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DISTRICT OF ARIZONA
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SEALED

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF ARIZONA

Federal Trade Commission,

Plaintiff,

vs.

Advertising Strategies, LLC, an Arizona limited liability company,

Internet Advertising Solutions, LLC, an Arizona limited liability company,

Internet Resource Group, Inc., an Arizona corporation,

Network Advertising Systems, LLC, an Arizona limited liability company,

Network Professional Systems, LLC, an Arizona limited liability company,

Network Solutions Group, Inc., an Arizona corporation,

Matthew Rodriguez, individually and as an officer, member, and/or manager of Advertising Strategies, LLC and Network Advertising Systems, LLC,

Susan Marie Rodriguez, individually and as an officer, member, and/or manager of Internet Advertising Solutions, LLC and Internet Resource Group, Inc., and

William Matthew Whitley, a/k/a Matt Whitley, individually and as an officer, member, and/or manager of Network Professional Systems, LLC and Network Solutions Group, Inc.,

Defendants.

Filed Under Seal

CV-16-3353-PHX-DJH
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 Section 13(b) and 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, as amended, 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 Telemarketing Sales Rule ("TSR"), 16 C.F.R. Part 310, as amended.

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)(1), (b)(2), (b)(3), (c)(1), and (c)(2), and 15 U.S.C. § 53(b).

SUMMARY OF THE CASE

4. Defendants operate a fraudulent telemarketing scheme that bilks consumers by offering bogus "risk-free" money-making opportunities. Defendants represent to their consumer victims—many of whom are elderly or veterans—that the consumers will earn substantial income through websites to be owned or invested in by the consumers. Defendants collect hundreds or thousands of dollars from each victim, string their victims along with bogus updates about the status of the victims' investment earnings, and ultimately cut off communications without providing the promised investment returns.

5. Defendants have charged individual consumers substantial amounts of money, ranging from several hundred to more than $20,000, with total consumer injury exceeding $9,000,000.

6. Defendants' deceptive sales pitches violate the FTC Act and the TSR. In addition, Defendants violate the TSR by calling individuals who have listed their phone numbers on the Do Not Call registry.

PLAINTIFF

7. 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, 15 U.S.C. §§ 6101-6108, as amended. 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.

8. 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), 6102(c), and 6105(b).

DEFENDANTS

9. Defendant **Advertising Strategies, LLC** ("AdStrat") is an Arizona limited liability company with a registered business address of 3039 W. Peoria Ave. #474, Phoenix, Arizona 85029. AdStrat transacts or has transacted business in this district and throughout the United States.

10. Defendant **Internet Advertising Solutions, LLC** ("AdSolutions") is an Arizona limited liability company with a registered business address of 1414 W. Broadway Road #117, Tempe, Arizona 85282. AdSolutions transacts or has transacted business in this district and throughout the United States.

11. Defendant **Internet Resource Group, Inc.** ("Resource") is or was an Arizona corporation with a registered business address of 4112 East Indian School Road, Phoenix, Arizona. Resource transacts or has transacted business in this district and throughout the United States.

12. Defendant **Network Advertising Systems, LLC** ("NetASystems") is an Arizona limited liability company with a registered business address of 1710 East Indian

School Road #210, Phoenix, Arizona. NetASystems transacts or has transacted business in this district and throughout the United States.

13. Defendant **Network Professional Systems, LLC** ("NetPSystems") is an Arizona limited liability company with a registered business address of 2925 E Riggs Road, Suite 245, Chandler, Arizona 85249. NetPSystems transacts or has transacted business in this district and throughout the United States.

14. Defendant **Network Solutions Group, Inc.** ("NetSolutions") is or was an Arizona corporation with a registered business address of 2925 E Riggs Road, Suite #8-245, Chandler, Arizona 85249. NetSolutions transacts or has transacted business in this district and throughout the United States.

15. Defendant **Matthew Rodriguez** ("M. Rodriguez") is an Arizona resident. He is a member and manager of AdStrat and NetASystems. During all or part of the 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. M. Rodriguez resides in this district and, in connection with the matters alleged herein, transacts or has transacted business in this district and throughout the United States.

16. Defendant **Susan Marie Rodriguez** ("S. Rodriguez") is an Arizona resident. She is a member and manager of AdSolutions and a director of Resource. During all or part of the times material to this Complaint, acting alone or in concert with others, she has formulated, directed, controlled, had the authority to control, or participated in the acts and practices set forth in this Complaint. S. Rodriguez resides in this district and, in connection with the matters alleged herein, transacts or has transacted business in this district and throughout the United States.

17. Defendant **William Matthew Whitley**, a/k/a Matt Whitley ("Whitley") is an Arizona resident. He is a member and manager of NetPSystems and a director of NetSolutions. During all or part of the 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. Whitley resides in this district and, in connection with the matters alleged herein, transacts or has transacted business in this district and throughout the United States.

COMMON ENTERPRISE

18. Corporate Defendants AdStrat, AdSolutions, Resource, NetPSystems, NetASystems, and NetSolutions have operated as a common enterprise while engaging in the deceptive acts and practices and other violations of law alleged in the Complaint. Defendants have conducted the business practices described herein through an interrelated network of companies that have a common business purpose, business functions, employees, and office locations, commingled funds or shared profits from the scheme, and are all controlled by the three individual Defendants. Because the Corporate Defendants have operated as a common enterprise, each of them is jointly and severally liable for the acts and practices alleged below. Defendants M. Rodriguez, S. Rodriguez, and Whitley have formulated, directed, controlled, had the authority to control, or participated in the acts and practices of the Corporate Defendants that constitute the common enterprise.

COMMERCE

19. 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 PRACTICES

20. Since at least 2011, Defendants have marketed and sold purported money-making opportunities to consumers throughout the United States. Defendants typically contact consumers through outbound telemarketing sales calls. In numerous instances, Defendants' telemarketers have initiated outbound telemarketing sales calls to telephone numbers on the National Do Not Call Registry. In some cases, Defendants' brochures direct consumers to call Defendants' telemarketers. Consumers may also learn of Defendants through internet advertisements.

21. In the telemarketing calls, Defendants offer consumers an opportunity to share in revenue from e-commerce (*i.e.*, trading or facilitation of trading in goods or services using computer networks, such as the internet) websites.

22. The details of the offer differ, but Defendants routinely describe it as an offer to purchase or invest in e-commerce websites, or websites that direct traffic to e-commerce websites such as Amazon.com. Defendants' telemarketers typically promise consumers that they will earn money based on sales at the e-commerce websites and/or traffic through their websites to the e-commerce websites. Defendants promise consumers substantial returns or income, such as hundreds or thousands of dollars every quarter.

23. Defendants' telemarketers typically assure consumers that they do not need to do anything to earn the promised returns or income other than make a payment to join the program (whether framed as a purchase of websites, an investment in websites or a web-based business, or otherwise).

24. Defendants also typically promise consumers that the purported money-making program is "risk-free," or that that it includes a "100% money back guarantee."

25. After eliciting a hefty payment from consumers, Defendants frequently mail them a package that often includes a letter, glossy brochures, and itemized bills. These documents typically include references to business coaching or advertising services and often direct consumers to complete certain tasks related to advertising. Defendants, however, routinely tell consumers that they can ignore these statements or tasks, or that the representations in the written materials do not apply to the consumers.

26. Defendants frequently contact consumers again after the initial payment and persuade them to pay more money, promising that doing so will yield greater returns. In some instances, Defendants convince consumers who initially paid hundreds of dollars to pay thousands of dollars more.

27. Defendants often tell consumers that in order to receive their income or returns, the consumers must sign forms that appear to be itemized bills—frequently for

purported advertising services or websites. In small print beneath the signature line, the forms falsely state that the consumer has already received services in the amount shown.

28. Defendants bill consumers' credit cards, sometimes offering to help consumers move the resulting balances to new credit accounts that offer temporary low or zero-interest balance transfers. Defendants often assure their consumer victims that the consumers will be able to pay off the balance in full with their first quarterly payment, before the balance begins accruing interest.

29. After a consumer authorizes payment, Defendants typically respond to telephone calls from that consumer for approximately ninety (90) days. During this time, Defendants typically claim that the consumer has an "account" in which her earnings are accumulating. Defendants often promise the consumer that the funds in the consumer's account will be paid to the consumer at the end of the quarter.

30. When consumers become suspicious about the status of their investment or payment, Defendants routinely employ stall tactics to dissuade the consumers from disputing the charges to their credit card accounts. They often offer various excuses for a "delay" in issuing the quarterly payment and reassure consumers that the payment will be sent out soon. After approximately ninety (90) days from a consumer's payment, Defendants typically cut off all contact and cease answering the consumer's calls.

31. Defendants seem to be targeting older consumers who may be less familiar with e-commerce, thus less likely to realize that the marketed "opportunity" is a scam. Many of Defendants' victims are veterans.

32. Defendants use mail-forwarding services to disguise their location, and have changed the name and mailing address under which they operate, and their physical office location, to avoid detection. For example, in 2013, the Arizona Attorney General's Office obtained the lease agreement for 4112 E. Indian School Rd., Phoenix, Arizona, which was the office of Defendant Internet Advertising Solutions. Defendant S. Rodriguez had signed that lease agreement. When the Attorney General summoned S.

Rodriguez to appear and testify about the business at that address, Defendants quickly closed their office at that location, and S. Rodriguez failed to appear and testify.

33. The d/b/as Defendants have used in connection with the acts and practices discussed in this Complaint include the following, among others: WyzeMoney, Prime Cash, and BuildingMoney.cash.

34. Consumers who pay for Defendants' purported money-making opportunities typically do not receive the promised returns, nor do they receive their money back.

35. Defendants have victimized numerous consumers throughout the United States and caused an estimated loss to consumers of more than $9,000,000.

VIOLATIONS OF THE FTC ACT

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

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

COUNT I

False or Unsubstantiated Earning Claims

38. In numerous instances in connection with the advertising, marketing, promotion, offering for sale, or sale of their purported money-making opportunities, Defendants have represented, directly or indirectly, expressly or by implication, that purchasers of their purported money-making opportunities would earn or were likely to earn substantial income, such as hundreds or thousands of dollars each quarter.

39. Defendants' representations set forth in Paragraph 38 of this Complaint are false, misleading, and/or were not substantiated at the time the representations were made because consumers who purchased Defendants' purported money-making opportunities were not likely to earn substantial income, such as hundreds or thousands of dollars each quarter, or any income at all, and in truth and in fact, in numerous instances in which Defendants have made the representations set forth in Paragraph 38 of this Complaint,

consumers who purchased Defendants' purported money-making opportunities did not earn substantial income, such as hundreds or thousands of dollars each quarter, or any income at all.

40. Therefore, Defendants' representations as set forth in Paragraph 38 of this Complaint are false or misleading and constitute a 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 II

False Risk-Free or Money Back Guarantee Claims

41. In numerous instances in connection with the advertising, marketing, promotion, offering for sale, or sale of Defendants' purported money-making opportunities, Defendants have represented, directly or indirectly, expressly or by implication, that purchase of Defendants' purported money-making opportunities is risk-free or that purchasers receive a 100% money back guarantee.

42. In truth and in fact, in numerous instances in which Defendants have made the representations set forth in Paragraph 41 of this Complaint, consumers who purchased Defendants' purported money-making opportunities lost the money they paid to Defendants or were unable to obtain a refund from Defendants.

43. Therefore, Defendants' representation as set forth in Paragraph 41 of this Complaint is false or misleading and constitutes a deceptive act or practice in or affecting commerce in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

VIOLATIONS OF THE TSR

44. Congress directed the FTC to prescribe rules prohibiting abusive and deceptive telemarking acts or practices pursuant to the TSR in 1994. The FTC adopted the original TSR in 1995, extensively amended it in 2003, and amended certain provisions thereafter. 16 C.F.R. Part 310.

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

46. The TSR prohibits any seller or telemarketer from making a false or misleading statement to induce any person to pay for goods or services or to induce a charitable contribution. 16 C.F.R. § 310.3(a)(4).

47. Among other things, the TSR, as amended in 2003, established a "do-not-call" registry, maintained by the Commission (the "National Do Not Call Registry," or "Registry"), of consumers who do not wish to receive certain types of telemarketing calls. Consumers can register their telephone number over the Internet at *www.donotcall.gov*.

48. Since October 17, 2003, sellers and telemarketers have been prohibited from calling numbers on the Registry. 16 C.F.R. § 310.4(b)(1)(iii)(B).

49. 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 III

Misrepresentations in Violation of the TSR

50. In numerous instances, in the course of telemarketing their goods and services, Defendants have made false or misleading statements, directly or by implication, to induce consumers to pay for goods or services, including misrepresentations that: (a) purchasers of Defendants' purported money-making opportunities will earn substantial income, such as hundreds or thousands of dollars each quarter; (b) purchase of Defendants' purported money-making opportunities is risk-free; or (c) purchasers receive a 100% money back guarantee.

51. Defendants' practices, as described above in Paragraph 50 above, are deceptive telemarketing acts or practices that violate the TSR, 16 C.F.R. § 310.3(a)(4), and 16 C.F.R. § 310.6(b)(6).

COUNT IV

Do Not Call Violations

52. In numerous instances, in connection with telemarketing, Defendants have engaged in initiating an outbound telephone call to a person's telephone number on the National Do Not Call Registry, in violation of the TSR, 16 C.F.R. § 310.4(b)(1)(iii)(B).

CONSUMER INJURY

53. 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.

THE COURT'S POWER TO GRANT RELIEF

54. 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 Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), and the TSR, 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 the 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,

DAVID C. SHONKA
Acting General Counsel

Dated: October 3, 2016

/s/ Jody Goodman

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