

Darren H. Lubetzky
Christopher Y. Miller
Savvas S. Diacosavvas
FEDERAL TRADE COMMISSION
(Each appearing per DUCivR 83-1.1(e))
Attorneys for Plaintiff
Northeast Region
One Bowling Green, Suite 318
New York, NY 10004
Tel: (212) 607-2829
Email: dlubetzky@ftc.gov
Email: cmiller@ftc.gov
Email: sdiacosavvas@ftc.gov

IN THE UNITED STATES DISTRICT COURT
DISTRICT OF UTAH, CENTRAL DIVISION

FEDERAL TRADE COMMISSION,

Plaintiff,

v.

VISION SOLUTION MARKETING LLC,
also doing business as VSM BUSINESS
SERVICES, LLC, VSM GROUP, AND
VSMHUB.COM, a Utah limited liability
company,

VSM GROUP LLC, a Nevada limited
liability company,

RYZE SERVICES, LLC, also doing
business as Business Finance Pro, a Utah
limited liability company,

SPECIALIZED CONSULTING
SOLUTIONS LLC, a Utah limited liability
company,

JARED RODABAUGH, individually and as
a principal and owner of VISION
SOLUTION MARKETING LLC, VSM
GROUP LLC, AND RYZE SERVICES,
LLC, and

JUSTIN LARSEN, individually and as a
principal and owner of VISION
SOLUTION MARKETING LLC, VSM
GROUP LLC, RYZE SERVICES, LLC,
AND SPECIALIZED CONSULTING
SOLUTIONS LLC,

Defendants.

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I. INTRODUCTION AND REQUESTED RELIEF

Plaintiff Federal Trade Commission (“FTC”) respectfully moves the Court for a temporary restraining order (“TRO”) and other relief to immediately halt Defendants’ deceptive marketing schemes to bilk consumers. For more than years, Defendants have deceptively sold a variety of purported business development services to consumers who want to start an online business from home.

At their core, Defendants’ schemes all involve false claims that consumers can make thousands of dollars a month if they purchase a program from Defendants. For example, Defendants’ salesmen promise consumers they would make at least \$3,000 to \$5,000 per month if they bought a program that he claimed a recorded sales call would ensure their success. We don’t have any students we’ve built the business for that have ever failed. Just – here’s literally no way to fail.¹ These claims are false. Most consumers who purchase Defendants’ programs do not end up with a functional online business, earn little or no money, and end up heavily in debt. Many of the purported services Defendants offer are not provided at all, and others do little to help consumers start an online business, let alone make thousands of dollars a month. For instance, Defendants’ purported “business coaching” program provides information about selling products on sites like eBay that is often available on the Internet for free. Similarly, Defendants’ purported “corporate structuring” service consists of registering a limited liability company in Utah for every consumer who buys a program, even though nearly all of them live in other states around the country. In the end,

extra money for retirement or launch a new career typically end up with little more than burdensome credit card debt from Defendants' fees. These fees can be as much as \$13,995 or more for one program, and consumers often purchase more than one

Since Defendants' deceptive schemes began around January 2014, Defendants have unlawfully taken over \$8 million from consumers³. The victims include one individual who filed for bankruptcy after Defendants charged over twenty thousand dollars on personal credit cards they convinced her to obtain⁴. Others are retirees who have lost their savings after paying Defendants and other telemarketers for various programs pitched as necessary to start an online business⁵.

The two individual defendants, Jared Rodabaugh ("Rodabaugh") and Justin Larsen ("Larsen"), are the principals and owners of the defendant LLCs (the "Corporate Defendants"). Both are directly involved in the operation of the deceptive schemes and therefore are personally liable for them. In operating the deceptive schemes, Rodabaugh and Larsen (the "Individual Defendants") do everything from fighting attempts by consumers to have credit card charges reversed to managing the bank accounts of the Corporate Defendants. One of them even forwards mail from a Las Vegas mailbox used by at least one of the Corporate Defendants to his house in Utah.

(Colorado resident); Hogan Decl. ¶¶ 13 (97% of LLCs set up by Defendants for apparent purchasers of one of their programs have principal addresses outside of Utah).

³ Declaration of Thomas Van Wazer ("Van Wazer Decl.") ¶¶ 38

⁴ Declaration of Theresa Griffin-Jones ("Griffin-Jones Decl.") ¶¶ 145, 19, 22, 27 (filed for bankruptcy).

⁵ Studebaker Decl. ¶¶ 3, 60 (retiree, dependent on social security benefits, lost his savings); Declaration of Ralph Hallock ("Hallock Dec.") ¶¶ 3, 63 (retiree over 80 years old who in

payments for the Business Coaching Program.¹³ In January 2018, Larsen submitted a telemarketing registration application for a new company, defendant Specialized Consulting Solutions LLC, to sell the Business Coaching Program.¹⁴

In the third phase, Defendants' representatives tell consumers that they need to spend even more to launch their business and need to purchase a variety of services from Defendants order to succeed (the "Upsell Services"). These purported upsells include: (a) specialized assistance to structure and develop a business, including assistance to incorporate the business, prepare taxes, establish merchant accounts to allow the business to accept credit card payments, and preparation of a "professional" business plan; (b) specialized assistance with and access to lenders to obtain corporate credit; and/or (c) specialized access at discounted prices to product shippers and wholesalers for an ecommerce business.¹⁵ The Upsell Services, many of which are not ultimately provided to consumers at all, are also sold in phone calls to consumers under the names "Ryze Services" and, more recently, "VSM Business Services."¹⁶ These phone calls, which also rely on false income claims, typically take place a few weeks after consumers

information or leads from another telemarketer that sold the Business Coaching Program, Internet Teaching & Training and Specialists LLC (“ITT”).²³ In the fall of 2016, Defendants began purchasing consumer leads from the sellers of the Online Offers selling the Business Coaching Program.²⁴ Since that time, Defendants have sold both the Business Coaching Program and Upsell Services. Defendants spent over \$1.8 million buying leads from the sellers of Online Offers between September 2016 and May 2017.²⁵

2. The Deceptive Online Offer (Phase 1) Sets Up the Business Coaching Program Pitch (Phase 2)

The deceptive Online Offer is marketed by various entities that promote themselves as a way to successfully make money from home online. Using names like Home Job Source or Work at Home (WAH) Institute,²⁶ these entities’ websites tout their programs as a way to make millions online. For example, Home Job Source’s homepage tells the purported “True Story” of someone who makes \$10 million a year online and whose “lessons” allegedly form the “core components” of the program for people who “want to practically guarantee their success on the Internet.”²⁸

²³ Several consumers who provided declarations about the Upsell Services had previously purchased a Business Coaching Program from ITT, including Jean Bridge, Lidia Dolan, Molly McLaughlin, Richard Studebaker, and Mary Alice Wolf.

²⁴ Van Wazer De

consumers will be able to pay off any debt from the purchase quickly using revenue from their new business.

For instance, one consumer and his wife were told they would be able to “start making money right away” to pay off credit card charges for the \$10,995 purchase.³⁸ This couple was assured that they could “start out” making up to \$5,000 a month and that they “could make a lot more money” the more they worked.³⁹ Other consumers were told that purchasing the program would result in a six-figure annual income or that they would make \$1,000 in a few weeks.⁴⁰ Similarly, consumers have been told that buying the Business Coaching Program will allow them to “retire and live off the income from the business.”⁴¹

Even when consumers express doubts about these claims, Defendants’ representatives reassure them that they will make money. One consumer told one of Defendants’ representatives that he was not good at sales, but Defendants’ telemarketer told him not to worry. The representative assured him that his coach would be able to help him, just as a coach had helped a grandmother who never sold a thing before purchasing the program.⁴² Likewise, when one consumer told a representative he did not know anything about websites, the representative assured him that Defendants would run his website while the consumer was trained.⁴³

During the lengthy sales pitch, Defendants claim that personalized, one-on-one coaching will lead to consumers’ success and that Defendants will build them or help build them a website

³⁸ Reese Decl. ¶ 7.

³⁹ Reese Decl. ¶ 7.

⁴⁰ Colby Decl. Ex. D at 2 (FTC/SM 592) (consumer’s handwritten notes of call with Defendants’ representative state, “over 12 mo 6 figure income”); Colby ¶ 8; McCourt ¶ 6. See also Griffin-Jones Decl. ¶¶ 14 (“He offered coaching sessions that he said would make my business earn thousands of dollars per month.”) and Parker Decl. ¶ 8 (consumer told her goal to make \$60,000 a year “was very doable”).

⁴¹ Reese Decl. ¶ 7.

⁴² McCourt Decl. ¶ 7.

⁴³ Reese Decl. Decl. ¶ 4.

to successfully sell products.⁴⁴

As a result, most consumers never even come close to making back the thousands they invested in the Business Coaching Program

that they need to spend money on the Upsell Services to build a business.⁵⁹ One of the Defendants' main sales representatives went so far as to claim that consumers should buy the Upsell Services because they would not make money using a Business Coaching Program. In a recorded Upsell Services sales call, this salesman said consumers who bought the Business Coaching Program from ITT are "stuck just listing things on eBay all the time. . . . Which isn't going to make anybody any money."⁶⁰ The salesman went on to pitch the purchase of purported Upsell Services, such as marketing, tax preparation, and other (b) (5) -10 (a) (1) (i) (2) (c) (3) (e) (1) (i) (2) (c) (4) (n).

2017 is where you'll generate income on a month-to-month basis. And so what's nice about the design of this is that the students that we built the business for, that the expected range of business revenue once the business is constructed is between ~~and~~ 5,000 a month. That's the expected range. Now, certainly, people have done more than that, but it's almost impossible to do less than that because you're going to have the product and the help that you need to sell the product to generate the sales.⁶⁵

The salesman went on to make additional claims about the Upsell Services being foolproof:

The other nice thing about this, we don't have any students we've built the business for that have ever failed. There's just — there's literally no way to fail.⁶⁶

In reality, as described further below, Defendants provided little more than a limited liability company registered in Utah and further set up consumers to spend more on building a business.

b. The Purported Upsell Services

In the Upsell Services sales calls, Defendants' representatives tell consumers that deciding how to form their business is critical. They stress the tax and personal liability implications of decision about how to "structure" the business and encourage consumers to rely on Defendants' expertise.⁶⁷ Consumers are told Defendants have expertise in tax matters and that consumers can avoid mistakes by relying on tax "prep and readiness" services offered by Defendants.⁶⁸ Defendants also claim to be able to provide marketing services and a "professional" marketing plan and offer those services as their package, along with help getting merchant accounts, which allow businesses to accept credit and debit card payments.⁶⁹

⁶⁵ *Id.* (emphasis added).

⁶⁶ Hogan Decl. Ex. W at 57 (FTCVSM 305).

⁶⁷ Hogan Decl. Ex. W at 469 (FTGVSM 294-297).

⁶⁸ Hogan Decl. Ex. W at 478 (FTGVSM 394).

Two of the purported Upsell Services are pitched using claims that Defendants have special relationships with third parties that will help consumers. One of these purported services is access to corporate credit, which Defendants go to great lengths to distinguish from personal credit.⁷⁰ Defendants' representatives claim that "for each and every student that we build the business for, . . . their attachment to us gives them access to lending's essence, Defendants claim to be able to "back door" a business loan for businesses that are just getting started.⁷² Similarly, Defendants claim they have special relationships with drop shippers, which ship products to online customers of a business so that the business does not physically hold inventory. Defendants claim they have the "right relationships" with drop shippers that will save consumers time and money.⁷³

c. The Reality

Unfortunately for the consumers who purchase the Upsell Services, Defendants' promises are little more than that. Instead of conducting an analysis of how to "structure" their businesses, the consumers who purchase the Upsell Services all get the same thing – a limited liability company registered in Utah. Defendants have registered hundreds of LLCs in Utah even though nearly all of their customers are individuals who reside in other states across the country.⁷⁴ Defendants who created two Utah commercial registered agents for this purpose⁷⁵

⁷⁰ Hogan Decl. Ex. W at 293 (FTGVSM 277-81).

⁷¹ Hogan Decl. Ex. W at 335 (FTGVSM 283).

⁷² Hogan Decl. Ex. W at 27 (FTGVSM 275) ("So essentially what we help people do is to establish or back door a

register LLCs in Utah for consumers even when consumers request that they be created where they live.⁷⁶

Defendants also do not conduct any analysis of consumers' tax needs and most obtain no "prep and readiness" services other than the creation of the LLC. Similarly, Defendants regularly fail to provide consumers with help getting merchant accounts, a marketing plan, let alone a "professional" one.⁷⁸ When one consumer complained directly to Defendant Rodabaugh about the lack of marketing assistance, he referred her to another employee who told her to get additional credit to pay more for

Purchasers of the Upsell Services typically are unable to generate revenue, pay off the cost of the Upsell Services, or develop an operational business.⁸³ One consumer who primarily lived on Social Security benefits, did not make any sales but ended up with nearly \$7,000 in credit card debt from his purchase of the Upsell Services.⁸⁴ Another consumer made no sales and eventually had to choose between paying credit card bills and paying her rent.⁸⁵

These experiences are consistent with corporate registration records from the Utah Department of Commerce's Division of Corporations. These records show that the vast majority of LLCs that Defendants create for consumers do not exist for more than one year.

Of the 556 LLCs that appear to have been created for customers from October 2013 to November 2016, 75.5 percent of them had an expiration date that was one year after the issue date.⁸⁶ Overall, 84.7 percent of the 556 LLCs were either "Expired" or "Delinquent" as of late 2017 when records were provided by the Division of Corporations to the FTC.⁸⁷

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B. The Defendants

1. Defendants' Scheme from 2014 through 2017

From at least 2014 through 2017, Defendants' telemarketing schemes have been perpetuated through three of the Corporate Defendants: Vision Solution Marketing LLC ("Vision Solution Marketing"); Ryze Services, LLC ("Ryze Services"); and VSM Group LLC ("VSM Group"). Each of these Corporate Defendants receives payments from consumers for Defendants' sales of the Business Coaching Program and/or the Upsell Services.⁸⁹

Defendants Rodabaugh and Larsen have both been the principals, or ~~managers~~ ^{managers} of both Vision Solution Marketing and Ryze Services.⁹⁰ In addition, Defendant Larsen is a manager of VSM Group, while Defendant Rodabaugh filed a business name registration as the "applicant/owner" of VSM Group.⁹¹ The Individual Defendants have been signatories on each of these three Corporate Defendants' bank accounts, and both Individual Defendants have received funds from Vision Solution Marketing and Ryze Services.⁹²

Both Individual Defendants were involved in securing merchant accounts for the Corporate Defendants to process consumer payments for the Business Coaching Program and the Upsell Services.⁹³ The merchant accounts that each Individual Defendant secured incurred chargeback ratios that exceeded the 1% rate that is generally considered excessive by the credit

⁸⁹ Van Wazer Decl. ¶ 12, Table 2. Vision Solution Marketing has received consumer payments for both the Business Coaching Program and the Upsell Services, while VSM Group has received consumer payments for the Business Coaching Program and Ryze Services has received payments for the Upsell Services. ~~Notes 12, 2021.~~

Marketing occurred less than a month after the FTC filed a complaint. ¹⁰¹ The stipulated judgment in the District of Nevada against ITT, which used to provide consumer leads to Defendants.

Larsen is a signatory on the Specialized Consulting Solutions bank account. ¹⁰² Nearly all of the initial deposits into the Specialized Consulting Solutions bank account came from a VSM Group account. ¹⁰³ On January 5, 2018, the day Vision Solution Marketing was dissolved, Specialized Consulting Solutions started paying people who worked for VSM Group. ¹⁰⁴ In addition, Specialized Consulting Solutions paid rent for the same office suite previously occupied by Vision Solution Marketing. ¹⁰⁵

III. ARGUMENT

A. The FTC Act Authorizes the Requested Relief

The FTC is an independent agency of the United States government created by the FTC Act, 15 U.S.C. § 41 *et seq.* The FTC enforces Section 5(a) of the FTC Act, which prohibits “unfair and deceptive acts or practices in or affecting commerce” 15 U.S.C. § 45(a). The FTC also enforces its Telemarketing Sales Rule (“TSR”) which prohibits deceptive and abusive telemarketing acts or practices. ^{ab1.6 (D)5.1 (.)3 Sn3 S21 (w)17.2(i)-5.1 S V9 (/T)-7.8 (M4,(4)GJTJ /TT3 179 (i)6..8 (e(ot)679 0 Td [.65} See 16 C.F.R. Part 310. “Any violation of the TSR is deemed a ‘deceptive act or practice’ in violation of Section 5(a) of the FTC Act.” *FTC v. Meder Bil Network, Inc.*, 543 F. Supp. 2d 283, 305 (S.D.N.Y. 2008) (citing 15 U.S.C. § 6102(c)).

¹⁰¹ See Complaint, *FTC v. Internet Teaching and Training Specialists, LLC, et al.*, No. 17CV-3047 (D. Nev. Dec. 12, 2017) (ECF No. 1). The complaint was resolved through a Stipulated Order. (ECF No. 8). As noted

Section 13(b) of the FTC Act, 15 U.S.C. §

v. World Wide Factors, Ltd., 882 F.2d 344, 347th

A representation, omission, or practice is material if it “involves information that is important to consumers and, hence likely to affect their choice of or conduct regarding a product.” *FTC v. Cyberspace.com, LLC*, 453 F.3d 1196, 1201 (9th Cir. 2006). Express claims and deliberately made implied claims are presumed to be material as are claims that go to the central characteristics of a product or service. *FTC v. Pantron I*

the effect of Defendants' misrepresentation. *FTC v. Freecom Commc'ns*, 401 F.3d at 1202 n.5 (consumer protection laws exist to protect consumers making purchasing decisions based on their "general impressions") *FTC v. Minuteman Press, Inc.*, 53 F. Supp. 2d 248, 258 E.D.N.Y. 1998) (finding Section 5(a) liability for false gross sales and profitability claims prospective franchisees despite disclaimers in contracts with franchisees). Accordingly, the FTC is likely to prevail on Count One of its complaint.

ii. Defendants Misrepresent the Business Coaching Program and Upsell Services and Their Alleged Need for Financial Information

The FTC is also likely to prevail on its claims regarding Defendants' other misrepresentations. As described in detail above, Defendants provide consumers with basic information that could be obtained online as opposed to the personalized business coaching promise.

representations about “past, present, or future income, profit, or appreciation.” 16 C.F.R. § 310.2(s). The TSP prohibits sellers and telemarketers from “[m]isrepresenting, directly or by implication, in the sale of goods or services both of the following

- “[a]ny material aspect of an investment opportunity including, but not limited to, risk, liquidity, earnings potential, or profitability.” 16 C.F.R. § 310.3(a)(2)(vi)
- “[a]ny material aspect of the performance, efficacy, nature, or central characteristics of goods or services that are the subject of a sales offer.” 16 C.F.R. § 310.3(a)(2)(iii)

As discussed above, Defendants have made numerous misrepresentations about the earnings potential and profitability of the Business Coaching Program and the Upsell Services along with misrepresentations about the central characteristics of those programs. As a result, the FTC is likely to prevail on Counts Five and Six of its complaint.

3. The Balance of Equities Favors Preliminary Injunctive Relief

In this case, there is a compelling public interest in halting Defendant's schemes to

have purchased consumer leads from the same source¹¹⁶ and the LLCs regularly transfer and co-
mingle funds, including those used to pay employees.¹¹⁷ Some of the advertising on the Internet
for the entities is identical and uses the same stock photo and text.¹¹⁸

In addition, Defendants obscured which entity consumers were interacting with by, for
instance, using "VSM Group" in their agreements with consumers, which could be VSM Group
LLC or a DBA of Vision Solution Marketing.¹¹⁹ They also intentionally indicated that the entity
Vision Solution Marketing, which contacted consumers about Upsell Services, was part of

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In this case, the Individual Defendants are the members ~~of~~ all of the Corporate Defendants, and they are both actively involved in the running of their schemes. Introductory emails to consumers referred to “Jared R.” and “Justin L.” or Rodabaugh by his full name.¹²¹ Defendant Larsen had VSM Group’s mail forwarded to his house,¹²² and both Rodabaugh and Larsen were signatories on the Corporate Defendants’ key bank accounts.¹²³

Both of the Individual Defendants were aware of consumer complaints that resulted from their schemes. Larsen hired a company to fight chargeback requests, and he was the contact person for a payment processing account with significant chargebacks.¹²⁴ Similarly, one of the payment processing accounts set up by Rodabaugh had significant chargebacks,¹²⁵ consumers complained to Rodabaugh by email and phone.¹²⁶ As a result, both principals of these closely held entities had knowledge of consumer complaints and therefore were aware of the misrepresentations being made to consumers. Accordingly, the Individual Defendants are personally liable for the deceptive representations made to consumers, each of whom had thousands of dollars taken by the Corporate Defen(t)-2 (82 (he)4 (C ds)-1 (42 0 Td ()T. -6.(hous)oCg

asset freeze was justified because “Defendants’ monetary liability greatly exceeds the frozen funds.”).

Here, Defendants engaged in a nine-year effort to take money from consumers through various deceptive practices. Defendants’ core claims that consumers will earn thousands of dollars a month w

receiver can also review the Defendants' records expeditiously to help identify injured consumers.

In order to locate assets, the FTC further requests expedited discovery, including immediate access to Defendants' business premises and records and financial reporting by Defendants. District courts are authorized to depart from normal discovery procedures and fashion discovery by order to meet particular needs in particular cases. Fed. R. Civ. P. 1, 26(d), 34(b). Moreover, the prompt and full disclosure of the scope and financial status of the Defendants' business operations is necessary to ensure that the Court is fully advised regarding (1) the full range and extent of the Defendants' law violations, (2) the identity of the injured consumers, (3) the total amount of consumer injury, and (4) the nature, extent, and location of Defendants' assets.

Finally, prohibiting Defendants from selling business services during the duration of the TRO is appropriate in this case. Courts have imposed such restrictions in cases involving the deceptive sale of work-at-home schemes. See *FTC v. Capital Enterprises, Inc.*, No. 15CV-8407 (S.D.N.Y. Nov. 3, 2015) (ECF No. 16) (granting ex parte TRO with ban on bogus work-at-home employment programs, asset freeze, and expedited discovery); *FTC v. Global U.S. Res.*, No. 10-CV-1457 (D. Conn. Sept. 13, 2010) (ECF Nos. 13, 5) (same). Here, Defendants' deceptive conduct is well-documented, and the consequences to consumers who may incur insurmountable debt if they purchase Defendants' programs, are severe. To protect consumers, the Court should temporarily prohibit Defendants from selling business services.

IV. CONCLUSION

For the foregoing reasons, the FTC respectfully requests that the Court grant this motion, issue the proposed TRO, and require Defendants to show cause why a preliminary injunction should not issue against them.

Respectfully submitted,

Dated: May 1 2018

/s/ Christopher Y. Miller
Darren H. Lubetzky
Christopher Y. Miller
Savvas D. Diacosavvas
Federal Trade Commission
Northeast Region
One Bowling Green, Suite 318
New York, NY 10004
Tel: (212) 6072829
Email: dlubetzky@ftc.gov
Email: cmiller@ftc.gov
Email: sdiacosavvas@ftc.gov

Attorneys for Plaintiff
FEDERAL TRADE COMMISSION

EXHIBIT INDEX

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