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14 Attorneys for Plaintiff Federal Trade Commission

15 UNITED STATES DISTRICT COURT
16 FOR THE DISTRICT OF NEVADA

17
18 FEDERAL TRADE COMMISSION,
19 Plaintiff,
20 v.

21 JEREMY JOHNSON, individually, as officer of
Defendants I Works, Inc.; Cloud Nine, Inc.; CPA 42.1200 0.0000 TD (off)Tj 17.1600 0.0000 TD (icer)

1 numerous Defendant Shell Companies identified
2 below;

3 LOYD JOHNSTON, individually, as a manager
4 of I Works, Inc., and as titular principal of
5 numerous Defendant Shell Companies identified
6 below;

7 SCOTT LEAVITT, individually, as a manager of
8 I Works, Inc., and as a principal of Defendant
9 Employee Plus, Inc.;

10 SCOTT MUIR, individually and as titular
11 principal of numerous Defendant Shell
12 Companies identified below;

13 BRYCE PAYNE, individually, as a manager of
14 I Works, Inc., and as titular principal of
15 Defendant JRB Media, Inc., a Shell Company;

16 KEVIN PILON, individually and as titular
17 principal of numerous Defendant Shell
18 Companies identified below;

19 RYAN RIDDLE, individually, as a former
20 manager of I Works, Inc., and as titular
21 principal of Defendant Diamond J Media, Inc., a
22 Shell Company;

23 TERRASON SPINKS, individually and as
24 principal of Defendant Jet Processing, Inc., a
25 Shell Company;

26 I WORKS, INC., a Utah Corporation;

27 ANTHON HOLDINGS CORP., a Utah
28 Corporation;

CLOUD NINE MARKETING, INC., a Nevada
Corporation;

CPA UPSELL, INC., a

1 NETWORK AG ENDA, LLC, a Nevada limited
2 liability company;

3 SUCCESSMARKETING, INC., a Utah
4 Corporation;

5 and the following Shell Companies

6 BIG BUCKS PRO, INC., a Nevada Corporation;

7 BLUE NET PROGRESS, INC., an Oklahoma
8 Corporation;

9 BLUE STREAK PROCESSING, INC., a
10 Delaware Corporation;

11 BOLT MARKETING, INC., a California
12 Corporation;

13 BOTTOM DOLLAR, INC., dba Bad
14 Customer.com, a Nevada Corporation;

15 BUMBLE MARKETING, INC., a Nevada
16 Corporation;

17 BUSINESS FIRST, INC., a Delaware
18 Corporation;

19 BUSINESS LOAN SUCCESS, INC., a Nevada
20 Corporation;

21 COLD BAY MEDIA, INC., an Oklahoma
22 Corporation;

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First Amend

JURISDICTION AND VENUE

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1 bank accounts) hefty one-time fees of as much as \$189 and the 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,
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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’ grant 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 [op06, defe 9(me)12(rs)12(fo)13(r p al)]TJ /T1_0 9 Tf -0.7 Tc l[op0twgo8tly 9[(misr)9(trw

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1 22. I Works has at least 18 ~~are~~ depository accounts in its own name ~~at~~ six different
2 banks. Since 2006, ~~Defendants'~~ sale of ore products, Upsells (including ~~Forced Upsells~~) and
3 consumer ~~ads~~ has ~~created~~ more than \$350 million in sales.

4 23. I Works transacts or ~~transacts~~ business in this ~~Dist~~ and throughout the
5 United States.

6 24. Anthon Holdings Corp. ("Anthon"), a company incorporated in Utah in 2003, is
7 located at

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45. Employ

1 53. In 2008, IWorks employees, using funds from IWorks, opened one or more
2 depository accounts in the name of Marketing Funding, including an account at The Village
3 Bank.

4 54. Marketing Funding transacts or has transacted business in this District and throughout
5 the United States.

6 55. Network Agenda, LLC ("Network Agenda"), a Nevada limited liability company
7 established in January 2009, uses a mail drop address at 2780 S. Jones Blvd., Suite 3407, Las
8 Vegas, NV 89146. Its office address is located at 249 E. Tabernacle St., Suite 105, St. George
9 UT 84770. The sole members and managers of Network Agenda are Defendants Duane Fielding
10 and Jeremy Johnson.

11 56. Network Agenda provides or has provided to IWorks products by the name of
12 Network Agenda and Office Agenda. Defendant IWorks includes these products as Forced
13 Upsells on the websites on which I Works offers a core product; I Works also arranges to bundle
14 as Upsells the Network Agenda products with the core products sold by I Works's marketing
15 partners and clients.

16 57. Network Agenda obtained one or more merchant accounts so that Defendants
17 could continue to process the credit and debit card payments. TD (the name 7/8) Tj 17.64 14.64 00 0.000928

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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 more depository accounts in the name of
11 Blue Net, including an account at Sun First Bank. Blue Net's bank statements were sent to
12 I Works's headquarters at 249 East Tabernash, Suite 200, St. George UT 84770.

13 70. Defendants used Blue Net to obtain one 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") is a company incorporated in Utah on
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74. Defendants

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First Amended Complaint
FTC v. Jeremy Johnson,

1 96. Cold Bay Media, Inc. (“Cold Bay Media”), a company incorporated in Oklahoma
2 in October 2009, uses a maildrop address at 1050 East 2nd Street, Box #500, Edmond, OK 73034.
3 Defendant Lloyd Johnston is the titular owner and officer of Cold Bay Media.

4 97. Cold Bay Media is one of the shell corporations that Johnson and Works
5 established to act as a front on applications to obtain new mobile accounts. In November 2009,
6 I Works employees, using funds from I Works, opened one or more depository accounts in the
7 name of Cold Bay Media, including an account at SunFirst Bank. Cold Bay Media’s bank
8 statements are sent to Works’s headquarters at 249 East Tabor

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

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

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

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

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

20 117. Ebusiness First is one of the shell corporations that Johnson and Works
21 established to act as a front on applications to obtain new merchant accounts.

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

26 119. Ebusiness First transacts or has transacted business in this District and throughout
27 the United States.

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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 Polo 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 Johnson and Works
10 established to act as a front on applications to obtain new merchant accounts. In September 2009,
11 I Works employees, using

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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 Rey, CA 90292. Defendant Kevin Pilon is the titular owner and officer of Fitness Processing.

6 137. Fitness Processing is one of the shell corporations that Johnson and 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 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.

14 139. Fitness Processing transacts or has transacted business in this District and
15 throughout the United States.

16 140. Funding Search Success, Inc. ("Funding Search Success") a company
17 incorporated in Nevada in July 2009, uses a maildrop address at 2764 N. Green Valley Parkway,
18 Ste. 827, Henderson, NV 89014. Margaret L. Holm is the titular owner and officer of Funding
19 Search Success.

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

26 142. Defendants used Funding Search Success to obtain one or more merchant accounts
27 in the name of various fictitious entities so that Defendants could continue to process credit and
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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 Tabernade, 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 Johnson and Works
16 established to use as a front on applications to obtain 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
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First Amended Complaint
FTC v. [redacted]
[redacted]

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

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

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

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

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

26 178. Defendants used JRB Media to obtain one or more
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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 mailing 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 Johnson and 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 mailing address at 963 Tops Lane, Suite 306 #312, Carson
20 City, NV 89705. Defendant Scott Muir is the titular owner and officer of Optimum Assistance.

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

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 titular owner and officer of Power Processing.

10 217. Power Processing is one of the shell corporations that Johnson and 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 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 Works's headquarters at 249 East Trade, Suite 200, St. George UT
15 84770.

16 218. Defendants used Power Processing to obtain one 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 Johnson and 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 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 Tabernade, 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 Service

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

7 230. Defendants used Razor 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 Works's marketing partners and clients.

11 231. Razor Processing has done or has transacted business in this District and
12 throughout the United States.

13 232. Rebate Deals, Inc. ("Rebate Deals"), a company incorporated in Nevada in June
14 2009, uses a maildrop address at 4080 Paradise Road, #15-904, Las Vegas, NV 89109.
15 Defendant Kevin Pilon is the titular owner and officer of Rebate Deals.

16 233. Rebate Deals is one of the shell corporations that Johnson and Works
17 established to act as a front on applications to obtain new merchant accounts. In June 2009,
18 I Works employees, using funds from I Works, opened one or more depository accounts in the
19 name of Rebate Deals, including an account at Far West Bank. Rebate Deals's bank statements
20 are sent to I Works's headquarters at 249 East Tabernade, Suite 200, St. George, UT 84770.

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

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1 236. Revive Marketing, Inc. ("Revive Marketing"), a company incorporated in
2 Nevada in 2009, uses a mail drop 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 Johnson and 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 Tabernade, 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 mail drop address at 8550 West Desert 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 Johnson and 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 Tabernade, 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 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 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 mail drop address at 4142 Olgtown Stratton 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 Tabernash Lane, Suite 200, St. George, UT 84770.

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

19 255. Tranfirst transacts or has transacted business in this District and throughout the
20 Un

1 from PowerProcessing and the 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 incorporated in
10 New York in July 2009, uses a maildrop address at 111 East 14th Street, Box #320, New York,
11 NY 10003. Defendant Loyd Johnston is the titular owner and officer of Unlimited Processing.

12 261. Unlimited Processing is one of the shell corporations that Johnson and Works
13 established to act as a front on applications to obtain new merchant accounts. In August 2009,
14 I Works employees, using funds from I Works, opened one more depository accounts in the
15 name of Unlimited Processing including an account at The Village Bank. Unlimited
16 Processing's bank statements are sent to I Works's headquarters at 249 East Tabernacle, Suite
17 200, St. George, UT 84770.

18 262. Defendants used Unlimited Processing 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.

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First Amended Complaint

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, ISA, 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 ("Fielding") is a member and manager of Defendant Network
20 Agenda and the sole owner and officer of Defendant Anthon. Both companies are located at
21 I Works's headquarters at 249 East Tabernacle, St. George, UT 84770.

22 281. In June 2008, Fielding signed an agreement with the Payment Processor Titile &
23 Co. in order to obtain merchant accounts on behalf of Defendant Anthon. On behalf of I Works,
24 Fielding obtained merchant accounts in the names of Network Agenda and Office Assistant so
25 that Defendants could process the credit and debit card charges for I Works's sale of core
26 products and Upsells. These accounts incurred such excessive chargebacks that Fielding had to
27 submit Chargeback Reduction Plans to Payment Processors on behalf of Network Agenda.

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 signature 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, ISA, 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 the authority to control, or participated in the
11 acts and practices of I Works, Anthon, Network Agenda, and/or one or more of the Corporate
12 Defendants named herein, including the acts and practices set forth in this Complaint.

13 285. 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 applications to obtain new merchant accounts.
23 A. Johnson also was, during at least part of the time period relevant to this Complaint, the titular
24 owner of Defendant xCel Processing, one of the defendant Shell Companies.

25 288. On behalf of I Works, A. Johnson obtained merchant accounts under the names of
26 several Shell Companies, including Defendants Funding Success and xCel Processing, so that
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1 Defendants could continue to process the credit and debit card charges for I Works's sale of core
2 products and Upsells.

3 289. A. Johnson has signature authority over bank accounts titled in the name of
4 Defendants Finding Success and xCell Processing, as well as over bank accounts titled in the
5 name of other Shell Companies, which accounts received funds from I Works directly and/or
6 contain funds from I Works's sale of core products and Upsells.

7 290. As a manager at I Works, A. Johnson received information regarding the high
8 number of consumer complaints and chargebacks related to I Works's marketing of its core
9 products and Upsells.

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

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

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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 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 signature authority over bank accounts titled in the name of various
13 Shell Companies that received funds from I Works directly and/or contain funds from Works's
14 sale of core products and Upsells.

15 300. Johnston received reports from the Works call centers about consumer
16 complaints, and communications from Payment Processors, ISA, MasterCard, and others about
17 the high level of chargebacks, related to I Works's marketing of its core products and Upsells.

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

22 302. Johnston transacts or has transacted business in this District and throughout the
23 United States in connection with the matters alleged herein.

24 303. Scott Leavitt ("Leavitt") is the Finance Manager for I Works.

25 304. In that role, Leavitt keeps the financial books of the Works Enterprise. He
26 provides payroll and accounting services to I Works through Defendant Employee Plus, and
27 another company, Leavitt, Musgrave & Associates, both of which Leavitt owns.

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

4 306. Leavitt communicated with the Payment Processors and banks 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 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 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 Works and Johnson
26 establi

1 CS Processing, GG 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 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' interne

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322. On behalf of I Works, Payne obtained one or more merchants ac

1 least 27 maildrops in nine states used by I Works Enterprise between August 2009 and May
2 2010.

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

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

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

12 333. Pilon, as a member of the Merchant Account department, attended meetings at
13 which the high number of chargebacks related to I Works's marketing of its core products and
14 Upsells was discussed. Pilon received reports from the I Works call centers about consumer
15 complaints, and communications from Payment Processors, Visa, MasterCard, and others about
16 the high level of chargebacks, related to I Works's marketing of its core products and Upsells.

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

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

23 336. Ryan Riddle ("Riddle") was, until November 2009, the General Manager of
24 I Works.

25 337. While General Manager, Riddle exercised supervisory authority over I Works
26 employees. Riddle hired and fired I Works employees. Riddle supervised managers and sent
27 directions to employees via email and otherwise.

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

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

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

4 Riddle sent Progress Reports and Chargeback Reduction Plans on behalf of Works to banks and
5 Payment Processors explaining the steps I Works was taking to decrease chargebacks.

6 341. Riddle responded to consumer complaints that were sent to I Works by various
7 state Attorneys General.

8 342. Riddle is also the titular owner and officer of Defendant DJM, one of the Shell
9 Companies that Works and Johnson established to act as a front on applications to obtain new
10 merchant accounts. Riddle signed merchant account applications on behalf of DJM's various
11 fictitious entities.

12 343. Riddle has signatory authority over a bank account titled in the name of DJM,
13 which account received funds from Works directly and/or contains funds from Works's sale of
14 core products and Upsells.

15 344. Riddle received reports from the I Works call centers about consumer complaints,
16 and communications from Payment Processors, VISA, MasterCard, and others about the high
17 level of chargebacks, related to I Works's marketing of its core products and Upsells. He also
18 responded to State Attorneys General who forwarded hundreds of consumer complaints
19 regarding I Works's sale of core products and Upsells.

20 345. At all times material to this Complaint, acting alone or in concert with others, he
21 has formulated, directed, controlled, had the authority to control, or participated in the acts and
22 practices of I Works and/or one or more of the other business entities named herein, including the
23 acts and practices set forth in this Complaint.

24 346. Riddle transacts or has transacted business in this District and throughout the
25 United States in connection with the matters alleged herein.

26 347. Terrason Spinks ("Spinks") is a business associate of Jeremy Johnson. Spinks
27 has or had an office at I Works's headquarters at 249 East Tabernacle, St. George, UT.

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First Am

- 1 a. On or about December 2, 2009, defendant J. Johnson gratuitously transferred the
2 title to his multi-million dollar, 20,000 square foot mansion located in St. George,
3 Utah ("Johnson Residence") from Relief defendant Zibby to Relief defendant
4 Sharla Johnson via Quit Claim Deed. The transfer was recorded with the
5 Washington County Recorder's Office on or about December 7, 2009;
- 6 b. On or about December 7, 2009, at the direction of defendant J. Johnson, Relief
7 defendant Sharla Johnson used the Johnson Residence to secure a \$3.1 million
8 home equity line of credit from Sunfirst Bank. Sunfirst Bank deducted fees related
9 to the \$3.1 million home equity line of credit from defendant Elite Debt's reserve
10 account at Sunfirst bank; and
- 11 c. In 2009, defendant J. Johnson directed defendant Employee Plus to gratuitously
12 transfer at least \$118,764 to Relief defendant Sharla Johnson, even though Relief
13 defendant Sharla Johnson was neither employed by nor provided services or any
14 other consideration to defendant Employee Plus in exchange for these assets.

15 362. Relief defendant Kerry Johnson is defendant J. Johnson's father. Relief
16 defendant Kerry Johnson, with his wife Relief defendant Barbara Johnson, own and manage
17 Relief defendants KB Family Limited Partnership and KElectric, Inc., which are described
18 below have received gratuitous transfers of significant assets from the Works Enterprise. Relief
19 defendant Kerry Johnson resides in Utah.

20 363. In addition to funds defendant J. Johnson gratuitously transferred to Relief
21 defendants KB Family Limited Partnership and KElectric, Inc., Relief defendant Kerry Johnson
22 has directly received, individually or jointly with others, at least \$1.6 million in additional funds
23 and/or property that can be traced directly to Defendants' deceptive acts and practices and/or
24 which he has no legitimate claim.

25 364. For example:

- 26 a. On or about September 18, 2008, defendant J. Johnson gratuitously transferred
27 roughly one million dollars in silver bars that were purchased with proceeds of
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First Amended Complaint

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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/or 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/or
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 sole members of Relief defendant Zibby Flight
17 Service. Relief defendant Zibby Flight Service was organized under Delaware law in 2002.

18 372. Individually or jointly with others, Relief defendant Zibby Flight Service has
19 received funds and/or property that can be traced directly to Defendants' deceptive acts and
20 practices and/or which it has no legitimate claim. For example, between July 2007 and March
21 2010, defendant I Works gratuitously transferred at least \$2,495,000 to Relief defendant Zibby
22 Flight Service.

23 373. Relief defendant KV Electric, Inc. ("KV Electric"), is a Utah corporation, with a
24 corporate mailing address of 992 Westridge Drive, St. George, UT 84770. Relief defendants
25 Kerry Johnson and Barbara Johnson are the directors or officers of Relief defendant KV Electric
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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 Johnson
5 caused at least \$807,505.90 to be fraudulently 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 COMMERC E

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

availability

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 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 print) (Tj) E 15.141224800 (Vn) Tj a ET 1. t.0000 TD (wh) Tj 17.6400 0.00

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1 384. Other grant-related offers tell individuals they can use the “free” government
2 funding to “Start a Business,” “Expand Your Current Venture,” “Purchase Real Estate,” “Buy
3 Equipment,” “Pay Medical Bills,” “Start a Home Business,” and for “Free Healthcare”

4 385. Defendants also use streaming video to convince consumers of the benefit of their
5 government grant product. For instance, when consumers visit the website titled Grant Gold, a
6 male model appears at the bottom right hand corner of the website’s landing page and states,
7 among other things:

8 With your permission, I want to send you a grant CD which reveals how to get available
9 grants from the U.S. government. In it, you will discover countless ways to get something
10 back for your tax dollars. And if you respond now, I’ll send it to you for only the cost of
11 shipping. . . . For example, you may qualify for thousands of dollars to pay your
12 mortgage. Or even find money to live on while you start a business. You can receive
13 financial assistance for medical bills

14 386. Spam emails sent by Defendants and/or their agents mirror Defendants’ own
15 misrepresentations about their grant-related products. For example, an email promoting Grant
16 Funding Toolbox, using as an address a maildrop opened by J. Johnson and with a subject line
17 “Pres Obama want to give you Free Cash you could be Cashing your Federal Check in as little as
18 12 days,” promises that the grants are for people who need assistance “paying for bills, buying a
19 home, . . . or even helping raise children.” Another of Defendants’ Spam D (e) Tj 5.2800 0.0000 TDt9oh8ni

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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 maybe 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 how 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 and request this CD today and get started on our 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 \$100,000 by

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398. The IWorks Media Center includes ready-to-send emails with claims for Defendants' money-making products. For instance, one email states that "with this FREE kit, you can make up to \$500, \$1,000, even \$3,000 every month ONLINE!" Another email proclaims "My 'Growing Rich with Google CD reveals how to Make

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

7 404. In many instances, Defendants attempt to create a sense of urgency. Defendants'
8 websites present that only a few CDs are available or that it is a "limited Time Offer."
9 Furthermore, some of Defendants' marketing websites actually incorporate a clock that counts
10 down the number of minutes and seconds consumers have left to respond to Defendants' offer.

11 405. In fact, Defendants' offers are not "free." Consumers who provide their billing
12 information to pay a nominal fee are likely to be charged much more than the small fee because
13 I Works charges additional recurring and other fees that are poorly disclosed, if at all, in tiny,
14 hard-to-read print. Thus, consumers who

1 threedays, 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 ~~4. On~~ 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 financing, 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 by using the products advertised on Defendants' website.

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1 expensive membership program involving the advertised “free” and “risk-free” core product, but
2 also enrolled them, through no choice of their own, into forced memberships for other products
3 marketed and sold by Defendants, the Forced Upsells. It is only then that consumers learn that
4 when they agreed to provide their billing information for a transaction with a small fee, that
5 Defendants used the billing information to assess a hefty one-time charge of as much as \$189 and
6 recurring monthly charges of as much as \$59.95 for the core product, as well as securing charges
7 related to Defendants’ Forced Upsells. Therefore, what consumers expected to be a fee of a few
8 dollars for shipping and handling a free CD or free software has resulted in their enrollment in
9 multiple memberships, to which they never knowingly agreed, with hefty one-time and recurring
10 monthly fees.

11 415. In many instances, consumers who try to cancel Defendants’ membership
12 programs find that after they speak to Defendants about cancelling one program, they continue to
13 be charged for Defendants’ other membership programs. Only then do consumers learn that they
14 must call separate telephone numbers to cancel their memberships in Defendants’ program for the
15 core product as well as for Defendants’ Forced Upsells.

16 416. In sum, when marketing their government grant and make-money opportunities,
17 Defendants present that consumers need to pay only a nominal amount for shipping and
18 handling, such as \$1.99 or \$2.99. Defendants, however, have failed to disclose, or to disclose
19 adequately, material terms of the offers, including: (a) that Defendants enroll consumers in
20 Negative Option Plans for not only the product or service that was the subject of the sales offer,
21 but for other products or services, as well; (b) the amount of the one-time and recurring charges
22 and the frequency and duration of the recurring charges associated with the multiple Negative
23 Option Plans, (c) the amount of the one-time and recurring charges associated with the multiple Negative

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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 Def

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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-

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 issuer 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 and many of
10 their merchant accounts were terminated.

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

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

1 436. Furthermore, when applying for new merchant accounts in the names of the Shell
 2 Companies, Defendants actively misrepresented how the 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 requesting information on behalf of an upset consumer
 22 concerning one of Defendants' charges or debits, 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 instance, by using false claims, Forced Upsells, phony testimonials, fake positive reviews, and
2 hiding material terms of their Negative Option Plans.

3 Consumer Complaints

4 440. Defendants receive and respond to thousands of consumer complaints from State
5 Attorneys Generals and consumer organizations such as the Better Business Bureau. Defendants
6 use two call centers, one in Ephraim, Utah, and the other in the Philippines, to handle thousands
7 of consumer complaints each day about Defendants' sale of core products and Upsells.
8 Defendants read internet reports detailing numerous calls into the call centers from consumers
9 complaining about Defendants' marketing methods and unauthorized charges.

10 VIOLATIONS OF THE FTC ACT

11 441. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits "unfair or deceptive acts
12 or practices in or affecting commerce."

13 442. Misrepresentations or deceptive omissions of material facts constitute deceptive
14 acts or practices prohibited by Section 5(a) of the FTC Act.

15 443. Acts or practices are unfair under Section 5(a) of the FTC Act if they cause
16 substantial injury to consumers that consumers cannot reasonably avoid themselves and that is
17 not outweighed by countervailing benefits to consumers or competition. 15 U.S.C. § 45(n).

18 444. As set forth below, Defendants have engaged in deceptive and unfair practices in
19 connectio

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 or indirectly, expressly or by implication, that
9 consumers using Defendants' grant product are 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 are unlikely 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 or indirectly, expressly or by implication, to
23 consumers that consumers are likely to earn substantial income such as \$200 - \$943 or more
24 per 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 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 will pay only a nominal amount, such as \$1.99 or \$2.99, for
25 a shipping and handling fee

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

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A. that Defendants enroll consumers in Negative Option Plans for not only the product or service that was the subject of the advertised offer, but for other products or services as well;

B. the amount of the one-time and recurring charges and the frequency and duration of the recurring charges associated with the Negative Option Plans;

C. that consumers must cancel the Negative Option Plans within a limited time period to avoid the one-time and recurring charges;

D. the time period during which consumers must cancel the Negative Option Plans in order to avoid one-time and recurring charges;

E. that each Negative Option Plan must be cancelled separately and the procedure for cancelling the Plans

459. Defendants' failure to disclose, or disclose adequately, the material information described in Paragraph 458, above, in light of the representation described in Paragraph 457, above, constitutes a deceptive act or practice in violation of Section 5(a) of the FTC Act (15 U.S.C. § 57(a)).

1 implication, that these postings ~~are~~ endorsements from individuals who have ~~successfully~~ used
2 Defendants' products or services.

3 468. In numerous instances in connection with the representation set forth in Paragraph
4 467, Defendants ~~have~~ failed to disclose, or disclose ~~adequately~~, that they or their agents created
5 and posted the positive ~~reviews~~ and other web pages.

6 469. Defendants' failure to disclose, or to disclose adequately, the material information
7 set forth in Paragraph 468, above, in light of the representation described in Paragraph 467,
8 above, constitutes a deceptive act or practice in violation of Section 5(a) of the FTC Act, 15
9 U.S.C. § 45(a).

10 COUNT IX

11 Defendants' Unfair Billing Practices

12 470. In numerous instances Defendants have charged consumers' credit cards or
13 debited consumers' bank accounts without authorization for Forced Upsells that Defendants
14 bundle with the core products sold by them or their marketing partners by using consumers'
15 billing information that Defendants or their marketing partners received when selling core
16 products.

17 471. Defendants' practice of charging consumers' credit cards or debiting consumers'
18 bank accounts without authorization has caused or is likely to cause substantial injury to
19 consumers that is not reasonably avoidable by consumers and is not outweighed by countervailing
20 benefits to consumers or competition.

21 472. Therefore, Defendants' practices as alleged in Paragraphs 470 of this Complaint
22 constitutes an unfair act or practice in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

23 THE ELECTRONIC FUND TRANSFER ACT
24 AND REGULATION E

25 473. Section 907(a) of EFTA, 15 U.S.C. § 1693e(a) provides that a "preauthorized
26 electronic fund transfer from a consumer's account may be authorized by the consumer only in
27 writing, and a copy of such authorization shall be provided to the consumer when made. Section
28

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.” Id. ¶ 10(b) cmt 5. The
11 Official Staff Commentary further provides that “[a]n authorization is valid if it is readily
12 identifiable as such and the terms of the preauthorized transfer are clear and readily
13 understandable.” Id. ¶ 10(b) cmt 6.

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

17 COUNT X

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1. Award the FTC such injunctive and auxiliary relief as may

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