

Darren H. Lubatky
Christopher Y. Miller
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FEDERAL TRADE COMMISSION

JUSTIN LARSEN individually and as a
principal and owner of VISION
SOLUTION MARKETING LLC, VSM
GROUP

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 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

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13. At all times material to this Complaint, Defendants have maintained a substantial course of t

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 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") 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

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 agreement 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 as other 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

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 leverage 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 (another sales floor that supplies leads to VSM), VSM's sales representative calls consumers for the Upsell Services.

41. In numerous instances, VSM 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 personal finances.

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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 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

Misrepresentations About the Scope and Nature of Services Provided

51. In numerous instances, SM

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 a 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 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 the 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

foolproof. “We don’t have any students ~~we~~ 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 ~~SMD~~ 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 ~~credit~~ 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

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 incomes such as several thousand dollars monthly. purc[(, D)2 (e)-6s titan(e)4 ()-10 (a3 (om)

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;
- b. Defendants did not provide the products and services they represented they would provide, including but not limited to: a functioning e-commerce 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.

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 provisions 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 incomes 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

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.

May 1, 2018