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

FEDERAL TRADE COMMISSION,

Plaintiff,

v.

G2 CONSULTING, LLC, a limited liability
company, and

CHAD GETTEL, a.k.a. CHAD WARNER,
individually and as an officer of G2
CONSULTING, LLC,

Defendants.

Case No. _____

**COMPLAINT FOR
PERMANENT INJUNCTION
AND OTHER EQUITABLE
RELIEF**

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

1. The FTC brings this action under Sections 13(b) and 19 of the Federal Trade Commission Act (“FTC Act”), 15 U.S.C. §§ 53(b) and 57b, and the Telemarketing and Consumer Fraud and Abuse Prevention Act (“Telemarketing Act”), 15 U.S.C. §§ 6101-6108, to obtain permanent injunctive relief, rescission or reformation of contracts, restitution, the refund of monies paid, disgorgement of

1 ill-gotten monies, and other equitable relief for Defendants’ acts or practices in
2 violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), and the FTC’s Trade
3 Regulation Rule entitled Telemarketing Sales Rule (“TSR”), 16 C.F.R. Part 310,
4 in connection with the arranging of fraudulent merchant accounts to process
5 consumer credit card transactions.
6

7 **JURISDICTION AND VENUE**

8 2. This Court has subject matter jurisdiction pursuant to 28 U.S.C. §§
9 1331, 1337(a), and 1345, and 15 U.S.C. §§ 45(a), 53(b), and 6105(b).
10

11 3. Venue is proper in this district under 28 U.S.C. § 1391(b)(2) and 15
12 U.S.C. § 53(b).
13

14 **PLAINTIFF**

15 4. The FTC is an independent agency of the United States Government
16 created by statute. 15 U.S.C. §§ 41-58. The FTC enforces Section 5(a) of the
17 FTC Act, 15 U.S.C. § 45(a), which prohibits unfair or deceptive acts or practices
18 in or affecting commerce. The FTC also enforces the Telemarketing Act, 15
19 U.S.C. §§ 6101–6108. Pursuant to the Telemarketing Act, the FTC promulgated
20 and enforces the TSR, 16 C.F.R. Part 310, which prohibits deceptive and abusive
21 telemarketing acts or practices.
22

23 5. The FTC is authorized to initiate federal district court proceedings,
24 by its own attorneys, to enjoin violations of the FTC Act and to secure such
25 equitable relief as may be appropriate in each case, including rescission or
26 reformation of contracts, restitution, the refund of monies paid, and the
27

1 disgorgement of ill-gotten monies. 15 U.S.C. §§ 53(b), 56(a)(2)(A), 6102(c), and
2 6105(b).

3
4 **DEFENDANTS**

5 6. Defendant G2 Consulting, LLC (“G2”) is a Delaware limited
6 liability company with its principal place of business at 6375 S. Highland Drive,
7 Salt Lake City, UT 84121. G2 transacts or has transacted business in this district
8 and throughout the United States.

9
10 7. Defendant Chad Gettel is the owner and managing member of G2.
11 At all times material to this Complaint, acting alone or in concert with others, he
12 has formulated, directed, controlled, had the authority to control, or participated in
13 the acts and practices of G2 set forth in this Complaint. Gettel, in connection with
14 the matters alleged herein, transacts or has transacted business in this district and
15 throughout the United States.

16
17 **COMMERCE**

18 8. At all times material to this Complaint, Defendants have maintained
19 a substantial course of trade in or affecting commerce, as “commerce” is defined
20 in Section 4 of the FTC Act, 15 U.S.C. § 44.

21
22 **DEFENDANTS’ BUSINESS ACTIVITIES**

23 9. Beginning sometime in March of 2015 in Salt Lake County, Utah
24 and elsewhere, and continuing until Gettel’s arrest on February 27, 2017,
25 Defendants participated in a scheme to open fraudulent merchant accounts for
26 telemarketing operations engaged in deceptive practices. Defendants’ fraudulent
27

1 merchant accounts supported telemarketing operations owned and managed by
2 Carl E. Morris, Jr. and located primarily in and around Phoenix, Arizona
3 (collectively, “Telemarketing Operations”).
4

5 10. The Telemarketing Operations deceived consumers by peddling
6 purported opportunities involving Amazon-linked websites and grants, with false
7 promises that these opportunities would generate substantial income. Consumers
8 who purchased the opportunities received only nominal products or services that
9 would not provide the promised income. No consumers generated income through
10 these opportunities. Defendants knew that the Telemarketing Operations were
11 making these false promises throughout the course of Defendants’ scheme to open
12 fraudulent merchant accounts.
13

14 11. Defendants’ fraudulent merchant accounts enabled the
15 Telemarketing Operations to process consumer credit card payments for the
16 worthless opportunities. In order to process credit card payments, a business
17 needs a merchant account with an “acquirer,” which is a financial institution that is
18 a member of the card associations, such as MasterCard or Visa. These acquirers
19 have screening and underwriting standards for opening merchant accounts that the
20 Telemarketing Operations could not meet given their deceptive business activity.
21 The merchant accounts created by Defendants enabled the Telemarketing
22 Operations to circumvent these standards by hiding the true nature of their
23 business activity from the acquirers.
24
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26

27 12. Defendants obtained the fraudulent merchant accounts by first
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1 recruiting individuals to serve as “nominees.” The nominees served as the
2 principals of straw companies in whose names the merchant accounts were
3 opened. Defendants used the nominees’ personal information (such as address and
4 telephone, driver’s license, and Social Security numbers) and the straw
5 companies’ corporate information to apply for the merchant accounts through
6 acquirers or their independent sales organizations (“ISOs”).
7

8
9 13. After approval of the applications submitted by Defendants, the
10 acquirers or their ISOs opened merchant accounts under written agreements with
11 the straw companies. The written agreements only authorized the processing of
12 credit card transactions between the straw companies and their customers.
13 Defendants, however, submitted the Telemarketing Operations’ consumer credit
14 card transaction records for processing through these merchant accounts. The
15 acquirers deposited consumer payments processed through the fraudulent
16 merchant accounts into bank accounts opened by the nominees in the straw
17 companies’ names. Defendants maintained the credentials to control the funds
18 deposited into the bank accounts.
19
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21 14. Typically, the nominees were unsophisticated individuals who were
22 not aware that Defendants used their personal and corporate information to submit
23 merchant account applications, and did not know that the Telemarketing
24 Operations used the merchant accounts to process consumer credit card payments
25 for the worthless opportunities. The nominees received a small percentage of the
26 consumer credit card payments processed through the merchant accounts for their
27
28

1 services.

2 15. On or about May 2, 2016, Defendants submitted a merchant account
3 application to CardFlex, Inc. d/b/a Cliq (“CardFlex”), an ISO for BMO Harris
4 Bank, N.A. (“BMO”), using nominee David Turnbull’s personal information and
5 the corporate information for Velocity Solutions LLC, which Turnbull created at
6 Defendants’ direction. On or about May 3, 2016, CardFlex processed the
7 application and opened a merchant account with Merchant Number ending in
8 9916. The merchant account operated under a written agreement with Velocity
9 Solutions LLC, BMO, and Priority Payment Systems (“PPS”), a payment
10 processor for BMO. The written agreement authorized only the processing of
11 credit card transactions between Velocity Solutions LLC and its customers.
12

13
14 16. On or about May 18, 2016, Defendants submitted a merchant
15 account application to CardFlex using nominee Ronald Bourgard’s personal
16 information and the corporate information for Bay Harbor Associates Inc., which
17 Bourgard created prior to meeting Defendants but whose information he provided
18 at Defendants’ direction. On or about May 20, 2016, CardFlex processed the
19 application and opened a merchant account with Merchant Number ending in
20 3518. The merchant account operated under a written agreement with Bay Harbor
21 Associates Inc., BMO, and PPS, that authorized only the processing of credit card
22 transactions between Bay Harbor Associates Inc. and its customers.
23
24

25
26 17. On or about June 13, 2016, Defendants submitted an application for
27 a merchant account to CardFlex using nominee Jack Gouverneur’s personal
28

1 information and the corporate information for Bay Harbor Associates LLC, which
2 Gouverneur created at Defendants' direction. On or about June 14, 2016,
3 CardFlex processed the application and opened a merchant account with Merchant
4 Number ending in 4390. The merchant account operated under a written
5 agreement with Bay Harbor Associates LLC, BMO, and PPS, that authorized only
6 the processing of credit card transactions between Bay Harbor Associates LLC
7 and its customers.
8

9
10 18. On or about June 14, 2016, Defendants submitted a merchant
11 account application to CardFlex using nominee Hugh Hubbard's personal
12 information and the corporate information for Texport Electronic Sales Company,
13 which Hubbard created at Defendants' direction. On or about July 1, 2016,
14 CardFlex processed the application and opened a merchant account with Merchant
15 Number ending in 8895. The merchant account operated under a written
16 agreement with Texport Electronic Sale Company, BMO, and PPS, that authorized
17 only the processing of credit card transactions between Texport Electronic Sales
18 Company and its customers.
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21 19. On or about July 27, 2016, Defendants submitted a second merchant
22 account application to CardFlex using Hubbard's personal information and the
23 corporate information for Texport Electronic Sales Company. On or about August
24 1, 2016, CardFlex processed the application and opened a merchant account with
25 Merchant Number ending in 6433. The merchant account operated under a
26 written agreement with Texport Electronic Sales Company, BMO, and PPS, that
27
28

1 authorized only the processing of credit card transactions between Texport
2 Electronic Sales Company and its customers.

3
4 20. Defendants forged the nominees' signatures on each of the merchant
5 account applications identified in Paragraphs 15 to 19 ("Applications") and
6 submitted the Applications without the knowledge or consent of the nominees.

7
8 21. Each of the merchant accounts identified in Paragraphs 15 to 19
9 ("Merchant Accounts") processed consumer credit card payments for the
10 Telemarketing Operations and not the corporate entities that Defendants named in
11 the Applications or the corresponding agreements with BMO and PPS.

12
13 22. By October 2016, CardFlex had notified the nominees that each of
14 the Merchant Accounts were terminated for excessively high chargeback rates
15 (47% for the Merchant Accounts, collectively).

16
17 23. Prior to terminating the Merchant Accounts, the Merchant Accounts
18 processed approximately \$3,074,000 in net consumer credit card payments for
19 deceptive products and services sold by the Telemarketing Operations.

20
21 24. Upon information and belief, Defendants obtained additional
22 fraudulent merchant accounts used to process consumer credit card payments for
23 the Telemarketing Operations, by submitting false applications and causing
24 acquirers and their payment processors to enter into agreements with straw
25 companies.

26 **VIOLATIONS OF THE TSR AND THE FTC ACT**

27 25. Congress directed the FTC to prescribe rules prohibiting abusive and
28

1 deceptive telemarketing acts or practices pursuant to the Telemarketing Act, 15
2 U.S.C. §§ 6101-6108. The FTC adopted the original Telemarketing Sales Rule in
3 1995, extensively amended it in 2003, and amended certain provisions thereafter.
4
5 16 C.F.R. Part 310.

6 26. Pursuant to Section 3(c) of the Telemarketing Act, 15 U.S.C. §
7 6102(c) and Section 18(d)(3) of the FTC Act, 15 U.S.C. § 57a(d)(3), a violation of
8 the TSR constitutes an unfair or deceptive act or practice in or affecting
9
10 commerce, in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

11 27. The TSR prohibits any person from providing substantial assistance
12 or support to any seller or telemarketer when that person knows or consciously
13 avoids knowing that the seller or telemarketer is making a false or misleading
14 statement to induce any person to pay for goods or services. 16 C.F.R. §§
15 310.3(a)(4) and (b) (prohibition against assisting and facilitating).
16

17 28. The Telemarketing Operations are telemarketers under the TSR. *Id.*
18 at § 310.2(cc).
19

20 29. Except as expressly permitted by the applicable credit card system,
21 the TSR prohibits any person from employing, soliciting, or otherwise causing a
22 merchant, or an employee, representative or agent of the merchant, to present to or
23 deposit into the credit card system for payment, a credit card sales draft generated
24 by a telemarketing transaction that is not the result of a telemarketing credit card
25 transaction between the cardholder and the merchant. 16 C.F.R. §§ 310.3(c)(2)
26 (prohibition against credit card laundering).
27
28

1 Defendants have been unjustly enriched as a result of their unlawful acts or
2 practices. Absent injunctive relief by this Court, Defendants are likely to continue
3 to injure consumers, reap unjust enrichment, and harm the public interest.
4

5 **THIS COURT’S POWER TO GRANT RELIEF**

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

14 37. Section 19 of the FTC Act, 15 U.S.C. § 57b, and Section 6(b) of the
15 Telemarketing Act, 15 U.S.C. § 6105(b), authorize this Court to grant such relief
16 as the Court finds necessary to redress injury to consumers resulting from
17 Defendants’ violations of the TSR, including the rescission or reformation of
18 contracts, and the refund of money.
19

20 **PRAYER FOR RELIEF**

21
22 Wherefore, Plaintiff FTC, pursuant to Section 13(b) of the FTC Act, 15
23 U.S.C. §§ 53(b) and 57b, Section 6(b) of the Telemarketing Act, 15 U.S.C. §
24 6105(b), and the Court’s own equitable powers, requests that the Court:
25

26 A. Enter a permanent injunction to prevent future violations of the FTC
27 Act and the TSR by Defendants;
28

1 B. Award such relief as the Court finds necessary to redress injury to
2 consumers resulting from Defendants' violations of the FTC Act and the TSR,
3 including but not limited to, rescission or reformation of contracts, restitution, the
4 refund of monies paid, and the disgorgement of ill-gotten monies; and
5

6 C. Award Plaintiff the costs of bringing this action, as well as such
7 other and additional relief as the Court may determine to be just and proper.
8

9 Respectfully submitted,

10 David C. Shonka
11 Acting General Counsel

12
13 Dated: August 18, 2017

/s/ Hong Park

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