

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

FEDERAL TRADE COMMISSION,)	
)	
Plaintiff,)	
)	Civil Action No. 05 C 5442
v.)	Judge Nordberg
)	Magistrate Denlow
Centurion Financial Benefits LLC, <i>et al.</i> ,)	
)	
Defendants.)	
)	

**FEDERAL TRADE COMMISSION’S MOTION FOR ORDER TO SHOW CAUSE WHY
FRANK BELLISSIMO AND IRA RUBIN SHOULD NOT BE HELD IN CONTEMPT**

Plaintiff, Federal Trade Commission, hereby moves this Court for an order to show cause why defendant Frank Bellissimo and non-party Ira Neil Rubin should not be held in contempt for violating the terms of the Stipulated Preliminary Injunction with Asset Freeze (“Preliminary Injunction”) that the Court entered on January 23, 2006. As described below, Bellissimo and Rubin have violated multiple provisions of this order through their operation of a telemarketing scam that has resulted in consumers losing at least \$650,000.

The FTC filed this action in September 2005, charging Bellissimo and others with operating a massive telemarketing scam that defrauded U.S. consumers out of tens of millions of dollars. Specifically, the FTC alleged that Bellissimo and his telemarketers promised consumers that in exchange for an advance fee of between \$200 to \$350 dollars they would receive an unsecured major credit card with a credit limit of several thousand dollars. In reality, no one ever received the promised credit cards. Bellissimo obtained payment for his non-existent credit cards primarily by electronically debiting consumers’ bank accounts with the assistance of third-party

payment processors like Ira Rubin. Rubin alone processed over \$15 million in electronic debits on behalf of Bellissimo's advance fee credit card scam. Accordingly, the FTC served Rubin with copies of the Temporary Restraining Order and Preliminary Injunction Order entered by the Court.

The FTC recently filed a separate action against Rubin and discovered, incredibly, that Bellissimo and Rubin began setting up a new telemarketing fraud operation together just months after entry of the Preliminary Injunction. Specifically, in or around July 2006, Bellissimo started yet another telemarketing scam and Rubin once again provided payment processing services in connection with this scam. There are, of course, obvious similarities between Bellissimo's new scam and the Centurion scam. Instead of credit cards, Bellissimo's telemarketers promise consumers that they are qualified for, and are guaranteed or are highly likely to receive, a government grant worth several thousand dollars. Consumers are told that the money never has to be repaid and that all they need to do in order to receive it is pay a "processing" fee of \$300 to \$350. Needless to say, no one receives a government grant or anything of value in exchange for their fee.

The FTC respectfully requests that the Court require Bellissimo and Rubin to purge themselves of the contempt by ceasing any ongoing deceptive conduct and returning money to victims. Thus, to maintain the integrity of the Preliminary Injunction, insure that assets remain available to redress victimized consumers, and protect consumers from further harm, the Commission asks the Court to take the following remedial measures: (1) require Bellissimo and Rubin to deposit into an escrow account in the United States \$657,648, the approximate amount of consumer injury associated with Bellissimo and Rubin's new scam; (2) impose a daily fine to

coerce compliance with this requirement, because of the blatant and egregious nature of Bellissimo and Rubin's conduct; (3) amend the existing Preliminary Injunction to ban Bellissimo from engaging in the sale or promotion of any product or service to U.S. consumers; and (4) amend the existing Preliminary Injunction to include Bellissimo's new companies, Potomac Fidelity Group and Easton Consulting Group. If these coercive measures are not successful, the Court should require Bellissimo and Rubin to appear personally to show cause why they should not be incarcerated until they comply with the Court's orders. In support of its motion, the Commission states as follows:

The Centurion Scam

1. The FTC filed its original complaint in this matter on September 21, 2005, naming as defendants four individuals and six corporate entities. Along with its complaint, the FTC filed an *ex parte* motion for a Temporary Restraining Order ("TRO"),¹ with supporting evidence, which detailed the practices of a Canadian advance fee credit card scheme operating from multiple locations in Toronto, Ontario and Calgary, Alberta. Targeting consumers with poor credit histories, the defendants falsely claimed to be affiliated with MasterCard and Visa and promised that their card had a \$2,000 credit limit and 0% interest on purchases. None of the thousands of consumers who paid defendants ever received a credit card. Instead, consumers received either nothing at all or were sent a worthless "benefits package." The Commission alleged that this conduct violated the Federal Trade Commission Act, 15 U.S.C. § 45(a) and

¹ For the Court's convenience, a true and correct copy of the Temporary Restraining Order entered on September 21, 2005, is attached as Attachment G to the Declaration of Douglas McKenney in Support of Plaintiff's Motion for Order to Show Cause Why Frank Bellissimo and Ira Rubin Should Not Be Held in Contempt ("McKenney Dec.").

several provisions of the Telemarketing Sales Rule, 16 C.F.R. Part 310. On the day the original complaint was filed, the Court entered an *ex parte* TRO against all the named defendants, enjoining their illicit conduct and freezing their assets.

2. On September 26, 2005, the FTC served Ira Rubin with a copy of the TRO because of evidence linking Rubin and his payment processing business to the Centurion scam. A cover letter accompanying the TRO notes in bold-faced type that the order freezes all assets owned or controlled by, or held on behalf of the named defendants.² On October 6, 2005, Rubin executed a sworn declaration acknowledging receipt of the TRO and identifying all funds held on behalf of the *Centurion* defendants.³ An attachment to his declaration identifies fifteen separate payment processing accounts opened by Rubin on behalf of the defendants.

3. On December 15, 2005, the FTC filed a motion to amend its complaint to add seven corporate defendants and four individual defendants, including Frank Bellissimo. The Court granted the FTC's motion to amend on December 15, 2005, and the FTC subsequently filed its First Amended Complaint.

4. On January 23, 2006, this Court entered a Stipulated Preliminary Injunction With Asset Freeze as to Defendants 1466826 Ontario Ltd., 1571816 Ontario Ltd., 1636286 Ontario Ltd., 1648534 Ontario Ltd., 1652242 Ontario Ltd., 1656324 Ontario Ltd., 6347738 Canada Inc., Robert J. Houttuin, Frank Bellissimo, Catreena Alexandra Marchewka and Sylvain F. Cholette.⁴

² See McKenney Dec. ¶ 8 Att. H.

³ *Id.* at ¶ 9 Att. I.

⁴ For the Court's convenience, a true and correct copy of the Stipulated Preliminary Injunction is attached. *Id.* at ¶ 11 Att. K.

All of the *Centurion* defendants, including Bellissimo, were electronically served via the Court's CM/ECF system with copies of the Preliminary Injunction through their attorney, Hector Lora.

5. On January 31, 2006, the FTC served Rubin's attorney, Kevin Astl, with a copy of the Preliminary Injunction via facsimile and Federal Express.⁵

6. The Preliminary Injunction prohibits the defendants and anyone who receives actual notice of the order from making misrepresentations in connection with telemarketing (Section I) and from transferring, concealing, dissipating, disbursing, or otherwise disposing of any funds or assets owned, controlled, or held for the benefit of any defendant, including assets acquired after entry of the order (Sections II and V). It also prohibits the defendants from creating, operating, or exercising control over any new business entity without first providing the FTC with written disclosures regarding the nature of the new business (Section III). Finally, the Preliminary Injunction prohibits any third party receiving notice of the order "from providing any assistance in the processing of any payments made by consumers to any of the defendants and from collecting any fees or charges in connection with providing such assistance" (Section VI).

7. On December 12, 2006, this Court granted the FTC's Motion for Judgment on the Pleadings as to Defendants Frank Bellissimo and Robert Houttuin. The Court found these defendants liable for Counts I through III of the Commission's First Amended Complaint for their role in perpetrating the Centurion advance fee credit card scam. Because a final judgment has not yet been entered against Bellissimo and Houttuin on these charges, the Preliminary Injunction is still in effect.

⁵ See *id.* at ¶ 10 Att. J.

FTC v. Global Mktg. Group, Inc.

8. Correspondence and other information documenting Bellissimo and Rubin's violation of the Preliminary Injunction was obtained in connection with a civil enforcement action filed by the Commission against Ira Rubin in December 2006. *See FTC v. Global Mktg. Group, Inc. et al.*, No. 8:06-cv-2272-T-30TGW (M.D. Fla.) (filed Dec. 11, 2006). The FTC's complaint charged Rubin with knowingly providing substantial support and assistance to at least nine telemarketing scams, including the one at issue in this lawsuit, in violation of the Telemarketing Sales Rule and the Federal Trade Commission Act. On December 12, 2006, the Honorable James S. Moody, U.S. District Court Judge for the Middle District of Florida, entered a Temporary Restraining Order against Rubin.

9. Pursuant to the immediate access and expedited discovery provisions of the Global temporary restraining order, the FTC obtained copies of paper and electronic documents maintained on site at Rubin's business premises in Tampa, Florida. Relevant documents are included as attachments to the Declaration of FTC Investigator Douglas McKenney.

The New Government Grants Scams

10. Notwithstanding the Preliminary Injunction's prohibition against making misrepresentations, in or about July 2006, Bellissimo commenced selling a deceptive government grants program to consumers in exchange for an advance fee of several hundred dollars. To debit consumers' bank accounts and provide customer service, Bellissimo enlisted the assistance of Ira Rubin.

11. On July 10, 2006, approximately six months after entry of the Preliminary Injunction, Bellissimo asked Rubin to provide payment processing and customer service for a

telemarketing venture doing business as Potomac Fidelity Group and Easton Consulting Group.⁶

In connection with this request, Bellissimo submitted payment processing applications and related materials to Rubin.⁷ Sample direct mail solicitations accompanying these applications inform consumers that they have “been identified as a possible recipient of a government grant of at least \$5,000” and urge consumers to call “one of our Grant Advisors . . . to help with your FREE application.”⁸ These solicitations further state that “a grant is money the recipient never has to pay back.”⁹ Consumers do not learn that their “free” grant actually costs several hundred dollars until after they call and, in many cases, after they have already provided their bank account information to Bellissimo’s telemarketers.¹⁰

12. Email correspondence between Bellissimo and Rubin clearly demonstrates that Bellissimo controlled the Potomac and Easton scams.¹¹ In these emails, Bellissimo pitches the

⁶ See *id.* at ¶ 5(c) Att. C pp.4-5.

⁷ See *id.* at ¶ 5(a) and (b) Atts. A and B.

⁸ See *id.* at ¶ 5(a) Att. A pp.62-63 and ¶ 5(b) Att. B pp.16-17.

⁹ *Id.*

¹⁰ See *id.* at ¶ 5(c) Att. C pp.3-28.

¹¹ As he did with the Centurion advance fee credit card scam at issue in this lawsuit, Bellissimo hid his involvement in the grants scams through the use of pseudonyms and shells. Thus, the payment processing materials on file with Global Marketing list someone named Wayne Delormier as the applicant, not Bellissimo. In fact, internal records obtained from Rubin’s offices suggest that Rubin was the only one who dealt with Bellissimo directly and knew of his involvement. Whereas Bellissimo typically emailed Rubin from the address [“fbellissimo@telus.blackberry.net”](mailto:fbellissimo@telus.blackberry.net) and signed his messages “FB,” other Global Marketing employees corresponded only with “Wayne.” Indeed, when he called Rubin’s office, Bellissimo did not use his real name but instead instructed the receptionist to tell Rubin that he had a call from “Spencer Stanley.”

scam to Rubin, negotiates the terms of the arrangement with Rubin, discusses the mechanics of uploading “deals” to Rubin’s website for processing, makes repeated inquiries about the wiring of proceeds of the scam to Bellissimo’s Canadian bank accounts, and refers to his need for these funds to meet basic operating expenditures, like payroll, associated with the running of the scam.

13. Bellissimo’s telemarketers induced consumers to purchase the Easton and Potomac grants programs by representing that, in exchange for their advance fee, consumers would be awarded government-funded grants of \$5,000 or more that they would never have to repay. However, consumers received nothing of value -- much less a \$5,000 “grant” -- in exchange for the fees that Rubin deducted from their bank accounts and passed along to Bellissimo.

14. The fraudulent nature of Bellissimo’s grants programs is extensively documented in almost 120 consumer complaints on file with the Commission and 179 received by the Better Business Bureau.¹² Consumers who filed these complaints consistently recount the same story: they received one of Bellissimo’s deceptive mailings encouraging them to call and complete a “free” grants application, telemarketers promised that they would receive \$5,000 or more in return for a \$300 to \$350 application fee, and no one ever receives a grant.

15. Before processing a single grants transaction for Bellissimo, Rubin knew or should have known that he was assisting a scam. In August 2005, at the time he was debiting millions of dollars from consumers’ bank accounts for the advance fee credit card scam at issue

¹² The Commission has 120 complaints on file from consumers. *See* McKenney Dec. ¶ 12 Att. L. In addition, the Commission has obtained a declaration from the Better Business Bureau of Upstate New York noting that it has received nearly 180 complaints from consumers regarding the Easton and Potomac scams. *See* Declaration of Robert Colmerauer.

in this lawsuit, Rubin told Bellissimo that government grants programs are “all bullshit” and that consumers “get less with a grants program than they do with your credit cards, or at least the same.”¹³ In fact, as Rubin and Bellissimo most likely both knew, the Commission has prosecuted several scams nearly identical to Potomac and Easton,¹⁴ as well as issued a consumer alert specifically addressing grant fraud.¹⁵ Indeed, by the time Bellissimo brought his grants programs to Rubin, the Potomac Fidelity scam was already the subject of a consumer fraud alert issued by the Alabama Attorney General on July 7, 2006.¹⁶

16. Rubin’s own records plainly indicate that he was assisting a scam. Specifically, the Potomac Fidelity file maintained at his office contains a Better Business Bureau report printed by one of Rubin’s employees on July 21, 2006. This report states that Potomac Fidelity has an unsatisfactory report with the Bureau due to a high number of unresolved complaints from consumers:

Consumers report the company advised them they would receive a “free” grant if they paid an advance fee. After consumers paid the fee they did not receive anything and were unable to obtain a refund. The company has not responded to the complaints.¹⁷

The report also warns consumers generally about grants programs and advises them to be

¹³ McKenney Dec. ¶ 5(c) Att. C p.1.

¹⁴ See, e.g., *FTC v. Febre*, 128 F.3d 530, 531 n.1 (7th Cir. 1997); *FTC v. U.S. Grant Resources, LLC*, No. Civ. 04-596 (E.D. La. 2004); *FTC v. Grant Search, Inc.*, No. 02-4174-CV-C-NKL (W.D. Mo. 2002).

¹⁵ See “Free Government Grants”: Don’t Take Them For Grant-ed at <http://www.ftc.gov/bcp/edu/pubs/consumer/alerts/alt134.htm>.

¹⁶ McKenney Dec. ¶ 13 Att. M.

¹⁷ *Id.* at ¶ 5(a) Att. A pp.13-15.

especially wary of “phrases like ‘free grant money’.”¹⁸

17. Thus, at the time they launched Bellissimo’s new scam, both Rubin and Bellissimo knew that government grants programs in general were deceptive and that the Easton and Potomac ventures in particular would not be an exception to this rule.

Bellissimo’s Violations of the Preliminary Injunction

Sections I.C and I.D. (Misrepresentation)

18. The Preliminary Injunction entered by the Court on January 23, 2006, prohibits Bellissimo from: (1) “Misrepresenting, directly or by implication, any fact material to a consumer’s decision to purchase any product, program or service;” and (2) “Violating Section 310.3(a)(2) of the Telemarketing Sales Rule, 16 C.F.R. § 310.3(a)(2), by misrepresenting, directly or by implication, any material aspect of the performance, efficacy, nature, or central characteristics of goods or services that are the subject of a sales offer.” (Preliminary Injunction §§ I.C. and I.D.1.)

19. Bellissimo has misrepresented material facts related to the Potomac and Easton grants programs – namely, he has falsely promised consumers that they are guaranteed or are highly likely to receive at least \$5,000 in government grants in exchange for an advance fee of several hundred dollars. In reality, as noted above, no one receives any grant money. Clearly, no one would pay the \$300 to \$350 fees if they knew that the grants promoted by Bellissimo did not exist. Bellissimo has therefore violated Sections I.C. and I.D. of the Preliminary Injunction.

¹⁸ *Id.* at p.15.

Section II (Asset Freeze)

20. The asset freeze provision of the Preliminary Injunction prohibits the defendants from:

Transferring, converting, encumbering, selling, concealing, dissipating, disbursing, assigning, spending, withdrawing, or otherwise disposing of any funds . . . or other assets . . . owned, controlled, or held, in whole or in part, for the benefit of, or subject to access by, any Defendant . . . including, but not limited to, any assets held by or for any Defendant in any account at any bank or savings and loan institution, or with any credit card processing agent, automated clearing house, network transaction processor, bank debit processing agent . . . or other financial institution of any kind either within or outside the United States.

(*Id.* at § II.A.)

21. Expressly to prevent Bellissimo from starting and profiting from a new scam, the asset freeze applies to all funds acquired after entry of the Preliminary Injunction, unless it can be demonstrated such funds were “not acquired, directly or indirectly, from telemarketing, Internet marketing, direct mail marketing, or from the offering for sale or sale of credit-related products, programs, or services.” (*Id.*) Clearly, this narrow exception would not apply to the proceeds of Bellissimo’s grants scam, which he markets both by telephone and direct mail.

22. Between August 9 and December 11, 2006, Bellissimo received hundreds of thousands of dollars in proceeds from the Easton and Potomac scams from Rubin. These transfers are extensively documented in correspondence between Rubin and Bellissimo as well as in bank statements obtained by the FTC.¹⁹ In total, Bellissimo received at least \$556,189 from Rubin in clear violation of the Preliminary Injunction’s prohibition against transferring “any

¹⁹ For example, in an email to Bellissimo dated August 18, 2006, Rubin notes that he combined the Easton and Potomac wires for that day into a single wire totaling \$22,075. *Id.* at ¶ 5(c) Att. C p.23. On multiple other occasions, Rubin provided Bellissimo with “advances” of several thousand dollars. *Id.* at pp.9-12,13,17.

funds . . . or other assets, wherever located, that are owned, controlled, or held, in whole or in part, for the benefit of, or subject to access by, any Defendant.” (Preliminary Injunction § II.A.)

Section III (Report New Business Activity)

23. Prior to “creating, operating, or exercising any control over any new business entity,” Bellissimo is required to make certain disclosures in writing to the FTC regarding the new business. (Preliminary Injunction § III.C.) To date, Bellissimo has failed to disclose any information regarding the Potomac and Easton enterprises to the FTC. Email correspondence between Rubin and Bellissimo clearly indicates that Bellissimo played a controlling role in the creation and operation of the Potomac and Easton grants scams. For example, Bellissimo negotiated the rates that Rubin charged for providing payment processing services to Potomac and Easton as well as corresponded regularly with Rubin regarding sales volume, wires, and other matters related to the running of these businesses. Thus, Bellissimo is in violation of Section III of the Preliminary Injunction.

Rubin’s Violations of the Preliminary Injunction

Section I.E (Assisting Violation of Misrepresentation Prohibition)

24. In addition to the named defendants, Section I of the Preliminary Injunction applies to “all persons or entities in active concert or participation with them, who receive actual notice of this Order by personal service or otherwise.” As noted above, the FTC served Rubin with both the Preliminary Injunction and the Temporary Restraining Order (which also contains a prohibition against making misrepresentations or assisting others in doing so).

25. Rubin processed over \$1.5 million in electronic debits on behalf of the Easton and

Potomac scams as well as handled customer service.²⁰ One of Rubin’s employees even helped Bellissimo draft the sales scripts used by his telemarketers.²¹ This conduct clearly meets the definition of “assisting others” under the Preliminary Injunction, which is defined to include “performing customer service functions” and “formulating or providing . . . any sales script or any other marketing material.” (*Id.* at p.4.) Rubin has therefore violated Section I.E of the Preliminary Injunction.

Section V (Duties of Third Parties Holding Defendants’ Assets)

26. The Preliminary Injunction requires any third party “who receives actual notice of this Order by personal service or otherwise” holding assets of any defendant to “prohibit the withdrawal, removal, assignment, transfer . . . or disposal of [such] assets.”²² As already noted, over a four month period, Rubin wired well over half a million dollars in proceeds of the Potomac and Easton scams to Bellissimo. By doing so, Rubin violated Section V of the Preliminary Injunction.

²⁰ *Id.* at ¶ 5(c) Att. C p.5 and 5(d) Att. D. For example, Rubin’s employees were responsible for answering calls from consumers wondering when they would receive their grant money.

²¹ *Id.* at ¶ 5(a) Att. A at p.8.

²² Unquestionably, these funds are “assets” within the meaning of the Preliminary Injunction, which defines this term in part as:

any legal or equitable interest in, right to, or claim to, any real or personal property of any Defendant, or held for the benefit of any Defendant, including, but not limited to . . . accounts credits, receivables, funds, monies, and all cash, wherever located.” (Preliminary Injunction at p.3.)

Section VI (Prohibition Against Processing Payments for Defendants)

27. Finally, in clear violation of the Preliminary Injunction’s prohibition against providing “any assistance in the processing of any payments made by consumers to any of the Defendants and from collecting any fees or charges in connection with providing such assistance,” (*Id.* at § VI) from July to December 2006, Rubin processed approximately \$1,570,688 in electronic bank debits on behalf of Bellissimo and collected at least \$101,459 in fees for providing these services.²³

Proposed Order

28. The Court prohibited Bellissimo from engaging in deceptive conduct, froze his assets, and prevented others from processing payments on his behalf in an attempt to insure that Bellissimo would not continue to victimize consumers and to preserve funds that might be used to redress consumers previously victimized by his illicit conduct. To prevent further consumer injury and asset dissipation, we therefore request that this Court take all necessary action to coerce Bellissimo and Rubin’s compliance with the Preliminary Injunction, including the following.

29. First, Bellissimo and Rubin should be required to deposit into an escrow account in the United States \$657,648 (\$556,189 in scam proceeds wired to Bellissimo plus the \$101,459 in fees retained by Rubin), the estimated amount of consumer injury associated with the Potomac

²³ McKenney Dec. ¶ 5(d) Att. D. Most of these transactions were returned for various reasons, either because of insufficient funds, because the account did not exist or was closed, or because consumers themselves disputed the transaction as fraudulent. In other words, out of the \$1.57 million processed or “originated” by Rubin, only about \$650,000 of these transactions actually cleared. Rubin wired the majority of these proceeds to Bellissimo and kept just over \$100,000 in fees for himself.

Fidelity and Easton Consulting grants programs. Alternatively, the Court could also require that Bellissimo and Rubin post a bond in that amount in the United States.

30. Second, the Commission asks the Court to impose a daily fine on Bellissimo and Rubin until the escrow is established or the bond posted. The daily fine should only cease to accrue once Bellissimo and Rubin have established the escrow or posted the bond.

31. Third, the Commission requests that the Court amend the Preliminary Injunction's prohibition against making misrepresentations to ban Bellissimo from engaging in the sale or promotion of any product or service to U.S. consumers.

32. Fourth, the Commission requests that the Court amend the Preliminary Injunction to explicitly cover Bellissimo's new companies, Potomac Fidelity Group and Easton Consulting Group, as well as any other successor entities or DBAs created by or affiliated with Bellissimo.

33. Finally, in the event that Bellissimo and Rubin continue to disregard the Court's orders, the Commission asks that the Court order them to appear personally to show cause why they should not be incarcerated until such time as they comply with the Court's orders. *See, e.g., United States v. Lippett*, 180 F.3d 873, 877 (7th Cir. 1999) (characterizing confinement order to coerce compliance with a court order the "paradigmatic" civil contempt sanction).

WHEREFORE, plaintiff Federal Trade Commission respectfully requests that the Court enter an order to show cause why defendant Frank Bellissimo should not be held in civil contempt for violating Sections I, II, and III of the Preliminary Injunction.

WHEREFORE, the Commission further requests that the Court enter an order to show cause why non-party Ira Neil Rubin should not be held in civil contempt for violating Sections I, V, and VI of the Preliminary Injunction.

WHEREFORE, if Bellissimo and Rubin are found to be in contempt, the Commission respectfully requests that the Court enter any and all relief that is necessary and appropriate in order to coerce their compliance with the terms of the Preliminary Injunction, up to and including the incarceration of Bellissimo and Rubin.

Respectfully Submitted,

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DATED: March 2, 2007

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