425. In numerous instances, Defendants' ~~practice~~ of charging or debiting consumers'  
16 accounts for undisclosed or inadequately disclosed Forced Upsells on their marketing partners'  
17 websites has caused consumers to exceed their credit cards' credit limit and incur fees.

18           426. In numerous instances, Defendants' Forced Upsells on their marketing partners'  
19 websites are undisclosed or inadequately disclosed and therefore consumers do not know how  
20 they can avoid the charges.

1 consumers who are considering exercising their chargeback rights; and (c) they use the Shell  
2 Companies to trick banks into opening new merchant accounts through which they continue to  
3 process charges and debits related to Defendants' sale of I Works' core products and Upsells.

4 The Phony Positive Reviews on the Internet

5 429. Defendants' marketing practices have caused hundreds, if not thousands, of  
6 consumers to post negative comments about Defendants on numerous websites and blogs.  
7 Defendants have combated, and continue to combat, these unfavorable comments by hiring third  
8 parties to create and post on the Internet positive articles and other web pages. In doing so,  
9 Defendants represent, expressly or by implication, that these articles and other web pages are  
10 independent reviews reflecting the opinions of unbiased consumers who successfully used  
11 Defendants' grant product to find government grants to pay personal expenses or Defendants'  
12 make-money programs to earn substantial income.

13 430. In fact, the positive articles and other web pages about Defendants' grant and  
14 money-making programs are not independent reviews reflecting the opinions of unbiased  
15 consumers who successfully used the grant and make-money products offered by Defendants.  
16 Rather, the positive articles and other web pages were created by Defendants and their agents.  
17 Defendants' representation that the positive articles and other web pages are independent reviews  
18 reflecting the opinions of unbiased consumers is false.

19 431. In connection with the representation that the positive articles and other web pages  
20 about Defendants' grant and money-making programs are independent reviews reflecting the  
21 opinions of unbiased consumers, Defendants have caused the creation of a large number of

of sed Wons Shell Creditors on the Internet by pages unfavorable the represent so, endants a web page endants'6

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1 consumer blacklist . . . and will result in member merchants blocking you from making purchases  
2 online!"

3 Defendants' Use of Subterfuge to Obtain New Merchant Accounts

4 433. In numerous instances, when consumers find Defendants' charges or debits on  
5 their billing statements, they contact their credit card issuers or banks to contest the charges. The  
6 credit card issuer or bank "charges back" the contested amount to Defendants, which is debited  
7 from Defendants' merchant account at the merchant bank. Defendants received a large number of  
8 chargebacks and were thus placed in monitoring programs established by VISA and MasterCard.  
9 Defendants failed to address the problems causing the high volume of chargebacks. 433. Were

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1           436. Furthermore, when applying for new merchant accounts in the names of the Shell  
2 Companies, Defendants actively misrepresented how their underlying products would be  
3 marketed. As part of the application process for new merchant accounts, some Payment  
4 Processors and banks request the prospective merchant to submit a copy of the website the  
5 merchant intends to use to sell the product. These websites are commonly referred to as  
6 “underwriting sites.” On numerous occasions, Defendants were made aware by the agents for  
7 Payment Processors that some Payment Processors and banks would not approve merchant  
8 account applications associated with websites that marketed products via Upsells. Additionally,  
9 some Payment Processors and banks require that all material terms and conditions of any offer on  
10 the website associated with the merchant account be clearly and conspicuously disclosed in large  
11 type throughout the website including on the Order page adjacent to the Submit button.

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

19           438. Furthermore, Defendants often used the dummy underwriting sites to deflect  
20 blame when confronted by angry consumers. When a bank or other entity contacted Defendants  
21 or one of Defendants’ Payment Processors regarding information on behalf of an upset consumer  
22 concerning one of Defendants’ charges or its Defendants routinely responded to the request  
23 by referring the requestor to a dummy underwriting site, containing the more visible and clear  
24 disclosures and no Upsells, rather than to the websites that actually generated Defendants’ sales.

25           439. Through these Shell Companies, Defendants continue to market these products in  
26 the same manner that caused them to receive astronomical amounts of chargebacks in the first  
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1 447. Therefore, the making of the representation set forth in Paragraph 445 of this  
2 Complaint constitutes a deceptive act or practice in violation of Section 5(a) of the FTC Act,  
3 15 U.S.C. § 45(a).

4 COUNT II

5 Misrepresenting That Consumers Using Defendants' Grant Product  
6 Are Likely to Find Government Grants to Pay Personal Expenses

7 448. In numerous instances, in connection with the marketing and sale of grant-related  
8 products or services, Defendants represent, ~~directly~~ directly, expressly or by implication, that  
9 consumers using Defendants' grant product are ~~likely~~ likely to find and obtain government grants to pay  
10 personal expenses.

11 449. The representation set forth in Paragraph 448 of this Complaint is false,  
12 misleading, and/or was not substantiated at the time the representation was made because  
13 consumers using Defendants' grant product ~~likely~~ likely to find and obtain government grants to  
14 pay personal expenses.

15 450. Therefore, the making of the representation set forth in Paragraph 448 of this  
16 Complaint constitutes a deceptive act or practice in violation of Section 5(a) of the FTC Act,  
17 15 U.S.C. § 45(a).

18 COUNT III

19 Misrepresenting the Amount of Income  
20 That Consumers Are Likely to Earn Using Defendants' Products

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

25 452. The representation set forth in Paragraph 451 of this Complaint is false,  
26 misleading, and/or was not substantiated at the time the representation was made because  
27 consumers using Defendants' make-money products are not likely to earn substantial income  
28 such as \$200 - \$943 or more per day.



1 453. Therefore, the making of the representation set forth in Paragraph 451 of this  
2 Complaint constitutes a deceptive act or practice in violation of Section 5(a) of the FTC Act,  
3 15 U.S.C. § 45(a).

4 COUNT IV

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

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

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

15 456. Therefore, Defendants' representations as set forth in Paragraph 454 of this  
16 Complaint constitute a deceptive act or practice in violation of Section 5(a) of the FTC Act,  
17 15 U.S.C. § 45(a).

18 COUNT V

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

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

25 458. In numerous instances in which Defendants have made the representation set forth  
26 in Paragraph 457 of this Complaint, Defendants have failed to disclose, or disclose adequately, to  
27 consumers, material terms and conditions of their offer, including:

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1 462. Therefore, the making of the representations set forth in Paragraph 460, above,  
2 constitute a deceptive act or practice in violation of Section 5(a) of the FTC Act, 15 U.S.C.  
3 § 45(a).

4 COUNT VII

5 Misrepresenting That Positive Articles Are  
6 From Unbiased Consumers Who Used the Products  
Offered by Defendants

7 463. In numerous instances in connection with the marketing and sale of various  
8 products or services, including products to obtain government grants to pay personal expenses  
9 and make-money opportunities, Defendants represent that the positive articles and other web  
10 pages about Defendants' grant and make-money opportunities are independent reviews that  
11 reflect the opinions of unbiased consumers ~~who~~ successfully used Defendants' products or  
12 services.

13 464. In truth and in fact, the positive articles and other web pages are not independent  
14 reviews reflecting the opinions of unbiased consumers. The positive articles and other web pages  
15 were created by Defendants and their agents.

16 465. Therefore, the making of the representation set forth in Paragraph 463 of this  
17 Complaint constitutes a deceptive act or practice in violation of Section 5(a) of the FTC Act,  
18 15 U.S.C. § 45(a).

19 COUNT VIII

20 Failing to Disclose That Defendants Created the Positive  
21 Articles and Other Web Pages About The Products They Market

22 466. In numerous instances in connection with the marketing and sale of various  
23 products or services, including products to obtain government grants to pay personal expenses  
24 and make-money opportunities, Defendants or their agents create and post hundreds of positive  
25 articles and other web pages about Defendants' products or services.

26 467. In numerous instances in connection with the positive articles and other web pages  
27 described in Paragraph 466, Defendants represent, directly or indirectly, expressly or by  
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First Amended Complaint

1 903(9) of EFTA, 15 U.S.C. § 1693a(9), provides that the term “preauthorized electronic fund  
2 transfer” means “an electronic fund transfer authorized in advance to recur at substantially regular  
3 intervals.”

4 474. Section 205.10(b) of Regulation E, 12 C.F.R. § 205.10(b), provides that  
5 “[p]reauthorized electronic fund transfers from a consumer’s account may be authorized only by a  
6 writing signed or similarly authenticated by the consumer. The person that obtains the  
7 authorization shall provide a copy to the consumer.”

8 475. Section 205.10 of the Federal Reserve Board’s Official Staff Commentary to  
9 Regulation E, 12 C.F.R. § 205.10(b), Supp. I, provides that “[t]he authorization process should  
10 evidence the consumer’s identity and assent to the authorization.” 12 C.F.R. § 205.10(b), cmt 5. The  
11 Official Staff Commentary further provides that “[i]n authorization is valid if it is readily  
12 identifiable as such and the terms of the authorized transfer are clear and readily  
13 understandable.” Id. ¶ 10(b), cmt 6.

14  
15 VIOLATIONS OF THE ELECTRONIC FUND TRANSFER ACT  
16 AND REGULATION E

17 COUNT X

18 476. In numerous instances, Defendants have debited consumers’ bank accounts on a  
19 recurring basis without obtaining a written authorization signed or similarly authenticated from  
20 consumers for preauthorized electronic fund transfers from their accounts, thereby violating  
21 Section 907(a) of EFTA, 15 U.S.C. § 1693e(a) and Section 205.10(b) of Regulation E, 12 C.F.R.  
22 § 205.10(b).

23 477. In numerous instances, Defendants have debited consumers’ bank accounts on a  
24 recurring basis without providing a copy of a written authorization signed or similarly  
25 authenticated by the consumer for preauthorized electronic fund transfers from the consumer’s  
26 account, thereby violating Section 907(a) of EFTA, 15 U.S.C. § 1693e(a), and Section 205.10(b)  
27 of Regulation E, 12 C.F.R. § 205.10(b).

1 478. Pursuant to Section 917 of EFTA, 15 U.S.C. § 1693o(c), every violation of EFTA  
2 and Regulation E constitutes a violation of the FTC Act.

3 479. By engaging in violations of EFTA and Regulation E as alleged in Paragraphs 476  
4 and 477 of this Complaint, Defendants have engaged in violations of the FTC Act. 15 U.S.C.  
5 § 1693o(c).

6 COUNT XI

7 Disgorgement of the Assets Held by Relief Defendants  
8 in Constructive Trust for the Benefit of Consumers

9 480. The Commission incorporates and restates Paragraphs 1 through 479 of this  
10 Amended Complaint, as though fully set forth in this Paragraph 480.

11 481. Defendants have committed deceptive and unfair acts and practices in violation of  
12 Section 5(a) of the FTC Act, Section 907(a) EFTA, and Section 205.10(b) of Regulation E in  
13 connection with the marketing and sale of Internet-based information products and services.

14 482. Relief defendants Sharla Johnson, Kerry Johnson, Barbara Johnson, the KB  
15 Family Limited Partnership, KV Electric, Orange Cat Investments, Zibby, and Zibby Flight  
16 Service (collectively "Relief Defendants") have received, directly or indirectly, funds, other  
17 assets, or both, or otherwise benefitted from funds that are traceable to funds obtained from  
18 Defendants' customers through the unlawful acts or practices described herein.

19 483. Relief Defendants are not bona fide purchasers and do not have legal and equitable  
20 title to Defendants' customers' funds and other assets, and Relief Defendants will be unjustly  
21 enriched if they are not required to disgorge funds or the value of the benefit they received as  
22 a result of Defendants' unlawful acts or practices.

23 484. By reason of the foregoing, Relief Defendants hold funds and assets in  
24 constructive trust for the benefit of Defendants' customers.

1 CONSUMER INJURY

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

11 THIS COURT'S POWER TO GRANT RELIEF

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

18 PRAYER FOR RELIEF

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

1           1.       Award the FTC such injunctive and ancillary relief as may be necessary to avert  
2 the likelihood of consumer injury during the pendency of this action and to preserve the  
3 possibility of effective final relief, including, but not limited to, temporary and preliminary  
4 injunctions, asset freeze, and appointment of a receiver;  
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6           2.       Enter a permanent injunction to prevent future violations of the FTC Act, EFTA,  
7 and Regulation E by Defendants;  
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9           3.       Award such relief as the Court finds necessary to redress injury to consumers  
10 resulting from the Defendants' violation of the FTC Act, EFTA, and Regulation E, including,  
11 but not limited to, rescission or reformation of contracts, restitution, the refund of monies paid,  
12 and the disgorgement of ill-gotten monies;  
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14           4.       Enter an order requiring Relief Defendants to disgorge all funds and assets, or the  
15 value of the benefit they have received from the funds and assets, which are traceable to  
16 Defendants' unlawful acts or practices,  
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