

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

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

FEDERAL TRADE COMMISSION,

Plaintiff,

v.

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

VSM GROUP LLC, a Nevada limited
liability company,

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

SPECIALIZED CONSULTING
SOLUTIONS LLC, a Utah limited liability
company,

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

Case No. 2:18-cv-00356-CW

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

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

Defendants.

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

1. The FTC brings this action under Section 13(b) of the Federal Trade Commission Act (“FTC Act”), 15 U.S.C. §§ 53(b), and the Telemarketing and Consumer Fraud and Abuse Prevention Act (“Telemarketing Act”), 15 U.S.C. §§ 6101-6108, to obtain temporary, preliminary, and permanent injunctive relief, rescission or reformation of contracts, restitution, the refund of monies paid, disgorgement of ill-gotten monies, and other equitable relief for Defendants’ acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), and in violation of the FTC’s trade regulation rule entitled Telemarketing Sales Rule (“TSR”), 16 C.F.R. Part 310.

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), 53(b), 6102(c), and 6105(b).

3. Venue is proper in this district under 28 U.S.C. § 1391(b) and (c), and 15 U.S.C. § 53(b).

PLAINTIFF

4. The FTC is an independent agency of the United States Government created by statute. 15 U.S.C. §§ 41-58. The FTC enforces Section 5(a) of the FTC Act, 15 U.S.C. § 45(a),

which prohibits unfair or deceptive acts or practices in or affecting commerce. The FTC also enforces the Telemarketing Act. Pursuant to the Telemarketing Act, the FTC promulgated and enforces the TSR, 16 C.F.R. Part 310, which prohibits deceptive and abusive telemarketing acts or practices.

5. The FTC is authorized to initiate federal district court proceedings, by its own attorneys, to enjoin violations of the FTC Act and the TSR and to secure such equitable relief as may be appropriate in each case, including rescission or reformation of contracts, restitution, the refund of monies paid, and the disgorgement of ill-gotten monies. 15 U.S.C. §§ 53(b), 56(a)(2)(A), and 6105(b).

DEFENDANTS

6. Defendant Vision Solution Marketing LLC, also doing business as VSM Business Services, VSM Group, and VSMHUB.com (“Vision Solution Marketing”), was a Utah limited liability company with a business address at 14193 S. Minuteman Drive, Suite 200, Draper, Utah 84020 and formerly located at 9509 South 560 West, Sandy, Utah 84070 and 11075 South State Street, Suite 36, Sandy, Utah 84070. Vision Solution Marketing also used a mail forwarding address at 848 N Rainbow Blvd., Suite 5470, Las Vegas, Nevada 89107. On January 5, 2018, Vision Solution Marketing filed a Statement of Dissolution. Vision Solution Marketing has transacted business in this district and throughout the United States. At times material to this Complaint, acting alone or in concert with others, Vision Solution Marketing has advertised, marketed, distributed, or sold business development products and services to consumers throughout the United States.

7. Defendant VSM Group LLC (“VSM Group”) is a Nevada limited liability

company with a business address at 8180 S Highland Drive, Suite B-1, Sandy, Utah 84093, and uses a mail forwarding address at 848 N Rainbow Blvd., Suite 5470, Las Vegas, Nevada 89107. VSM Group transacts or has transacted business in this district and throughout the United States. At times material to this Complaint, acting alone or in concert with others, VSM Group has advertised, marketed, distributed, or sold business development products and services to consumers throughout the United States.

8. Defendant Ryze Services, LLC, also doing business as Business Finance Pro (“Ryze Services”), was a Utah limited liability company with its principal place of business at 11075 South State Street, Suite 36, Sandy, Utah 84070, and formerly located at 244 W 520 N, Orem, Utah. On February 22, 2018, Ryze Services filed a Statement of Dissolution. Ryze Services has transacted business in this district and throughout the United States. At times material to this Complaint, acting alone or in concert with others, Ryze Services has advertised, marketed, distributed, or sold business development products and services to consumers throughout the United States.

9. Specialized Consulting Solutions LLC (“Specialized Consulting Solutions”) is a Utah limited liability with a business address at 14193 S. Minuteman Drive, Suite 200, Draper, Utah 84020. Specialized Consulting Solutions transacts or has transacted business in this district and throughout the United States. At times material to this Complaint, acting alone or in concert with others, Specialized Consulting Solutions has advertised, marketed, distributed, or sold business development products and services to consumers throughout the United States.

10. Defendant Jared Rodabaugh (“Rodabaugh”) is one of the two principal owners of Vision Solution Marketing, VSM Group, and Ryze Services. At times material to this

Complaint, acting alone or in concert with others, he has formulated, directed, controlled, had the authority to control, or participated in the acts and practices set forth in this Complaint.

Defendant Rodabaugh resides in Sandy, Utah and, in connection with the matters alleged herein, transacts or has transacted business in this district and throughout the United States.

11. Defendant Justin Larsen (“Larsen”) is one of the two principal owners of Vision Solution Marketing, VSM Group, and Ryze Services. He is also a member and holds himself out as the owner of Specialized Consulting Solutions. At times material to this Complaint, acting alone or in concert with others, he has formulated, directed, controlled, had the authority to control, or participated in the acts and practices set forth in this Complaint. Defendant Larsen resides in Lehi, Utah and, in connection with the matters alleged herein, transacts or has transacted business in this district and throughout the United States.

12. Defendants Vision Solution Marketing, VSM Group, Ryze Services, and Specialized Consulting Solutions (collectively, “VSM”) are closely held companies that have operated as a common enterprise while engaging in the deceptive acts and practices and other violations of law alleged below. They have conducted the business practices described below through an interrelated network of companies that have common ownership, officers, managers, business functions, employees, and office locations. Also, they rely on a shared method to identify potential customers through lead referrals. Because they have operated as a common enterprise, each of them is jointly and severally liable for the acts and practices alleged below. Individual Defendants Rodabaugh and Larsen have formulated, directed, controlled, had the authority to control, or participated in the acts and practices of VSM that constitute the common enterprise.

COMMERCE

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

DEFENDANTS’ BUSINESS ACTIVITIES

Introduction

14. Since at least January 2014, the Defendants have used a variety of deceptive tactics outlined below to induce consumers to purchase products and services purportedly designed to help consumers start a home-based Internet business. The Defendants sell, among other things, purported entity setup, business credit development, tax consultation, website development, and online marketing services (“Upsell Services”). In addition, since at least November 2016, Defendants have sold purported personalized business coaching services (a “Business Coaching Program”). The Defendants market these services through telemarketing calls to consumers across the country.

15. The Defendants’ telemarketing operation relies on “leads” (the contact information of potential customers) supplied by other entities in exchange for a fee or a percentage of Defendants’ sales. The potential customers typically have purchased a bogus work-at-home program advertised on the Internet before their contact information is sold, directly or indirectly, to Defendants as well as other telemarketing sales floors.

16. The Defendants induce consumers to pay thousands of dollars, and sometimes tens of thousands of dollars – most of it charged on the consumers’ credit cards – by falsely

promising, among other things, that their services will enable consumers' home-based businesses to succeed and be profitable.

17. Most consumers who purchase the Defendants' products and services, however, do not end up with a functional online business, earn little or no money, and end up heavily in debt. Numerous consumers have collectively lost millions of dollars as a result of Defendants' deceptive telemarketing scheme.

Overview of Defendants' Telemarketing Operations

18. The VSM telemarketing enterprise began at least as early as January 2014 when defendant Rodabaugh and another individual (who left the business in 2015) submitted a telemarketing permit application with the Utah Department of Commerce Division of Consumer Protection ("Utah DCP").

19. Larsen became an owner and partner with Rodabaugh of the VSM telemarketing enterprise by at least October 2015. Larsen was added as a member to Vision Solution Marketing in October 2015, and later to Ryze Services in April 2016.

20. Rodabaugh and Larsen are signatories on VSM's operating bank accounts used by VSM to conduct business, including accounts at JPMorgan Chase Bank, N.A. ("Chase") in the name of Vision Solution Marketing, Ryze Services, and VSM Group. Larsen is also a signatory on another Chase bank account in the name of Specialized Consulting Solutions. VSM uses these accounts to pay for, among other things, leads and to receive deposits when purchasers pay for the Business Coaching Program and Upsell Services by credit card.

21. Rodabaugh and Larsen also opened merchant accounts used by VSM to conduct business. A "merchant account" allows a business to receive payments from customers by credit

card. A merchant account is linked to a routine depository bank account. When a consumer makes a purchase and pays by credit card, that purchase transaction is processed through the seller's merchant account, and then the sale proceeds are deposited into the seller's depository bank account.

22. By at least January 2014, VSM began telemarketing various purported business development services, including entity setup, business credit development, website development, and online marketing services, under the names Vision Solution Marketing and Ryze Services.

23. By January 2015, Rodabaugh entered an exclusive arrangement with another telemarketing floor known as Internet Teaching and Training ("ITT"), whereby VSM would sell Upsell Services to consumers who had purchased a Business Coaching Program from ITT.

24. ITT was one of several sales floors that sold the Business Coaching Program that was provided by a company called Lift International, LLC, also doing business as Guidance Interactive ("Guidance"). The FTC filed complaints against ITT and Guidance in separate enforcement actions in 2017 for engaging in deceptive telemarketing practices related to selling the Business Coaching Program and entered into stipulated consent orders with them and their principals. *See FTC v. Internet Teaching and Training Specialists, LLC et al.*, No. 17 Civ. 3047 (D. Nev., filed Dec. 12, 2017); *FTC v. Lift Int'l, LLC, et al.*, No. 17 Civ. 506 (D. Utah, filed June 5, 2017). Most consumers who purchased the Business Coaching Program from ITT did not develop a functional online business and earned little or no money from the program.

25. ITT charged consumers several thousand dollars, and as much as \$15,800, to enroll in the Business Coaching Program. ITT emailed its customer information to Rodabaugh for VSM to sell additional Upsell Services to consumers during the first few weeks of the

Business Coaching Program. VSM typically charged consumers another several thousand dollars, and as much as \$9,995, for Upsell Services that included basic entity setup services and purported business credit development services. VSM and ITT split the proceeds from VSM's sales. VSM paid ITT up to 40% for each sale.

26. VSM sold Upsell Services to ITT's Business Coaching Program customers through November 2016.

27. In 2016, VSM began making arrangements to sell the Business Coaching Program in addition to selling the Upsell Services. In July 2016, Larsen formed VSM Group as a Nevada LLC. In September 2016, VSM entered into an agreement with the company that acquired the assets of Guidance in May 2016, Learning Systems, LLC, which was run by a former Guidance employee. Under this agreement, which was similar to an agreement between Guidance and ITT, Learning Systems, LLC was to provide purported business coaching services to consumers who purchased the Business Coaching Program from VSM. In November 2016, Larsen submitted a United States Postal Service application form identifying a Nevada commercial mail forwarding entity to receive mail for VSM Group. VSM used this mail forwarding entity's address in Nevada in its agreements with consumers who purchased the Business Coaching Program.

28. Since at least November 2016, and continuing thereafter, VSM has sold the Business Coaching Program under the brand name VSM Group. VSM charges consumers several thousand dollars, and as much as \$13,995, to enroll in the Business Coaching Program.

29. While consumers are enrolled in the Business Coaching Program, VSM continues to target them with follow-up telemarketing calls designed to induce additional sales. Within the

first several weeks of the coaching program, VSM typically calls consumers to sell the Upsell Services for thousands of dollars more.

30. In January 2018, Larsen submitted a telemarketing permit application with the Utah DCP for Specialized Consulting Solutions to market and sell the Business Coaching Program.

VSM Targets Consumers Who Have Bought Bogus Work-At-Home Programs

31. VSM solicits consumers who have purchased bogus work-at-home programs sold over the Internet by other entities (“Online Offers”).

32. VSM buys customer leads from these Online Offers, both directly and indirectly through a broker or other telemarketing sales floors. VSM’s sales representatives contact these consumers identified as leads by telephone to sell the Business Coaching Program and/or the Upsell Services. In other instances, consumers are instructed by the Online Offers to call a telephone number and then routed to VSM.

33. These Online Offers typically rely on fake online reviews to promote the program and claim that consumers who pay \$97 or less to join a work-at-home program can make substantial income with little effort.

34. As soon as consumers purchase the program, the Online Offers typically encourage them to contact an “expert consultant” or “specialist” to see if they qualify for an “advanced” coaching program.

35. When consumers call to speak with the “expert consultant” or “specialist,” they are routed to telemarketing sales floors like VSM that attempt to sell consumers business coaching and related services for thousands of dollars.

VSM's Sales Practices Are Deceptive

36. VSM's sales pitches often last for more than an hour over the course of one or more telemarketing calls.

37. In numerous instances, the initial call for the Business Coaching Program is designed to "probe" consumers' personal financial information under the guise of a qualification screening process.

38. Once consumers provide their personal information, the sales representatives typically tell consumers what the cost is to purchase the Business Coaching Program. That cost varies greatly depending in part on the consumer's personal finances.

39. VSM's sales representatives typically encourage the consumers to use their personal credit cards to pay for the program as part of a capital leveraging strategy, specifically, to use a bank's or other people's money (or "OPM") to start the business.

40. Once consumers have purchased the Business Coaching Program from VSM (or another sales floor that supplies leads to VSM), VSM's sales representative call the consumers for the Upsell Services.

41. In numerous instances, VSM's sales representatives email consumers before or during the sales pitch for Upsell Services a chart listing a number of services included at an estimated cost stated as high as \$25,000, but made available to the consumers at a purportedly discounted price that, unbeknownst to the consumers, varies depending on their available personal finances.

42. During these telemarketing calls, VSM makes a number of misrepresentations outlined below to generate sales.

**Misrepresentations About the Nature of the Business Coaching Program and
The Need for Consumers' Personal Financial Information**

43. In numerous instances, VSM's representatives tell consumers that they are screening candidates for an exclusive program in which only qualifying participants get personalized assistance from coaches.

44. In numerous instances, VSM's representatives tell consumers that the Business Coaching Program has limited spots, is not available to everyone, and/or that only qualified people can be accepted into the program.

45. VSM's representations about the limited availability of the Business Coaching Program are false.

46. In truth and in fact, there are no limits on how many sales of the Business Coaching Program VSM can make, and there are no qualification requirements to participate in the program other than the consumer's willingness to pay whatever VSM would charge.

47. As part of the purported screening process, VSM's sales representatives ask consumers about their financial circumstances, including income, savings, debts, and credit card balances and limits.

48. VSM's representatives claim they need this information to assess the consumer's qualifications for the program.

49. VSM's representations about the use of consumers' financial information are false.

50. In truth and in fact, VSM does not use this information to assess a consumer's qualifications. Instead, in numerous instances, VSM uses this information to decide how much to charge consumers for the Business Coaching Program.

Misrepresentations About the Scope and Nature of Services Provided

51. In numerous instances, VSM's sales representatives tell consumers that if they purchase the Business Coaching Program, they will receive: (a) an ecommerce website, and (b) personalized Internet marketing training and guidance from coaches.

52. VSM's representations about the scope and nature of products and services provided in the Business Coaching Program are false.

53. In numerous instances, purchasers do not receive a functioning ecommerce website.

54. In numerous instances, purchasers do not receive personalized Internet marketing training or guidance from coaches. Instead, in numerous instances, the training that consumers receive in the Business Coaching Program consists primarily of basic information available for free online, such as how to open an account on eBay.

55. In addition, VSM does not fulfill the products and services they sell as promised in connection with the Upsell Services. In numerous instances, VSM's representatives tell consumers in connection with selling the Upsell Services, VSM will provide: (a) specialized assistance to structure and develop the business, including assistance to incorporate the business, prepare taxes, establish merchant accounts, and prepare a "professional" business plan; (b) specialized assistance with and access to lenders to obtain corporate credit; and/or (c) specialized access at discounted prices to product shippers and wholesalers for the consumers' ecommerce businesses.

56. VSM's representations about the scope and nature of products and services provided in the Upsell Services are false.

57. In numerous instances, purchasers do not receive any specialized assistance to structure and develop their businesses. They do not receive business tax preparation services, merchant accounts, or any business plan. In addition, they do not receive specialized assistance to structure and register their business. For example, even though the vast majority of purchasers are not located in Utah, VSM simply registers their business as an LLC in Utah.

58. In numerous instances, purchasers do not receive any specialized assistance or access to lenders to obtain corporate credit. Instead, they are subjected to more sales calls from other entities to apply for additional personal credit cards.

59. In numerous instances, purchasers do not receive any specialized access to product shippers and wholesalers.

Misrepresentations About Earnings

60. In numerous instances, VSM encourages consumers to purchase the Business Coaching Program and the Upsell Services by representing that consumers are likely to earn substantial income.

61. VSM's earnings representations lead consumers to believe that they will be able to recoup the cost of their purchase and earn several thousand dollars a month from their purchase.

62. In numerous instances, VSM's sales representatives tell consumers in connection with the sale of the Business Coaching Program and the Upsell Services that within a number of months, they can earn several thousand dollars a month.

63. For example, in one case, a VSM sales representative claimed that the "expected range" of revenue was between \$3,000 and \$5,000 a month and that the Upsell Services were

foolproof: “We don’t have any students we’ve built the business for that have ever failed. . . . [T]here’s literally no way to fail. As long as you have the right help, you’re going to be fine.”

64. VSM’s earning claims are false.

65. In truth and in fact, the overwhelming majority of consumers who purchase the Business Coaching Program and/or Upsell Services from VSM do not earn substantial income. In most instances, consumers who purchase the Business Coaching Program and/or Upsell Services from VSM are never even able to establish an operating business.

VSM Incurs Excessive Chargeback Levels

66. Consumers have the ability to dispute charges that appear on their credit card bills by initiating what is known as a “chargeback” with their issuing bank. The chargeback process is intended to protect consumers from fraud and unauthorized charges on their credit card bills.

67. Credit card associations – such as VISA and MasterCard – have rules regarding their chargeback process. The rules provide that when a consumer disputes a charge through the chargeback process, the consumer’s issuing bank provisionally credits the consumer’s credit card for the amount of the disputed charge. The consumer’s dispute is then relayed to the merchant, which in turn, may challenge the attempted chargeback by arguing the charge was, in fact, valid. If the merchant challenges the attempted chargeback, the credit card association rules govern the manner in which the dispute is resolved.

68. VSM defends against chargebacks from dissatisfied customers. VSM disputes chargebacks by relying on a 3-day cancellation provision in its contracts.

69. For example, in one instance, VSM disputed a chargeback request from a consumer who had been charged \$9,625 by VSM for 20 weeks in the Business Coaching

Program, but only had one “coaching session” for less than 30 minutes, and, according to VSM’s notes, the consumer “has recently gotten out of the hospital after a bout with diabetes – He’s now less mobile and can no longer work as a property manager, which means he loses his free rent.” In another instance, VSM disputed a chargeback request from a consumer who had been charged \$10,995 for 15 weeks in the Business Coaching Program, but had only had one “coaching session” for less than one hour, and, according to VSM’s notes, the consumer “kept repeating that if he doesn’t get a refund, he will go bankrupt.”

70. Despite its efforts to challenge these chargeback requests, VSM still incurred excessive chargeback rates indicative of deceptive practices. For example, in 2017, VSM Group had a chargeback rate close to 3%. A chargeback rate greater than 1% is generally considered excessive by the credit card associations.

71. Rodabaugh and Larsen each opened merchant accounts for VSM and had access to consumers’ individual chargeback requests and VSM chargeback rates. Rodabaugh also received complaints directly from consumers about their dissatisfaction with VSM’s services.

VIOLATIONS OF THE FTC ACT

72. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits “unfair or deceptive acts or practices in or affecting commerce.”

73. Misrepresentations or deceptive omissions of material fact constitute deceptive acts or practices prohibited by Section 5(a) of the FTC Act.

74. As set forth below, Defendants have engaged in violations of Section 5(a) of the FTC Act in connection with the telemarketing and sale of the Business Coaching Program and the Upsell Services.

Count One

Misrepresentations Regarding Earnings

75. In numerous instances in connection with the advertising, marketing, promotion, offering for sale, or sale of the Business Coaching Program and the Upsell Services, Defendants have represented, directly or indirectly, expressly or by implication, that consumers who purchase and use the Business Coaching Program and/or the Upsell Services are likely to earn substantial income, such as several thousand dollars monthly.

76. In truth and in fact, in numerous instances in which Defendants have made the representations set forth in Paragraph 75 of this Complaint, consumers who purchased the Business Coaching Program and/or the Upsell Services did not earn substantial income.

77. Defendants' representations as set forth in Paragraph 75 of this Complaint are false or misleading or were not substantiated at the time the representations were made.

78. Therefore, Defendants' representations as set forth in Paragraph 75 of this Complaint constitute a deceptive act or practice in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

Count Two

**Misrepresentations Regarding Products and Services Provided
for the Business Coaching Program**

79. In numerous instances in connection with the advertising, marketing, promotion, offering for sale, or sale of the Business Coaching Program, Defendants have represented, directly or indirectly, expressly or by implication, that the Business Coaching Program:

- a. is only open to a select number of qualified participants; and
- b. includes development of an ecommerce website and/or personalized

Internet marketing training and guidance from coaches.

80. In truth and in fact, in numerous instances in which Defendants have made the representations set forth in Paragraph 79 of this Complaint:

- a. there are no qualifications for entry into the program other than the consumer's willingness to pay whatever fees are charged; and
- b. Defendants did not provide the products and services they represented they would provide, including but not limited to: a functioning ecommerce website and personalized Internet marketing training and guidance from coaches.

81. Therefore, Defendants' representations as set forth in Paragraph 79 of this Complaint are false and misleading and constitute a deceptive act or practice in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

Count Three

Misrepresentations Regarding Products and Services Provided for the Upsell Services

82. In numerous instances in connection with the advertising, marketing, promotion, offering for sale, or sale of the Upsell Services, Defendants have represented, directly or indirectly, expressly or by implication, that the Upsell Services include:

- a. specialized assistance to structure and develop the business, including assistance to incorporate the business, prepare taxes, establish merchant accounts, and prepare a "professional" business plan;
- b. specialized assistance with and access to lenders to obtain corporate credit; and/or

c. specialized access at discounted prices to product shippers and wholesalers for the consumers' ecommerce businesses.

83. In truth and in fact, in numerous instances in which Defendants have made the representations set forth in Paragraph 82 of this Complaint, Defendants did not provide the products and services they represented they would provide.

84. Therefore, Defendants' representations as set forth in Paragraph 82 of this Complaint are false and misleading and constitute a deceptive act or practice in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

Count Four

Misrepresentation Regarding Need for Financial Information

85. In numerous instances in connection with the advertising, marketing, promotion, offering for sale, or sale of the Business Coaching Program, Defendants have represented, directly or indirectly, expressly or by implication, that they need consumers' financial information to determine whether consumers are qualified for the program.

86. In truth and in fact, in numerous instances in which Defendants have made the representations set forth in Paragraph 85 of this Complaint, Defendants do not use consumers' financial information to determine whether consumers are qualified for a program. Instead, the Defendants use consumers' financial information to decide how much to charge them for the Business Coaching Program.

87. Therefore, Defendants' representations as set forth in Paragraph 85 of this Complaint are false and misleading and constitute a deceptive act or practice in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

VIOLATIONS OF THE TELEMARKETING SALES RULE

88. Congress directed the FTC to prescribe rules prohibiting abusive and deceptive telemarketing acts or practices pursuant to the Telemarketing Act, 15 U.S.C. §§ 6101-6108, in 1994. The FTC adopted the original Telemarketing Sales Rule (“TSR”) in 1995, extensively amended it in 2003, and amended certain sections thereafter.

89. Defendants are “sellers” or “telemarketers” engaged in “telemarketing” as defined by the TSR, 16 C.F.R. §§ 310.2(dd), (ff), and (gg).

90. Defendants’ goods and services, including the Business Coaching Program, are “Investment Opportunit[ies]” as defined in the TSR, 16 C.F.R. § 310.2(s). The TSR defines an “Investment opportunity” as “anything, tangible or intangible, that is offered, offered for sale, sold, or traded based wholly or in part on representations, either express or implied, about past, present, or future income, profit, or appreciation.” 16 C.F.R. § 310.2(s).

91. The TSR prohibits sellers and telemarketers from “[m]isrepresenting, directly or by implication, in the sale of goods and services . . . [a]ny material aspect of the performance, efficacy, nature, or central characteristics of goods or services that are the subject of a sales offer.” 16 C.F.R. § 310.3(a)(2)(iii).

92. The TSR prohibits sellers and telemarketers from “[m]isrepresenting, directly or by implication, in the sale of goods and services . . . [a]ny material aspect of an investment opportunity including, but not limited to, risk, liquidity, earnings potential, or profitability.” 16 C.F.R. § 310.3(a)(2)(vi).

93. The TSR prohibits sellers and telemarketers from “[m]aking a false or misleading statement to induce any person to pay for goods or services. . . .” 16 C.F.R. § 310.3(a)(4).

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

Count Five

**Misrepresentations Regarding the Performance,
Efficacy, Nature or Central Characteristics of Goods and Services**

95. In numerous instances, in connection with telemarketing offers to sell the Business Coaching Program and the Upsell Services, Defendants have misrepresented, directly or indirectly, expressly or by implication, material aspects of the performance, efficacy, nature, or central characteristics of the Business Coaching Program and the Upsell Services, such as:

- a. consumers who purchase the Business Coaching Program and/or the Upsell Services are likely to earn substantial income, such as several thousand dollars a month;
- b. the Business Coaching Program is only open to a select number of qualified participants;
- c. the Business Coaching Program includes development of an ecommerce website and personalized Internet marketing training and guidance from coaches;
and
- d. the Upsell Services includes specialized assistance to structure and develop the business, including assistance to incorporate the business, prepare taxes, establish merchant accounts, and prepare a “professional” business plan;

specialized assistance and access with lenders to obtain corporate credit; and specialized access at discounted prices to product shippers and wholesalers.

96. Defendants' acts or practices, as described in Paragraph 95 above, are deceptive telemarketing acts or practices that violate the TSR, 16 C.F.R. § 310.3(a)(2)(iii) and (a)(4).

Count Six

Misrepresentations of Material Aspects of an Investment Opportunity in Connection with Telemarketing

97. In numerous instances, in connection with telemarketing offers to sell the Business Coaching Program and the Upsell Services, Defendants have misrepresented, directly or indirectly, expressly or by implication, material aspects of investment opportunities, including, but not limited to, the risk, earnings potential, or profitability of the Business Coaching Program and the Upsell Services.

98. Defendants' acts or practices, as described in Paragraph 97 above, are deceptive telemarketing acts or practices that violate the TSR, 16 C.F.R. § 310.3(a)(2)(vi) and (a)(4).

CONSUMER INJURY

99. Consumers have suffered and will continue to suffer substantial injury as a result of Defendants' violations of the FTC Act and the TSR. In addition, Defendants have been unjustly enriched as a result of their unlawful acts or practices. Absent injunctive relief by this Court, Defendants are likely to continue to injure consumers, reap unjust enrichment, and harm the public interest.

THIS COURT'S POWER TO GRANT RELIEF

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

PRAYER FOR RELIEF

Wherefore, Plaintiff FTC, pursuant to Sections 13(b) of the FTC Act, 15 U.S.C. § 53(b), Section 6(b) of the Telemarketing Act, 15 U.S.C. § 6105(b), and the Court's own equitable powers, requests that the Court:

A. Award Plaintiff such preliminary injunctive and ancillary relief as may be necessary to avert the likelihood of consumer injury during the pendency of this action and to preserve the possibility of effective final relief, including but not limited to, temporary and preliminary injunctions, an order freezing assets, immediate access, and appointment of a receiver;

B. Enter a permanent injunction to prevent future violations of the FTC Act and the TSR by Defendants;

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

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

Respectfully submitted,

ALDEN F. ABBOTT
Acting General Counsel

Dated: May 1, 2018


Darren H. Lubetzky
Christopher Y. Miller
Savvas S. Diacosavvas
Federal Trade Commission
Northeast Region
One Bowling Green, Suite 318
New York, NY 10004
Tel: (212) 607-2829
Fax: (212) 607-2822
Email: dlubetzky@ftc.gov
Email: cmiller@ftc.gov
Email: sdiacosavvas@ftc.gov
Attorneys for Plaintiff
FEDERAL TRADE COMMISSION