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**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEVADA**

FEDERAL TRADE COMMISSION,

Plaintiff,

v.

JEREMY JOHNSON, et al.

Defendants.

**Case No. 2:10-cv-02203-MMD-
GWF**

**PLAINTIFF FEDERAL TRADE COMMISSION'S MOTION
FOR LEAVE TO FILE A FIRST AMENDED COMPLAINT
AND SUPPORTING MEMORANDUM**

1 Plaintiff Federal Trade Commission (“FTC”) respectfully moves this Court, pursuant to
 2 Federal Rule of Civil Procedure 15(a) and Rule 15-1 of this Court’s Local Rules of Civil
 3 Practice, for leave to file a First Amended Complaint For Permanent Injunction and Other
 4 Equitable Relief (the “Proposed Amended Complaint”), a copy of which is attached to this
 5 Motion as **Exhibit A**. In support of this motion, the FTC states as follows:

6 This case concerns the defendants’ enterprise (the “I Works Enterprise”) that deceptively
 7 marketed and enrolled consumers into Internet-based memberships and then repeatedly charged
 8 their credit cards or debited funds from their checking accounts without consumers’ knowledge
 9 or authorization for memberships the consumers never agreed to accept. In doing so, the I
 10 Works Enterprise violated the Federal Trade Commission Act (“FTC Act”), 15 U.S.C. § 41 *et*
 11 *seq.*, the Electronic Fund Transfer Act (“EFTA”), 15 U.S.C. § 1693o(c), and Section 205.10(b)
 12 of Regulation E, 12 C.F.R. § 205.10(b) (“Regulation E”). The FTC seeks leave to file the
 13 Proposed Amended Complaint to ensure that Sharla Johnson, Kerry Johnson, and Barbara
 14 Johnson (the wife and parents of defendant Jeremy Johnson, respectively) – and the companies
 15 they own, control, or are titled in their name – are required to disgorge millions of dollars in
 16 assets that are traceable to funds obtained from the victims of the I Works Enterprise.
 17

18 I. STATEMENT OF FACTS

- 19 • On **December 21, 2010**, the FTC filed its ten-count Complaint [DE 1] against Jeremy
 20 Johnson, nine other individual defendants,¹ and the 61 companies, including I Works,
 21 Inc. (“I Works”), that comprised the I Works Enterprise.²
 22

23 ¹ The other individual defendants are Duane Fielding, Andy Johnson, Loyd Johnston, Scott Leavitt, Scott
 24 Muir, Bryce Payne, Kevin Pilon, Ryan Riddle, and Terrason Spinks.

25 ² The I Works enterprise includes: I Works, Inc.; Anthon Holdings Corp.; Cloud Nine Marketing, Inc.; CPA
 26 Upsell, Inc.; Elite Debit, Inc.; Employee Plus, Inc.; Internet Economy, Inc.; Market Funding Solutions, Inc.;
 Network Agenda, LLC; Success Marketing, Inc.; Big Bucks Pro, Inc.; Blue Net Progress, Inc.; Blue Streak
 Processing, Inc.; Bolt Marketing, Inc.; Bottom Dollar, Inc.; Bumble Marketing, Inc.; Business First Inc.; Business
 FTC Motion for Leave to Amend Complaint 2
 FTC v. Jeremy Johnson, et al.

- 1 • The Complaint alleged that defendants operated a far-reaching Internet scheme that lured
2 consumers to websites that claimed to offer free or risk-free information about products
3 or services such as government grants to pay personal expenses (“grant product”) and
4 Internet-based money-making opportunities. These websites were replete with
5 misrepresentations about the availability of grants for personal expenses and the expected
6 profitability of the alleged Internet-based money-making opportunities.
- 7 • Specifically, the Complaint alleged that defendants violated the FTC Act by:
 - 8 (1) misrepresenting that government grants are available to individuals to pay for
9 personal expenses;
 - 10 (2) misrepresenting that consumers using defendants’ grant product were likely to
11 find and obtain government grants to pay personal expenses;
 - 12 (3) misrepresenting that users of defendants’ Internet-based money-making
13 opportunities were likely to earn substantial income;
 - 14 (4) misrepresenting that defendants’ offers were “free” and “risk-free,” when in
15 reality the offers were for expensive negative option plans with monthly
16 recurring fees;
 - 17 (5) failing to disclose, or disclose adequately, that defendants immediately
18 enrolled consumers, who agreed to pay a small fee, in defendants’ negative
19 option plans and billed the consumers’ credit cards or debited funds from their
20 bank accounts for a high one-time fee and the monthly charges associated
21 with the plans unless consumers canceled within a trial period of as few as
three days;
 - (6) misrepresenting that consumers using defendants’ grant product were likely to
obtain grants such as those obtained by the individuals whose testimonials
appeared on defendants’ government grant websites;
 - (7) misrepresenting that the positive articles and other web pages about
defendants’ grant and Internet-based money-making opportunities posted on
the Internet were independent reviews from unbiased consumers who had
successfully used defendants’ grant and Internet-based money-making
opportunities;

22 Loan Success, Inc.; Cold Bay Media, Inc.; Costnet Discounts, Inc.; CS Processing, Inc.; Cutting Edge Processing,
23 Inc.; Diamond J Media, Inc.; Ebusiness First, Inc.; Ebusiness Success, Inc.; Ecom Success, Inc.; Excess Net
24 Success, Inc.; Fiscal Fidelity, Inc.; Fitness Processing, Inc.; Funding Search Success, Inc.; Funding Success, Inc.;
25 GG Processing, Inc.; GGL Rewards, Inc.; Highlight Marketing, Inc.; Hooper Processing, Inc.; Internet Business
26 Source, Inc.; Internet Fitness, Inc.; Jet Processing, Inc.; JRB Media, Inc.; LifeStyles for Fitness, Inc.; Mist
Marketing, Inc.; Money Harvest, Inc.; Monroe Processing, Inc.; Net Business Success, Inc.; Net Commerce, Inc.;
Net Discounts, Inc.; Net Fit Trends, Inc.; Optimum Assistance, Inc.; Power Processing, Inc.; Premier Performance,
Inc.; Pro Internet Services, Inc.; Razor Processing, Inc.; Rebate Deals, Inc.; Revive Marketing, Inc.; Simcor
Marketing, Inc.; Summit Processing, Inc.; The Net Success, Inc.; Tranfirst, Inc.; Tran Voyage, Inc.; Unlimited
Processing, Inc.; and xCel Processing, Inc.

- 1 (8) failing to disclose that the positive reviews of defendants' grant and Internet-
2 based money-making opportunities were created and posted by defendants or
3 their agents; and
4 (9) charging consumers' credit cards and debited their bank accounts without
5 their authorization for defendants' Forced Upsells that were extra products
6 bundled with the products sold by defendants' marketing partners and clients.

- 7
- 8 • The Complaint also alleged that defendants violated EFTA and Regulation E by debiting
9 consumers' bank accounts on a recurring basis without obtaining written authorization
10 signed or similarly authenticated by the consumers for preauthorized electronic fund
11 transfers from their accounts, and by failing to provide these consumers with a copy of
12 the written authorization.
 - 13 • On **January 12, 2011**, the FTC filed an Emergency *Ex Parte* Motion for a Temporary
14 Restraining Order ("TRO") along with a Motion for a Preliminary Injunction ("PI") [DE
15 42].
 - 16 • On **January 13, 2011**, this Court issued a TRO that, among other things, included a
17 freeze on the assets of the 61 corporate defendants and individual defendant Jeremy
18 Johnson, in order to preserve the possibility of redress to the numerous victims of the I
19 Works Enterprise. The TRO also appointed Robb Evans of Robb Evans and Associates,
20 LLC ("Receiver") as temporary receiver over the corporate defendants and the assets of
21 Jeremy Johnson (the "Receivership Defendants").
 - 22 • On **February 10, 2011**, after extensive briefing and a full-day hearing, the Court issued a
23 PI continuing the asset freeze, receivership, and appointing Robb Evans as a permanent
24 receiver for the Receivership Defendants.
 - 25 • On **February 8, 2011**, the Receiver filed his Report of Temporary Receiver's Activities
26 [DE 127], and on **February 3, 2012**, he filed the Report of Receiver's Financial

1 Reconstruction [DE 464], which was supported by a four-volume Appendix of Exhibits
2 [DE. 465-468].

- 3 • The Receiver’s reports detail Jeremy Johnson’s transfer, without independent
4 consideration, of millions of dollars in funds and assets to: (1) his wife, Sharla Johnson;
5 (2) his parents, Kerry and Barbara Johnson; and (3) companies that Sharla, Kerry, and
6 Barbara Johnson control, or are titled in their names – Orange Cat Investments, LLC;
7 Zibby, LLC; Zibby Flight Service, LLC; KV Electric, Inc.; and the KB Family Limited
8 Partnership (collectively, the “Proposed Relief Defendants”). The Receiver’s reports and
9 evidence obtained by the FTC show that the transferred assets are traceable to the I
10 Works Enterprise, and that the Proposed Relief Defendants have no legitimate claim to
11 those assets.
12

13 **II. ARGUMENT**

14 **1. Justice Requires Granting Leave to File the Proposed Amended Complaint**

15 Rule 15(a)(2) of the Federal Rules of Civil Procedure permits amendments and provides
16 that the “court should freely give leave when justice so requires.” Fed. R. Civ. P. 15(a)(2). *See*
17 *also, Foman v. Davis*, 371 U.S. 178, 182 (U.S. 1962); *DCD Programs, Ltd., et. al. v. Leighton*,
18 833 F.2d 183, 186 (9th Cir. 1987).

19 Justice is served by allowing the FTC to file the Proposed Amended Complaint so that
20 Proposed Relief Defendant will not be unjustly enriched by ill-gotten funds and assets traceable
21 to the I Works Enterprise’s law violations. Justice is further served by allowing the FTC to seek
22 the funds and assets held by the Proposed Relief Defendants in order to increase the pool of
23 funds for potential redress to the millions of consumers victimized by the I Works Enterprise.
24
25
26

1
2 **2. None of the Factors That May Militate Against Allowing the FTC to**
3 **Amendment Its Complaint Exist Here**

4 The Rule's policy of favoring amendments to pleadings should be applied with "extreme
5 liberality." *United States v. Webb*, 655 F.2d 977, 979 (9th Cir. 1981) (citing *Rosenburg Brothers*
6 *& Co. v. Arnold*, 283 F.2d 406 (9th Cir. 1960)). Courts in the Ninth Circuit generally permit
7 plaintiffs to amend their complaints unless: (1) there is undue delay in seeking leave; (2)
8 allowing amendment will prejudice the opposing party; (3) leave to amend is sought in bad faith;
9 or (4) amendment would be futile because the proposed amended complaint cannot cure
10 deficiencies in the original complaint. *DCD Programs, Ltd.*, 833 F.2d at 186; *Webb*, 655 F.2d at
11 980; *Wright v. Incline Vill. Gen. Improvement Dist.*, 597 F. Supp. 2d 1191, 1210 (D. Nev. 2009).
12 None of these factors exists here.

13 This is the FTC's first request for leave to amend, and it is submitted to the Court in
14 advance of its January 22, 2013 deadline for amending pleadings or adding parties. *See* Joint
15 Amended Discovery Plan and Order [DE 675].

16 No prejudice will result to the defendants by filing the Proposed Amended Complaint at
17 this time. Discovery has not yet closed and will remain open until April 2, 2013, for fact
18 discovery and June 21, 2013, for expert discovery [DE 675]. This leaves ample time to complete
19 any additional discovery needed. Additionally, the Proposed Amended Complaint only adds
20 relief defendants, thus should result in little, if any, additional discovery and in no way will delay
21 the resolution of this matter.

22 There is no evidence of bad faith on the part of the FTC. The Proposed Amended
23 Complaint is based on evidence obtained during ongoing discovery and is meant to seek
24 adequate relief for the consumers that the I Works Enterprise victimized. Moreover, the
25

1 Proposed Amended Complaint is not futile, as the Court has previously identified no deficiencies
2 in the original Complaint.

3 Finally, granting leave to file the Proposed Amended Complaint would serve the public's
4 interest by helping to ensure that the ill-gotten funds and assets that Jeremy Johnson gratuitously
5 transferred to the Proposed Relief Defendants go back to the consumers who rightfully owned
6 them.

7 WHEREFORE, the FTC respectfully requests that the Court issue an order granting the
8 FTC leave to file the attached Proposed Amended Complaint.

9
10 Dated: January 18, 2013

11
12 Respectfully submitted,

13 /s J. Ronald Brooke, Jr.
14 Collot Guerard (202-326-3338)
15 J. Ronald Brooke, Jr. (202-326-3484)
16 Janice L. Kopec (202-326-2552)
17 Dotan Weinman (202-326-3049)

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CERTIFICATE SERVICE

I hereby certify that I have on January 18, 2013, caused the foregoing document to be served on the following via the ECF system:

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/s/ J. Ronald Brooke, Jr.

Exhibit A

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 23 702-388-6336 (Mr. Welsh)
 24 702-388-6787 (facsimile)

25 Attorneys for Plaintiff Federal Trade Commission

26 UNITED STATES DISTRICT COURT
 27 FOR THE DISTRICT OF NEVADA

28 FEDERAL TRADE COMMISSION, Plaintiff,

v.

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

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

ANDY JOHNSON, individually, as a manager of
 I Works, Inc., and as titular principal of

10-cv-2203-RLH (GWF)

FIRST AMENDED
COMPLAINT

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 California Corporation;

ELITE DEBIT, INC., a Utah Corporation;

EMPLOYEE PLUS, INC., a Utah Corporation;

INTERNET ECONOMY, INC., a Nevada
Corporation;

MARKET FUNDING SOLUTIONS, INC., a
Nevada Corporation;

1 **NETWORK AGENDA, LLC, a Nevada limited**
2 **liability company;**
3 **SUCCESS MARKETING, 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;**
23 **COSTNET DISCOUNTS, INC., a California**
24 **Corporation;**
25 **CS PROCESSING, INC., a Nevada Corporation;**
26 **CUTTING EDGE PROCESSING, INC., a**
27 **California Corporation;**
28 **DIAMOND J MEDIA, INC., a Nevada**
Corporation;
EBUSINESS FIRST, INC., a California
Corporation;
EBUSINESS SUCCESS, INC., a New York
Corporation;
ECOM SUCCESS, INC., a Delaware
Corporation;

1 **EXCESS NET SUCCESS, INC., a California**
2 **Corporation;**

3 **FISCAL FIDELITY, INC., a Nevada**
4 **Corporation;**

5 **FITNESS PROCESSING, INC., a California**
6 **Corporation;**

7 **FUNDING SEARCH SUCCESS, INC., a Nevada**
8 **Corporation;**

9 **FUNDING SUCCESS, INC., a Nevada**
10 **Corporation;**

11 **GG PROCESSING, INC., a California**
12 **Corporation;**

13 **GGL REWARDS, INC., a Nevada Corporation;**

14 **HIGHLIGHT MARKETING, INC., a California**
15 **Corporation;**

16 **HOOPER PROCESSING, INC., a Nevada**
17 **Corporation;**

18 **INTERNET BUSINESS SOURCE, INC., a**
19 **California Corporation;**

20 **INTERNET FITNESS, INC., a Nevada**
21 **Corporation;**

22 **JET PROCESSING, INC., a Utah Corporation;**

23 **JRB MEDIA, INC., a Nevada Corporation;**

24 **LIFESTYLES FOR FITNESS, INC., a Nevada**
25 **Corporation;**

26 **MIST MARKETING, INC., a California**
27 **Corporation;**

28 **MONEY HARVEST, INC., an Oklahoma**
Corporation;

MONROE PROCESSING, INC., an Oklahoma
Corporation;

NET BUSINESS SUCCESS, INC., a California
Corporation;

NET COMMERCE, INC., a New York
Corporation;

1 **NET DISCOUNTS, INC., a Nevada**
2 **Corporation;**
3 **NET FIT TRENDS, INC., a California**
4 **Corporation;**
5 **OPTIMUM ASSISTANCE, INC., a Nevada**
6 **Corporation;**
7 **POWER PROCESSING, INC., an Oklahoma**
8 **Corporation;**
9 **PREMIER PERFORMANCE, INC., a New York**
10 **Corporation;**
11 **PRO INTERNET SERVICES, INC., a New York**
12 **Corporation;**
13 **RAZOR PROCESSING, INC., a California**
14 **Corporation;**
15 **REBATE DEALS, INC., a Nevada Corporation;**
16 **REVIVE MARKETING, INC., a Nevada**
17 **Corporation;**
18 **SIMCOR MARKETING, INC., a Nevada**
19 **Corporation;**
20 **SUMMIT PROCESSING, INC., a Nevada**
21 **Corporation;**
22 **THE NET SUCCESS, INC., a Nevada**
23 **Corporation;**
24 **TRANFIRST, INC., a Delaware Corporation;**
25 **TRAN VOYAGE, INC., a Delaware**
26 **Corporation;**
27 **UNLIMITED PROCESSING, INC., a New York**
28 **Corporation;**
XCEL PROCESSING, INC., a California
Corporation;

Defendants,
and
SHARLA JOHNSON, individually, and as a
nominal owner, partner, manager, or officer of
Kombi Capital, LP, Orange Cat Investments,
LLC, Zibby, LLC, and Zibby Flight Service,

1 **LLC;**

2 **BARBARA JOHNSON, individually, and as an**
3 **owner, manager, or officer of KV Electric, Inc.**
4 **and the KB Family Limited Partnership;**

5 **KERRY JOHNSON, individually, and as an**
6 **owner, manager, or officer of KV Electric, Inc.**
7 **and the KB Family Limited Partnership;**

8 **THE KB FAMILY LIMITED PARTNERSHIP;**
9 **a Utah limited partnership;**

10 **KV ELECTRIC, INC., a Utah Corporation;**

11 **ORANGE CAT INVESTMENTS, LLC, a Utah**
12 **limited liability company;**

13 **ZIBBY, LLC, a Utah limited liability company;**
14 **and**

15 **ZIBBY FLIGHT SERVICE, LLC, a Delaware**
16 **limited liability company;**

17 **Relief Defendants.**

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

20 1. The FTC brings this action pursuant to Section 13(b) of the Federal Trade
21 Commission Act (“FTC Act”), 15 U.S.C. § 53(b), and Section 917(c) of the Electronic Fund
22 Transfer Act (“EFTA”), 15 U.S.C. § 1693o(c), to obtain permanent injunctive relief, rescission
23 or reformation of contracts, restitution, disgorgement of ill-gotten monies, and other equitable
24 relief for Defendants’ acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C.
25 § 45(a), Section 907(a) of EFTA, 15 U.S.C. § 1693e(a), and Section 205.10(b) of Regulation E,
26 12 C.F.R. § 205.10(b), in connection with the marketing and sale of Internet-based
27 information products and services.
28

JURISDICTION AND VENUE

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

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

SUMMARY OF THE CASE

4. The Defendants in this case operate a far-reaching Internet enterprise that deceptively enrolls unwitting consumers into memberships for products or services and then repeatedly charges their credit cards or debits funds from their checking accounts without consumers’ knowledge or authorization for memberships the consumers never agreed to accept. This scam has caused hundreds of thousands of consumers to seek chargebacks – reversals of charges to their credit cards or debits to their banks accounts. The high number of chargebacks has landed the Defendants in VISA’s and MasterCard’s chargeback monitoring programs, resulted in millions of dollars in fines for excessive chargebacks, and led to the termination of numerous of Defendants’ merchant accounts through which they had been billing their victims. Yet, rather than curing their deceptions, Defendants have employed a variety of stratagems to continue and expand their scam, thereby causing unreimbursed consumer injury to mount to more than \$275 million since 2006. For instance, in 2009 Defendants incorporated more than 50 Shell Companies using maildrop addresses and straw-figures as owners and officers because they knew that it was unlikely they could obtain additional merchant accounts using existing companies, due to these companies’ negative chargeback histories. Defendants then applied through intermediaries called Payment Processors for new merchant accounts in the names of these “front” companies in order to continue processing the credit and debit card charges for the online memberships Defendants sell. They have also attempted to drive down their chargeback rates by threatening to report consumers who seek chargebacks to an Internet consumer blacklist they operate called “BadCustomer.com” that will “result in member merchants blocking [the

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

4 5. Defendants lure consumers into their scam through websites that claim to offer
5 free or risk-free information about products or services (“products” or “programs”) such as
6 government grants to pay personal expenses and Internet-based money-making opportunities.
7 As explained in greater detail below, Defendants’ government grant and money-making
8 opportunity websites are replete with misrepresentations about the availability of grants for
9 personal expenses and the likely profitability of the money-making opportunities. Moreover, the
10 government grant websites frequently feature testimonials that falsely represent that consumers
11 who use Defendants’ grant program are likely to obtain grants such as those obtained by the
12 consumers in the testimonials.

13 6. Consumers who arrive at Defendants’ websites fill out a form and provide their
14 credit card or bank account information under the mistaken belief that their credit cards will be
15 charged or bank accounts debited only a small fee for shipping and handling, such as \$1.99 or
16 \$2.99, to receive information about obtaining government grants or making substantial amounts
17 of money. However, buried in the fine print on the Defendants’ websites (if disclosed at all) or
18 on a separate Terms page are details that completely transform the offer as understood by
19 consumers. Instead of providing a free product or service for the nominal shipping and handling
20 fee, Defendants immediately enroll consumers in multiple expensive online Negative Option
21 Continuity plans whereby consumers are charged recurring fees or other additional fees until
22 they affirmatively cancel enrollment in the plan (“Negative Option Plans”). Defendants enroll
23 consumers in online Negative Option Plans for both the advertised (“core”) product as well as
24 for additional products and services, which are known as “Upsells,” many of which are “Forced
25 Upsells.” Defendants’ Forced Upsells are products Defendants automatically bundle with the
26 core product and from which consumers cannot opt-out when signing up for the core product.
27 Pursuant to the Negative Option Plans, Defendants charge consumers’ credit cards (or debit their
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1 bank accounts) hefty one-time fees of as much as \$189 and then recurring monthly fees of as
2 much as \$59.95 for the core product, as well as recurring monthly fees for the Forced Upsells
3 costing as much as \$39.97.

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

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

23 9. Defendants violate the FTC Act by: (1) misrepresenting that government grants
24 are available to individuals to pay for personal expenses; (2) misrepresenting that consumers
25 using Defendants' grant product are likely to find and obtain government grants to pay personal
26 expenses; (3) misrepresenting that users of Defendants' make-money products are likely to earn
27 substantial income such as \$209-\$909 per day; (4) misrepresenting that Defendants' offers are
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1 “free” and “risk-free,” when in reality the offers are for expensive Negative Option Plans with
2 pricey one-time charges and monthly recurring fees; (5) failing to disclose, or disclose
3 adequately, that Defendants immediately enroll consumers, who agree to pay a small shipping or
4 processing fee, in Defendants’ Negative Option Plans and bill the consumers’ credit cards or
5 debit funds from their bank accounts the high one-time fee and the monthly charges associated
6 with the plans unless consumers cancel within a trial period of as few as three days; (6)
7 misrepresenting that consumers using Defendants’ 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 – defendant Jeremy Johnson’s wife and parents, and the companies they own or
23 control. These transfers have been gratuitous, with the I Works Enterprise receiving no (or only
24 token) consideration in exchange for the transferred assets.

25 **PLAINTIFF**

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

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

8 **DEFENDANTS**

9 ***The Corporate Defendants***

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

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

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

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

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

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

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

24 21. I Works also sells to telemarketers and list brokers "leads" that are consumers'
25 personal information, including sometimes consumers' billing information.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4 54. Market 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 maildrop address at 2780 S. Jones Blvd., Suite 3407, Las
8 Vegas, NV 89146. Its office address is located at 249 East 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 I Works products by the name of
12 Network Agenda and Office Agenda. Defendant I Works 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 charges for I Works’s sale of core products and
18 Upsells, many of which were Forced Upsells automatically bundled with core products sold by I
19 Works’s marketing partners and clients. Network Agenda was placed in the VISA Chargeback
20 Monitoring Program because of high chargeback levels associated with these accounts.

21 58. Network Agenda transacts or has transacted business in this District and
22 throughout the United States.

23 59. **Success Marketing, Inc** (“Success Marketing”), a company incorporated in Utah
24 in 2003, uses as an address 249 East Tabernacle, Suite 200, St. George, UT 84770. Defendant
25 Jeremy Johnson is Success Marketing’s sole owner and officer.

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

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

5 ***The Defendant Shell Companies***

6 62. In addition to the corporations listed above, Defendants have conducted the
7 business of the I Works Enterprise through the following Shell Companies, using maildrops as
8 addresses and straw-figures who are officers and owners in name only. The undisclosed principal
9 behind the Shell Companies is Defendant Jeremy Johnson. J. Johnson directed I Works's
10 employees to create the Shell Companies, open their bank accounts, and obtain maildrops to use
11 as addresses.

12 63. Defendants used the following Shell Companies as fronts, applying for new
13 merchant accounts in the names of these companies so that the Defendants would have merchant
14 accounts through which to process the credit and debit card charges from the sale of core products
15 and Upsells by the I Works Enterprise.

16 64. **Big Bucks Pro, Inc.** ("Big Bucks Pro"), a company incorporated in Nevada in
17 September 2009, uses a maildrop address at 4780 West Ann Road, Box #5-431, North Las Vegas,
18 NV 89031. Defendant Scott Muir is the titular owner and officer of Big Bucks Pro.

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

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

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

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

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

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

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

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

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

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

5 75. Blue Streak Processing transacts or has transacted business in this District and
6 throughout the United States.

7 76. **Bolt Marketing, Inc.** ("Bolt Marketing"), a company incorporated in California in
8 September 2009, uses a maildrop address at 6520 Platt, Box #552, West Hills, CA 91307.
9 Defendant Scott Muir is the titular owner and officer of Bolt Marketing.

10 77. Bolt Marketing is one of the shell corporations that J. Johnson and I Works
11 established to act as a front on applications to obtain new merchant accounts. In November 2009,
12 I Works employees, using funds from I Works, opened one or more depository accounts in the
13 name of Bolt Marketing, including an account at SunFirst Bank. Bolt Marketing's bank
14 statements are sent to I Works's headquarters at 249 East Tabernacle, Suite 200, St. George, UT
15 84770.

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

20 79. Bolt Marketing transacts or has transacted business in this District and throughout
21 the United States.

22 80. **Bottom Dollar, Inc.** ("Bottom Dollar"), a company incorporated in Nevada in July
23 2009, uses a maildrop address at 4080 Paradise Road, Bldg. 15, Suite 425, Las Vegas, NV 89109.
24 Defendant Kevin Pilon is the titular owner and officer of Bottom Dollar.

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

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

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

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

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

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

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

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

26 89. Business First is one of the shell corporations that J. Johnson and I Works
27 established to act as a front on applications to obtain new merchant accounts. In October 2009,
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1 I Works employees, using funds from I Works, opened one or more depository accounts in the
2 name of Business First, including an account at Town & Country Bank. Business First's bank
3 statements are sent to I Works's headquarters at 249 East Tabernacle, Suite 200, St. George, UT
4 84770.

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

9 91. Business First transacts or has transacted business in this District and throughout
10 the United States.

11 92. **Business Loan Success, Inc.** ("Business Loan Success"), a company incorporated
12 in Nevada in June 2009, uses a maildrop address at 8174 South Las Vegas Boulevard, #109 PMB
13 24, Las Vegas, NV 89123. Defendant Scott Muir is the titular owner and officer of Business
14 Loan Success.

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

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

25 95. Business Loan Success transacts or has transacted business in this District and
26 throughout the United States.

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 Loyd Johnston is the titular owner and officer of Cold Bay Media.

4 97. Cold Bay Media is one of the shell corporations that J. Johnson and I Works
5 established to act as a front on applications to obtain new merchant accounts. In 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 I Works’s headquarters at 249 East Tabernacle, Suite 200, St. George, UT
9 84770.

10 98. Defendants used Cold Bay Media 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 99. Cold Bay Media transacts or has transacted business in this District and throughout
15 the United States.

16 100. **Costnet Discounts, Inc.** (“Costnet Discounts”), a company incorporated in
17 California in July 2009, uses a maildrop address at 4712 Admiralty Way, Box #572, Marina Del
18 Ray, CA 90292. Defendant Kevin Pilon is the titular owner and officer of Costnet Discounts.

19 101. Costnet Discounts is one of the shell corporations that J. Johnson and I Works
20 established to act as a front on applications to obtain new merchant accounts.

21 102. Defendants used Costnet Discounts 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.

25 103. Costnet Discounts transacts or has transacted business in this District and
26 throughout the United States.

1 104. **CS Processing, Inc.** (“CS Processing”), a company incorporated in Nevada in
2 April 2009, uses a maildrop address at 18124 Wedge Parkway, PMB 434, Reno, NV 89511.
3 Defendant Scott Muir is the titular owner and officer of CS Processing.

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

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

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

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

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

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

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

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

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

9 114. 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 I 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, Simi 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 J. Johnson and I 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 I Works’s marketing partners and clients.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3 143. Funding Search Success transacts or has transacted business in this District and
4 throughout the United States.

5 144. **Funding Success, Inc.** (“Funding Success”), a company incorporated in Nevada in
6 June 2009, uses a maildrop address at 10580 North McCarren Boulevard, 115 Ste. 368, Reno, NV
7 89503. Defendant Andy Johnson is the titular owner and officer of Funding Success.

8 145. Funding Success is one of the shell corporations that J. Johnson and I Works
9 established to act as a front on applications to obtain new merchant accounts. In June 2009,
10 I Works employees, using funds from I Works, opened one or more depository accounts in the
11 name of Funding Success, including an account at Far West Bank. Funding Success’s bank
12 statements are sent to I Works’s headquarters at 249 East Tabernacle, Suite 200, St. George, UT
13 84770.

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

18 147. Funding Success transacts or has transacted business in this District and
19 throughout the United States.

20 148. **GG Processing, Inc.** (“GG Processing”), a company incorporated in California in
21 August 2009, uses a maildrop address at 214 Main Street, Box #329, El Segundo, CA 90245.
22 Defendant Kevin Pilon is the titular owner and officer of GG Processing.

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

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

7 151. GG Processing transacts or has transacted business in this District and throughout
8 the United States.

9 152. **GGL Rewards, Inc.** ("GGL Rewards"), a company incorporated in Nevada in
10 June 2009, uses a maildrop address at 848 North Rainbow Boulevard 2984, Las Vegas NV 89107.
11 Defendant Scott Muir is the titular owner and officer of GGL Rewards.

12 153. GGL Rewards is one of the shell corporations that J. Johnson and I Works
13 established to act as a front on applications to obtain new merchant accounts. GGL Reward's
14 bank statements are sent to I Works' headquarters at 249 East Tabernacle, Suite 200, St. George,
15 UT 84770.

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

20 155. GGL Rewards transacts or has transacted business in this District and throughout
21 the United States.

22 156. **Highlight Marketing, Inc.** ("Highlight Marketing"), a company incorporated in
23 California in September 2009, uses a maildrop address at 15218 Summit Avenue, Suite 300,
24 Fontana, CA 92336. Defendant Scott Muir is the titular owner and officer of Highlight
25 Marketing.

26 157. Highlight Marketing is one of the shell corporations that J. Johnson and I Works
27 established to act as a front on applications to obtain new merchant accounts. In November 2009,
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1 I Works employees, using funds from I Works, opened one or more depository accounts in the
2 name of Highlight Marketing, including an account at SunFirst Bank. Highlight Marketing's
3 bank statements are sent to I Works's headquarters at 249 East Tabernacle, Suite 200, St. George,
4 UT 84770.

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

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

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

15 161. Hooper Processing is one of the shell corporations that J. Johnson and I Works
16 established to act as a front on applications 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
19 Processing's bank statements are sent to I Works's headquarters at 249 East Tabernacle, Suite
20 200, St. George, UT 84770.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3 179. JRB Media transacts or has transacted business in this District and throughout the
4 United States.

5 180. **Lifestyles For Fitness, Inc.** ("Lifestyles For Fitness"), a company incorporated in
6 Nevada in June 2009, uses a maildrop address at 1805 North Carson Street, Suite 313, Carson
7 City, NV 89701. Margaret L. Holm is the titular owner and officer of Lifestyles for Fitness.

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

14 182. Defendants used Lifestyles For Fitness 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.

18 183. Lifestyles For Fitness transacts or has transacted business in this District and
19 throughout the United States.

20 184. **Mist Marketing, Inc.** ("Mist Marketing"), a company incorporated in California
21 in September 2009, uses a maildrop address at 11230 Gold Express Drive, Suite 310-157, Gold
22 River, CA 92336. Defendant Scott Muir is the titular owner and officer of Mist Marketing.

23 185. Mist Marketing is one of the shell corporations that J. Johnson and I Works
24 established to act as a front on applications to obtain new merchant accounts. In November 2009,
25 I Works employees, using funds from I Works, opened one or more depository accounts in the
26 name of Mist Marketing, including an account at SunFirst Bank. Mist Marketing's bank
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1 statements are sent to I Works's headquarters at 249 East Tabernacle, Suite 200, St. George, UT
2 84770.

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

7 187. Mist Marketing transacts or has transacted business in this District and throughout
8 the United States.

9 188. **Money Harvest, Inc.** ("Money Harvest"), a company incorporated in Oklahoma
10 in October 2009, uses a maildrop address at 16111 South Utica, Box # 137, Tulsa, OK 74104.
11 Defendant Loyd Johnston is the titular owner and officer of Money Harvest.

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

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

22 191. Money Harvest transacts or has transacted business in this District and throughout
23 the United States.

24 192. **Monroe Processing, Inc.** ("Monroe Processing"), a company incorporated in
25 Oklahoma in October 2009, uses a maildrop address at 7107 South Yale, Box #332, Tulsa, OK
26 74136. Defendant Loyd Johnston is the titular owner and officer of Monroe Processing.

1 193. Monroe Processing is one of the shell corporations that J. Johnson and I Works
2 established to act as a front on applications to obtain new merchant accounts. In November 2009,
3 I Works employees, using funds from I Works, opened one or more depository accounts in the
4 name of Monroe Processing, including an account at SunFirst Bank. Monroe Processing's bank
5 statements are sent to I Works's headquarters at 249 East Tabernacle, Suite 200, St. George, UT
6 84770.

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

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

13 196. **Net Business Success, Inc.** ("Net Business Success"), a company incorporated in
14 California in July 2009, uses a maildrop address at 1171 South Robertson Boulevard, Box #397,
15 Los Angeles, CA 90034. Defendant Kevin Pilon is the titular owner and officer of Net Business
16 Success.

17 197. Net Business Success is one of the shell corporations that J. Johnson and I Works
18 established to act as a front on applications to obtain new merchant accounts. In August 2009,
19 I Works employees, using funds from I Works, opened one or more depository accounts in the
20 name of Net Business Success, including an account at Zions Bank. Net Business Success' bank
21 statements are sent to I Works' headquarters at 249 East Tabernacle, Suite 200, St. George, UT
22 84770.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 214. 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 J. Johnson and I Works
11 established to act as a front on applications to obtain new merchant accounts. In November 2009,
12 I Works employees, using funds from I Works, opened one or more depository accounts in the
13 name of Power Processing, including an account at SunFirst Bank. Power Processing's bank
14 statements are sent to I Works's headquarters at 249 East Tabernacle, Suite 200, St. George, UT
15 84770.

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

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

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

25 221. Premier Performance is one of the shell corporations that J. Johnson and I Works
26 established to act as a front on applications to obtain new merchant accounts. In August 2009,
27 I Works employees, using funds from I Works, opened one or more depository accounts in the
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1 name of Premier Processing, including an account at The Village Bank. Premier Performance's
2 bank statements are sent to I Works's headquarters at 249 East Tabernacle, Suite 200, St. George,
3 UT 84770.

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

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

10 224. **Pro Internet Services, Inc.** ("Pro Internet Services"), a company incorporated in
11 New York in March 2009, uses a maildrop address at 331 West 57th Street, Box #183, New York,
12 NY 10019. Defendant Loyd Johnston is the titular owner and officer of Pro Internet Services.

13 225. Pro Internet Services is one of the shell corporations that J. Johnson and I Works
14 established to act as a front on applications to obtain new merchant accounts. In August 2009,
15 I Works employees, using funds from I Works, opened one or more depository accounts in the
16 name of Pro Internet Services. Pro Internet Services's bank statements are sent to I Works's
17 headquarters at 249 East Tabernacle, Suite 200, St. George, UT 84770.

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

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

24 228. **Razor Processing, Inc.** ("Razor Processing"), a company incorporated in
25 California in June 2009, uses a maildrop address at 20258 Highway 18, Suite 430 #418, Apple
26 Valley, CA 92307. Defendant Scott Muir is the titular owner and officer of Razor Processing.

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

7 230. 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 I Works's marketing partners and clients.

11 231. Razor Processing transacts 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, Box #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 J. Johnson and I 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 Tabernacle, 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.

25 235. Rebate Deals transacts or has transacted business in this District and throughout
26 the United States.

1 236. **Revive Marketing, Inc.** (“Revive Marketing”), a company incorporated in
2 Nevada in 2009, uses a maildrop address at 561 Keystone Avenue, Box #301, Reno, NV 89503.
3 Defendant Loyd Johnston is the titular owner and officer of Revive Marketing.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 United States.

21 256. **Tran Voyage, Inc.** ("Tran Voyage"), a company incorporated in Delaware in
22 November 2009, uses a maildrop address at 18766 John J. Williams Highway, PMB #331,
23 Rehoboth, DE 19971. Defendant Loyd Johnston is the titular owner and officer of Tran Voyage.

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

3 258. 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 J. Johnson and I 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 or 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 and clients.

22 263. Unlimited Processing transacts or has transacted business in this District and
23 throughout the United States.

24 264. **xCel Processing, Inc.** ("xCel Processing"), a company incorporated in California
25 in June 2009, uses a maildrop address at 12127 Mall Boulevard, Suite A-323, Victorville, CA
26 92392. Defendant Kevin Pilon is the titular owner and officer xCel Processing.

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

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

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

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

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

18 ***The Individual Defendants***

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

25 271. J. Johnson hires and supervises the managers working at his companies. He has
26 the authority to approve the websites offering the products sold by I Works. He signs legal
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1 documents on behalf of I Works, including contracts with marketing partners and network
2 marketing groups, court settlements, and corporate resolutions.

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

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

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

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

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

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

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

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

19 280. **Duane Fielding** ("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 Litle &
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 signatory authority over bank accounts titled in the name of Anthon
4 and Network Agenda, which accounts received funds from I Works directly, and/or contain funds
5 from I Works's sale of core products and Upsells.

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

9 284. At all times material to this Complaint, acting alone or in concert with others,
10 Fielding has formulated, directed, controlled, had 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 signatory authority over bank accounts titled in the name of
4 Defendants Funding Success and xCel 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.

16 293. **Loyd Johnston** (“Johnston”) is the manager of the Merchant Account department
17 at I Works.

18 294. In that role, Johnston manages the relationships with the Payment Processors and
19 banks that I Works uses or used to process credit and debit card charges for I Works’s sale of core
20 products and Upsells. Johnston’s email address, loyd@iworks.com, is the contact on numerous
21 merchant account applications submitted on behalf of one or more of the Corporate Defendants.
22 Johnston sent Chargeback Reduction Plans on behalf of one or more Corporate Defendants,
23 including the Shell Companies, to Payment Processors.

24 295. Johnston has the authority to hire, and has hired, I Works employees.

25 296. Johnston has opened maildrops in various states at which complaints about
26 I Works’s marketing of its core products and Upsells are received and then forwarded to
27 I Works’s headquarters in St. George, Utah. Johnston has used a business credit card to pay the
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1 rental fee for at least 50 maildrops in 13 states used by the I Works Enterprise between August
2 2009 and April 2010.

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

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

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

15 300. Johnston received reports from the I Works call centers about consumer
16 complaints, and communications from Payment Processors, VISA, 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 I 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 Grant Search Assistant so that Defendants could continue to process the
3 credit and debit card charges for I Works's sale of core products and Upsells.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 322. On behalf of I Works, Payne obtained one or more merchants accounts in the name
2 of JRB Media so that Defendants could continue to process the credit and debit card charges for
3 I Works' sale of core products and Upsells.

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

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

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

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

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

19 328. Pilon is the titular owner and officer of at least 16 Shell Companies that I Works
20 and J. Johnson established to act as fronts on applications to obtain merchant accounts. These
21 Shell Companies include Bottom Dollar, Bumble Marketing, Costnet Discounts, Cutting Edge
22 Processing, Ebusiness First, Excess Net Success, Fiscal Fidelity, Fitness Processing, GG
23 Processing, Internet Business Source, Net Business Success, Net Fit Trends, Power Processing,
24 Rebate Deals, The Net Success, and xCel Processing.

25 329. Pilon has opened maildrops in various states at which complaints about I Works's
26 marketing of core products and Upsells are received, which are then forwarded to I Works's
27 headquarters in St. George, Utah. Pilon has used a business credit card to pay the rental fee for at
28

1 least 27 maildrops in nine states used by the 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 I Works.

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

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

4 Riddle sent Progress Reports and Chargeback Reduction Plans on behalf of I 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 I Works and J. 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 I Works directly and/or contains funds from I 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 Generals 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.

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

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

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

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

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

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

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

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

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

24 **COMMON ENTERPRISE**

25 357. The Corporate Defendants have operated and functioned as a common enterprise
26 while engaging in the unfair and deceptive acts and practices and other violations of law alleged
27 in this Complaint. The Corporate Defendants have conducted the business practices through an
28

1 interrelated network of companies that have common control, ownership, officers, managers,
2 business functions, office locations, accounting and customer databases, web servers, and
3 products. The Corporate Defendants rely on unified advertising and a common marketing
4 scheme. J. Johnson and the other Individual Defendants have ignored corporate formalities in
5 setting up the Shell Companies, which are nothing more than fronts for I Works. Because the
6 Corporate Defendants have operated as a common enterprise, each of them is jointly and
7 severally liable for the acts and practices described in this Complaint. Individual Defendants
8 Fielding, A. Johnson, J. Johnson, Johnston, Leavitt, Muir, Payne, Pilon, Riddle, and Spinks have
9 formulated, directed, controlled, had the authority to control, or participated in the acts and
10 practices of one or more of the Corporate Defendants that comprise the I Works Enterprise.

11 **RELIEF DEFENDANTS**

12 358. Defendant J. Johnson has made or directed to be made numerous gratuitous
13 transfers of significant assets of the I Works Enterprise to his wife, parents, and companies they
14 own, control, or are titled in their names. The total assets of the I Works Enterprise that
15 defendant J. Johnson has caused to be transferred in this manner total at least \$22 million.

16 **Individual Relief Defendants**

17 359. Relief defendant **Sharla Johnson** is the spouse of defendant J. Johnson. Relief
18 defendant Sharla Johnson is the titular half-owner, along with defendant J. Johnson, of other
19 Relief defendants, including: Zibby, LLC; Zibby Flight Service, LLC; and Orange Cat
20 Investments, LLC, which as described below have received gratuitous transfers of significant
21 assets from the I Works Enterprise. Relief defendant Sharla Johnson resides in Utah.

22 360. In addition to funds defendant J. Johnson gratuitously transferred to Relief
23 defendants Zibby, LLC; Zibby Flight Service, LLC; and Orange Cat Investments, LLC, Relief
24 defendant Sharla Johnson has directly received individually or jointly with others, at least \$5
25 million in additional funds and/or property that can be traced directly to Defendants' deceptive
26 acts and practices and for which she has no legitimate claim.

27 361. For example:

- 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 Debit’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 KV Electric, Inc., which as described
18 below have received gratuitous transfers of significant assets from the I 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 KV Electric, 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 for
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
28

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

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

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

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

22 **Corporate Relief Defendants**

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

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

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

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

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

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

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

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

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

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

21 **COMMERCE**

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

DEFENDANTS’ BUSINESS PRACTICES

The Lures

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

The Grant Lure

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

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

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

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 entitled 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 emails using the same
20 maildrop address and with a subject line “FREE CASH to help you get started!” proclaims that
21 “Our Grant Program Software” is waiting to help “Stop Forclosures”[sic] and “Pay Down Debt”
22 and asserts that “the government could have a check to you in as little as two weeks.” Yet
23 another Spam email using one of Defendants’ maildrop addresses in Nevada and with a subject
24 line “Government Funding Available” states that “Government money is readily available for
25 many reasons including: . . . Rent payment assistance, Bills . . . and Much Much More.”

26 387. Defendants’ other Spam emails include testimonials. For instance, an email from
27 with a subject line “Uncle Sam could give you up to \$25,000 - open to see how,” includes a
28 testimonial from a Silvia Henriquez stating that she did not have money to pay her electric bill or
feed her children and that she applied for a grant and received \$500.

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

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

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

25 391. In many instances, Defendants also represent that consumers who provide their
26 names, addresses, telephone numbers, and credit or debit card information will be charged a
27 nominal shipping and handling fee to receive a CD and access to a website, which Defendants
28

1 manage, that contains information that will enable the consumer to find and obtain government
2 grants to pay personal expenses. A typical representation is: “Our program doesn’t just list
3 Grants, it walks you step-by-step through how to qualify, who to contact (including address
4 details) and many examples of how to get Government and Private Grants!” Yet another offer
5 represents that the grant product “contains valuable information you need to know about how and
6 where to access grant money that may be available. . . You’ll also have the tools and resources
7 necessary to find, apply for and secure this money.” A streaming video of a male model on a
8 grant website’s Order page, in the lower right hand corner, states, among other things, that the
9 online membership program:

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

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

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

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

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

7 *The Make-Money Opportunity Lure*

8 395. In numerous instances, Defendants lure consumers through websites that tout
9 money-making opportunities that are likely to yield significant income. Their typical make-
10 money website promises that consumers can generate large amounts of income via Internet search
11 engine advertising on Google, through rebate programs and auctions on sites such as eBay, and
12 by using new technologies, such as Twitter. Defendants offer information regarding the make-
13 money opportunities, purportedly for a nominal fee of \$1.99 or \$2.99 for shipping and handling.
14 As with the core grant product, consumers submit their billing information to pay the small fee.
15 Having procured consumers' account information, Defendants immediately enroll their victims in
16 Negative Option Plans for online memberships for both the core make-money product and for
17 other unrelated products that are automatically bundled with the make-money product as Forced
18 Upsells, and proceed to impose significant one-time and recurring charges.

19 396. Defendants' make-money websites represent that their product offers its members
20 "Easy Money," and the opportunity to "[s]top living paycheck-to-paycheck." For example, an
21 offer marketing Internet search engine opportunities proclaims that "Now ANYONE can learn
22 how to earn \$200-\$943 per day or MORE on Google!" Another of Defendants' websites states
23 that one can "learn how to make \$199 per day or more" with "our simple system" that has
24 "everything you need to make guaranteed fast money on Google. Your cost + \$0."

25 397. Spam emails sent by Defendants' agents make the same claims. For instance,
26 Raven Media using one of Defendants' maildrop addresses in Nevada and a subject line "Easy
27 Money with Google," promises that "anyone can learn how to earn 200 - 943 per day or More!"
28

1 398. The I Works Media Center includes ready-to-send emails with claims for
2 Defendants' money-making products. For instance, one email states that "with this FREE kit,
3 you can make up to \$500, \$1,000, even \$3,000 every month ONLINE!" Another email proclaims
4 "My 'Growing Rich with Google' CD reveals how to Make extra income from home. Get your
5 FREE copy today!"

6 399. By providing a specific range of money that the consumer will "learn to earn,"
7 Defendants represent that the typical consumer who uses Defendants' money-making product can
8 expect to achieve that level of income.

9 400. In fact, Defendants' make-money representations are false. Typical consumers
10 who use Defendants' make-money products will not earn \$200-943 or more per day using
11 Defendants' products. Moreover, Defendants did not possess and rely upon a reasonable basis to
12 substantiate their representations that consumers can expect to earn these amounts per day.

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

14 401. In addition to extravagant claims about getting federal grants or substantial income
15 via Internet search engine advertising, auctions, or other money-making products, Defendants
16 further entice consumers by emphasizing that, except for a nominal fee of as little as \$1.99 or
17 \$2.99 to cover the shipping and handling of a CD, what Defendants are offering is "free." Thus,
18 large banners encourage consumers to "Order your FREE CD today" and "Get your FREE
19 Software" that has information on how to receive government grants or make money. For
20 instance, one of Defendants' money-making sites claims that "Our FREE CD shows how to beat
21 the system." If Defendants make any reference to the Forced Upsells, they are referred to as
22 bonus "gifts."

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

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 free
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 represent 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 agree to pay the small shipping and handling fee will be
15 charged a one-time fee of as much as \$189 and then monthly recurring fees of as much as \$59.95
16 if consumers do not cancel within as few as three days. Nor are the offers "risk-free." To the
17 contrary, Defendants forcibly enroll consumers in Upsell memberships they know nothing about
18 and that they never intended to order, for which Defendants impose additional monthly charges or
19 debits of as much as \$39.97. In short, because of Defendants' practices, consumers run the risk of
20 not understanding the true nature of the transaction: enrollment in a Negative Option Plan for an
21 online membership that requires consumers to take affirmative action to cancel memberships
22 most consumers did not know they had.

23 ***Hiding the Terms of the***
24 ***Trial Memberships and Forced Upsells***

25 406. In many instances, consumers are unaware that when they provide their billing
26 information and agree to pay a nominal fee for shipping and handling, Defendants immediately
27 enter consumers in a Negative Option Plan that, if not cancelled within a trial period as short as
28

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

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

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

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

1 410. Tiny hyperlinks at the bottom of various pages on Defendants’ marketing
2 websites, if they function, may connect to a lengthy Terms and Conditions page full of obtuse
3 legalese, only one small part of which mentions trial memberships, bonus products, cancellation
4 requirements, and costs. In some instances, there is convoluted language that the consumer has
5 agreed to a one-time fee of as much as \$189 and then recurring monthly charges or debits of as
6 much as \$59.95 to a bank account by ordering the free software or CD. In other instances, the
7 Terms do not even list the costs of the memberships.

8 411. Because the websites marketing Defendants’ products repeatedly represent that
9 consumers have to pay only a nominal amount, and at the same time hide the terms of their true
10 offer, and because Defendants’ offers involve only a small fee, many consumers provide their
11 billing information without adequate notice that they are entering into a trial period of as few as
12 three days for the advertised product, as well as trial periods of differing lengths for the Forced
13 Upsells. Consumers, seeing the express representation that all they have to pay is the small fee
14 for shipping and handling, do not expect to have to cancel one or more trial memberships that
15 they did not even know they had been signed up for.

16 412. In some instances, after having provided their billing information, consumers
17 receive a confirmation web page, and/or a confirmation email, with the log-in and password to
18 Defendants’ membership sites for the advertised product and the Forced Upsells. The
19 confirmation page includes no information about memberships, their costs, or the need to cancel
20 to avoid charges. Defendants also know that many consumers never see Defendants’
21 confirmation emails because they are frequently trapped by consumers’ Spam filters.

22 413. In numerous instances, the CD for the core product comes with a return address of
23 one of Defendants’ many maildrops. A printed notice from Bad Customer.com accompanying
24 the CD warns that consumers who seek a chargeback “will be reported to the internet consumer
25 blacklist . . . and will result in member merchants blocking you from making purchases online!”

26 414. Consumers who call the telephone numbers listed on their billing statements next
27 to the charges and debits learn for the first time that Defendants enrolled them not only in an
28

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 recurring 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 represent 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) that consumers must cancel the Negative Option Plans within a limited time
24 period to avoid the one-time and recurring charges; (d) the time period during which consumers
25 must cancel the Negative Option Plans in order to avoid one-time and recurring charges; and (e)
26 that each Negative Option Plan must be cancelled separately and the procedure for cancelling the
27 plans.

Defendants' Unfair Billing of Forced Upsells

1
2 417. Defendants also arrange for their marketing partners to bundle Defendants'
3 Upsells with the sale of the marketing partners' core product. In many cases, Defendants' Upsells
4 are automatically bundled with the partner's core product and consumers have no opportunity to
5 opt-out of these Forced Upsells.

6 418. In numerous cases Defendants' marketing partners' websites contain no
7 disclosures whatsoever about the Forced Upsells. In other instances, the marketing partners'
8 disclosures appear in tiny boxes well below the Submit button, with no membership, cost, or
9 cancellation information.

10 419. Defendants have ultimate control over the appearance and location of the
11 information concerning the Upsells on the websites of their marketing partners. Defendants'
12 contracts with their marketing partners clearly state that Defendants must review and provide
13 their written approval for the placement of all of their Upsells on their marketing partners' sites.
14 In numerous instances, Defendants have approved how their Upsells appear on the websites of
15 their marketing partners even though Defendants' review shows that Defendants' Forced Upsells
16 are not disclosed, or are inadequately disclosed, on their partners' websites. Further, Defendants
17 regularly review the websites of their marketing partners who offer Defendants' Upsells;
18 Defendants also respond to the telephone and written complaints about the Upsells bundled with
19 their marketing partners' core products. Defendants therefore know that their marketing partners
20 continue to fail to disclose, or disclose adequately, material information about the Forced Upsells,
21 or even the existence of these Upsells.

22 420. Yet, even though Defendants know that, in numerous instances, the websites of
23 their marketing partners do not disclose, or disclose adequately, the existence of Defendants'
24 Forced Upsells, Defendants still process the credit and debit card charges associated with the
25 Upsells offered on these websites.

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

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

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

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

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

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

21 427. Consumers could not avoid being charged for Defendants' Forced Upsells
22 appearing on the websites of Defendants' marketing partners. The substantial injury Defendants
23 have caused by charging and debiting consumers' accounts without authorization is not
24 outweighed by countervailing benefits to consumers or competition.

25 ***Keeping the Scheme Going***

26 428. Defendants have used at least three stratagems to perpetrate their scheme:
27 (a) they flood the Internet with phony positive reviews of their products; (b) they threaten
28

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

4 ***The Phony Positive Reviews on the Internet***

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

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

19 431. In connection with the representation that the positive articles and other web pages
20 about Defendants' grant and money-making offers are from unbiased consumers, Defendants
21 have failed to disclose the material information that Defendants and their agents created and
22 posted these reviews.

23 ***Defendants' Threats to Blacklist Consumers Who Seek Chargebacks***

24 432. In order to minimize their chargeback rates for various products, Defendants
25 discourage consumers from exercising their chargeback rights by threatening to report consumers
26 who seek chargebacks to an Internet consumer blacklist they operate called "BadCustomer.com."
27 Defendants state that consumers who seek a chargeback "will be reported to the internet
28

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

3 *Defendants’ Use of Subterfuge to Obtain New Merchant Accounts*

4 433. In numerous instances, when consumers find Defendants’ charges or debits on
5 their billing statements, they contact their credit card issuers or banks to contest the charges. The
6 credit card issuer or bank “charges back” the contested amount to Defendants, which is debited
7 from Defendants’ merchant account at the merchant bank. Defendants received a large number of
8 chargebacks and were thus placed in monitoring programs established by VISA and MasterCard.
9 Defendants failed to address the problems causing the high volume of chargebacks 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 J. Johnson was listed as a principal, Defendants established other merchant
13 accounts to continue to process the 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 accounts for each company. Defendants or
19 their employees then listed I Works employees or J. Johnson’s business acquaintances on the
20 corporate paperwork as titular principals. The sole purpose of the Shell Companies, which have
21 no employees and no offices, was to lend their names to obtain new merchant accounts and open
22 bank accounts. Since 2009, Defendants have opened numerous different merchant accounts
23 under the names of Shell Companies so that they can continue processing the credit and debit
24 card charges for products I Works markets and sells for itself and its clients, and for the Upsells
25 that are bundled with the core products sold by I Works’s marketing partners. Finally,
26 Defendants completed the charade by renaming their products, so as to make it harder for the
27 Payment Processors and banks to connect the Shell Companies with I Works and J. Johnson.

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

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

19 438. Furthermore, Defendants often used the dummy underwriting sites to deflect
20 blame when confronted by angry consumers. When a bank or other entity contacted Defendants
21 or one of Defendants’ Payment Processors 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
27
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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 calls 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 created internal 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 fact 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 connection with the sale of products or services via Negative Option Plans.

20 **COUNT I**

21 **Misrepresenting the Availability of
22 Government Grants to Pay Personal Expenses**

23 445. In numerous instances, in connection with the marketing and sale of grant-related
24 products or services, Defendants represent, directly or indirectly, expressly or by implication, that
25 government grants are generally available to individuals to pay personal expenses.

26 446. The representation set forth in Paragraph 445 of this Complaint is false,
27 misleading, and/or was not substantiated at the time the representation was made because there
28 are few, if any, government grants available to individuals to pay personal expenses.

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 per
24 day by using products marketed and sold by Defendants.

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

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

4 **COUNT IV**

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

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

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

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

18 **COUNT V**

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

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

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

- 1 A. that Defendants enroll consumers in Negative Option Plans for not only the
- 2 product or service that was the subject of the advertised offer, but for other
- 3 products or services as well;
- 4 B. the amount of the one-time and recurring charges and the frequency and duration
- 5 of the recurring charges associated with the Negative Option Plans;
- 6 C. that consumers must cancel the Negative Option Plans within a limited time period
- 7 to avoid the one-time and recurring charges;
- 8 D. the time period during which consumers must cancel the Negative Option Plans in
- 9 order to avoid one-time and recurring charges;
- 10 E. that each Negative Option Plan must be cancelled separately and the procedure for
- 11 cancelling the Plans.

12 459. Defendants' failure to disclose, or disclose adequately, the material information
13 described in Paragraph 458, above, in light of the representation described in Paragraph 457,
14 above, constitutes a deceptive act or practice in violation of Section 5(a) of the FTC Act,
15 15 U.S.C. § 45(a).

16 COUNT VI

17 **Misrepresenting That Consumers Using Defendants' Grant Product** 18 **Are Likely to Obtain Grants Such as Those Obtained** 19 **By Consumers in the Testimonials**

20 460. In connection with the marketing and sale of grant-related products or services,
21 Defendants represent, directly or indirectly, expressly or by implication, that consumers who use
22 Defendants' grant product are likely to obtain grants such as those obtained by consumers in the
23 testimonials appearing on websites advertising Defendants' grant product.

24 461. The representation set forth in Paragraph 460 of this Complaint is false or was not
25 substantiated at the time the representation was made because consumers who use Defendants'
26 grant product are not likely to obtain grants such as those obtained by consumers in the
27 testimonials appearing on websites advertising Defendants' grant product.

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

4 **COUNT VII**

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

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

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

17 465. Therefore, the making of the representation set forth in Paragraph 463 of this
18 Complaint constitutes a deceptive act or practice in violation of Section 5(a) of the FTC Act,
19 15 U.S.C. § 45(a).

20 **COUNT VIII**

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

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

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

1 implication, that these postings reflect 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 articles 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' practice 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.

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

17 **COUNT X**

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

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

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

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

6 **COUNT XI**

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

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

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

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

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

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

CONSUMER INJURY

1
2 485. Defendants’ misrepresentations, deceptive omissions, and unfair billing practices
3 have generated more than \$350 million in sales. After refunds and chargebacks, the
4 unreimbursed consumer injury is more than \$275 million. Consumers have suffered and will
5 continue to suffer substantial injury as a result of Defendants’ violations of Section 5(a) of the
6 FTC Act, 15 U.S.C. § 45(a), Section 907(a) of EFTA, 15 U.S.C. § 1693e(a), and Section
7 205.10(b) of Regulation E, 12 C.F.R. § 10(b), as set forth above. In addition, Defendants have
8 been unjustly enriched as a result of their unlawful acts or practices. Absent injunctive relief by
9 this Court, Defendants are likely to continue to injure consumers, reap unjust enrichment, and
10 harm the public interest.
11
12

THIS COURT’S POWER TO GRANT RELIEF

13
14 486. Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), empowers this Court to grant
15 injunctive and such other relief as the Court may deem appropriate to halt and redress violations
16 of the FTC Act, EFTA, and Regulation E. The Court, in the exercise of its equitable jurisdiction,
17 may award ancillary relief, including rescission or reformation of contracts, restitution, the refund
18 of monies paid, and the disgorgement of ill-gotten monies, to prevent and remedy any violation of
19 any provision of law enforced by the FTC.
20
21

PRAYER FOR RELIEF

22
23 WHEREFORE, Plaintiff Federal Trade Commission, pursuant to Section 13(b) of the FTC
24 Act, 15 U.S.C. § 53(b), EFTA, Regulation E, and the Court’s own equitable powers, requests that
25 the Court:
26
27
28

1 1. Award the FTC such injunctive and ancillary relief as may be necessary to avert
2 the likelihood of consumer injury during the pendency of this action and to preserve the
3 possibility of effective final relief, including, but not limited to, temporary and preliminary
4 injunctions, asset freeze, and appointment of a receiver;
5

6 2. Enter a permanent injunction to prevent future violations of the FTC Act, EFTA,
7 and Regulation E by Defendants;
8

9 3. Award such relief as the Court finds necessary to redress injury to consumers
10 resulting from the Defendants' violations of the FTC Act, EFTA, and Regulation E, including,
11 but not limited to, rescission or reformation of contracts, restitution, the refund of monies paid,
12 and the disgorgement of ill-gotten monies;
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14 4. Enter an order requiring Relief Defendants to disgorge all funds and assets, or the
15 value of the benefit they have received from the funds and assets, which are traceable to
16 Defendants' unlawful acts or practices,
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1 5. Award the FTC the costs of bringing this action, as well as any other equitable
2 relief that the Court may determine to be just and proper.
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4 Dated: January , 2013

Respectfully submitted,

DAVID SHONKA
Acting General Counsel

8 /s/
9 _____
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