

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

Case No. _____ Civ. _____

FEDERAL TRADE COMMISSION,

Plaintiff,

v.,

(FILED UNDER SEAL)

DIVERSIFIED EDUCATIONAL RESOURCES, LLC, a limited liability company, also d/b/a Jefferson High School Online and Enterprise High School Online, MOTIVATIONAL MANAGEMENT & DEVELOPMENT SERVICES, LTD., a limited liability company, also d/b/a MMDS, Ltd., Jefferson High School Online and Enterprise High School Online, IDM SERVICES LLC, a limited liability company, ALEXANDER WOLFRAM, a/k/a Alex Wolfram, individually and as an officer of IDM SERVICES, LLC, DIVERSIFIED EDUCATIONAL RESOURCES, LLC and MOTIVATIONAL MANAGEMENT & DEVELOPMENT SERVICES, LTD.; MARIA T. GARCIA, a/k/a Maria Calleja, a/k/a Maria Calleja Garcia, a/k/a Maria Trinidad Garcia Calleja, a/k/a Mary Garcia, a/k/a Mary Triny, individually and as an officer of DIVERSIFIED EDUCATIONAL RESOURCES, LLC and MOTIVATIONAL MANAGEMENT & DEVELOPMENT SERVICES, LTD.;

Defendants,

and

STEINBOCK HOLDINGS LLC, a/k/a Steinboch Investments LLC, a limited liability company, ZWILLINGE, LLC, a limited liability company, TIFFANY CHAMBERS, an individual, and SYLVIA GADS, an individual;

Relief Defendants.

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) of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. § 53(b), 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).

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) and 53(b).

3. Venue is proper in this district under 28 U.S.C. § 1391(b)(2), (c)(2), (c)(3) and (d), 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.

5. The FTC is authorized to initiate federal district court proceedings, by its own attorneys, to enjoin violations of the FTC Act 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).

DEFENDANTS

6. Defendant Diversified Educational Resources, LLC ("DER"), also doing business as Jefferson High School Online and Enterprise High School, is a Florida limited liability company with its principal place of business at 1451 West Cypress Creek Road, Suite 212, Fort Lauderdale, FL 33309. DER 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, DER has advertised, marketed, distributed, or sold fake high school diplomas to consumers throughout the United States.

7. Defendant Motivational Management & Development Services, Ltd. ("MMDS"), also doing business as Jefferson High School Online, is a St. Kitts & Nevis unincorporated association with its principal place of business at 441 N Grand Ave. Suite 432, Nogales, AZ 85621. MMDS 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, MMDS has advertised, marketed, distributed, or sold fake high school diplomas to consumers throughout the United States.

8. Defendant IDM Services LLC (“IDM Services”) is a Wyoming limited liability company with its principal place of business at 1712 Pioneer Ave., Cheyenne, WY 82001. IDM Services 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, IDM Services has advertised, marketed, distributed, or sold fake high school diplomas to consumers throughout the United States.

9. Defendant Alexander Wolfram, also known as Alex Wolfram (“Wolfram”), is the principal and owner of Defendants DER, MMDS, and IDM Services. Wolfram is a signatory on the bank accounts of Defendants DER, MMDS, and IDM Services, and pays nearly all costs associated with the operation of Defendants’ diploma mills. At all 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 Wolfram, in connection with the matters alleged herein, transacts or has transacted business in this district and throughout the United States.

10. Defendant Maria T. Garcia, also known as Maria Calleja, Maria Calleja Garcia, Maria Trinidad Garcia Calleja, Mary Garcia, and Mary Triny (“Garcia”), is a Mexican national and the owner and manager of Defendants DER and MMDS. Garcia is also a signatory on the bank accounts of DER and MMDS. Garcia maintains the domain names and is the registrant and technical, billing, and administrative contact for Defendants’ Internet websites. At all 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. Defendant Garcia, in connection with the matters alleged herein, transacts or has transacted business in this district and throughout the United States.

11. Relief Defendant Steinbock Holdings LLC is a Wyoming limited liability company with its principal place of business at 1712 Pioneer Ave., Cheyenne, WY 82001. Steinbock Holdings LLC has received funds that can be traced directly to Defendants’ deceptive acts or practices alleged below, and it has no legitimate claim to those funds.

12. Relief Defendant Zwillinge, LLC is an Arizona limited liability company with its principal place of business at 17212 N Scottsdale Rd. #2313, Scottsdale, AZ 85255. Zwillinge, LLC has received funds that can be traced directly to Defendants’ deceptive acts or practices alleged below, and it has no legitimate claim to those funds.

13. Relief Defendant Tiffany Chambers is an individual who has received funds that can be traced directly to Defendants' deceptive acts or practices alleged below, and she has no legitimate claim to those funds.

14. Relief Defendant Sylvia Gads is an individual who has received funds that can be traced directly to Defendants' deceptive acts or practices alleged below, and she has no legitimate claim to those funds. Gads is owner and manager of Zwillinge, LLC.

COMMON ENTERPRISE

15. Defendants DER, MMDS, and IDM Services (collectively, "Corporate Defendants") have operated as a common enterprise while engaging in the deceptive acts and practices alleged below. Defendants have conducted the business practices described below through an interrelated network of companies that have common ownership, managers, business functions, and that commingle funds. Because these Corporate Defendants have operated as a common enterprise, each of them is jointly and severally liable for the acts and practices alleged below. Defendants Wolfram and Garcia (collectively, "Individual Defendants") 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

16. 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.

DEFENDANT'S BUSINESS PRACTICES

17. Since at least 2006, Defendants have operated several fraudulent online high school diploma mills that sell fake high school diplomas to consumers nationwide. Defendants' websites, which describe purported legitimate secondary school programs bearing names such as "Jefferson High School Online" and "Enterprise High School Online," claim that consumers can "become [. . .] high school graduate[s]" and obtain "official" high school diplomas by enrolling in Defendants' programs. Defendants claim that consumers can successfully use their diplomas as valid high school equivalency credentials to enroll in college, apply for jobs, and "receive the recognition [they] aspire for in life." Over the years, Defendants' websites have also represented that Defendants' programs are accredited.

18. In reality, Defendants do not operate accredited online high schools and do not issue valid high school credentials. Consumers are only required to pay a fee and pass an online test in order to obtain a so-called “diploma.” Defendants require no coursework or preparation before taking the online test, and even offer consumers hints to help them select the correct answers. As a result, Defendants’ “diplomas” are virtually worthless. In numerous instances, consumers who attempt to enroll in college, apply for jobs, or join the military using Defendants’ diplomas learn that Defendants’ programs are unaccredited and that the diplomas are invalid. In numerous instances when consumers seek refunds from Defendants, they are turned down.

Defendants Misrepresent That Consumers Can Use Their Diplomas As Valid High School Equivalency Credentials

19. Defendants have marketed and sold their fake online diplomas through a series of websites, including www.jeffersonhighschoolonline.com, www.jeffersonhighschoolonline.net, www.enterprisehighschoolonline.org, and www.enterprisehighschoolonline.us, among many others. As described in Paragraphs 9 and 10, Defendant Garcia is the registrant, technical, administrative, and billing contact for Defendants’ Internet websites. In addition, Defendant Wolfram has paid nearly all costs associated with Defendants’ fraudulent online diploma mills.

20. Defendants’ websites contain multiple misrepresentations regarding Defendants’ so-called “online high schools.” For example:

- Defendants claim that their program is run by “administrative and academic professionals” who “are very confident that completing our program can benefit your needs.”
- Defendants assure consumers that “[i]f you never finished or never started high school, its [sic] not too late. Take classes and earn your high school diploma all online with a program that works around your busy schedule.”
- Defendants tell students that after receiving their diplomas, they will “receive support from our global student services team, as well as “Counseling Services” and “24/7/365 School Support.”
- Defendants claim that they offer “registrar service[s]” and that their “registrar” can provide replacement diplomas or transcripts and verify that the student graduated from Defendants’ schools.

- Defendants include a “Message from the President” of the schools, encouraging students to achieve their personal goals by completing Defendants’ programs.

21. Defendants’ websites also contain multiple misrepresentations regarding Defendants’ purported high school diplomas. For example:

- Defendants state that their “mission” is to “[p]rovide a respected and recognized high school diploma equivalency program.”
- Defendants claim that their program “works very well for the majority of people that complete it.”
- Defendants claim that students who complete their program will receive:
 - Official EHS Diploma
 - Official EHS Transcripts
- Defendants represent that students completing their program will “graduate” from the Jefferson or Enterprise programs, and will be “high school graduates.”
- Defendants represent that their high school program follows rigorous academic standards: “Once successful completion of the Diploma program [sic] you will have the opportunity to graduate from EHS as the exam scores and interface are designed to the rigors of a private high school graduation exam diploma program.”
- Defendants claim that their diplomas are equivalent to traditional high school diplomas: “Your diploma will be the same quality as those issued by most traditional high schools and printed on 60-lb parchment paper that is a full 8-1/2x11 inches.”

22. Defendants claim that consumers who obtain a Jefferson or Enterprise diploma will be able to enroll in college. One of the tabs displayed at the top of Defendants’ websites reads, “Colleges.” Clicking on that tab takes a consumer to a page titled, “College Suggestions – Adult Continuing Education.” The first sentence on the page reads, “Enterprise High School’s suggestion of post graduate programs to assist your evaluation and preparation for the work force.” The page then lists the names of approximately 56 universities and community colleges. In addition, Defendants provide hyperlinks that other websites can use to advertise Defendants’

diplomas. One of the hyperlinks includes the following description: “Want to get a higher education and go on to college, first you must have a high school diploma. Jefferson High School has convenient programs that are customized to fit your schedule and timeline.”

23. Defendants also claim that consumers will be able to use their Jefferson or Enterprise diplomas to apply for jobs. Defendants’ websites encourage “graduates” to share their achievement with their employers, and claim to provide diploma verification services to consumers’ employers upon request. The websites also state: “If you need a job that requires a GED or higher education, Jefferson High School Online has all the solutions you need.”

24. Defendants represent that their diplomas are equivalent or even superior to obtaining a General Education Development (GED®) certificate. For example, Defendants state:

- “Our online testing program has been used by those needing an online option for the GED ® Test. EHS designed our exam with the GED ® Test program in mind yet utilizes our own unique motivational approach to enhance student success rates.”
- “As with the GED ®, you will earn the equivalent of 24 credits with our diploma program.”
- “So you have to ask yourself, do you want an [sic] diploma or just a certificate like the GED? For a real diploma, you would prefer our system over the other options.”
- “This program utilizes an online exam as its requirement basis for a diploma issuance, but is not a GED ®. As any online search will tell you, many colleges or employer don’t accept certificates based on the GED ® Test.”
- “However, a [sic] EHS diploma can be on its way in just days while it will take considerably longer for you to complete a GED ® Test...”
- “Taking the GED ® Test at a local testing center may be very time intensive and pricy [sic] requiring many hours of study. Why study away when you can study, practice, test and retest directly from our website with our Diploma program?”

25. Contrary to these website claims, Defendants do not operate legitimate online educational programs. Defendants’ so-called “schools” operate from the personal residence of Defendant Wolfram and provide consumers no instruction, coursework, study materials, or

periodic evaluations. Jefferson and Enterprise also provide no “school support” or “counselling services.” Consumers need only complete an online multiple choice test, select their “life experiences,” and pay a fee in order to “graduate” from Defendants’ programs. In numerous instances, consumers who have attempted to contact Jefferson or Enterprise after receiving their diplomas report that the number listed on their websites rings busy and does not connect to an actual live person.

26. In addition, contrary to the website claims, Defendants’ diplomas are not equivalent to traditional high school diplomas or to a GED® certificate because numerous higher education institutions, employers, and the military do not accept Defendants’ diplomas as valid high school equivalency credentials. In numerous instances, consumers attempting to enroll in college, apply for jobs, or join the military using Defendants’ diplomas have been rejected because the diplomas are not valid high school equivalency credentials.

Defendants Misrepresent That They Operate Accredited, State-Recognized Online Schools

27. Defendants cloak their fraudulent diploma mills in legitimacy by misrepresenting that their online “schools” are accredited and state-approved.

28. On the main landing pages for both Jefferson and Enterprise websites, Defendants list a “School Code” associated with Florida’s Department of Education School Choice program. Enterprise’s landing page also includes the School Choice program logo. Defendants’ websites claim:

- “Enterprise High School is registered with the Dept. of Education and our school code is 6832.”
- “JHS is a private school registered in FL and abides by all DoE requirements.”
- Defendants claim Enterprise and Jefferson “fully abide[] by all local and federal government requirements.”

29. In fact, Defendants’ registration in Florida’s School Choice program is merely a ministerial act, based solely on their own self-reported answers to Florida’s annual private school survey. The Florida Department of Education does not verify the accuracy of the data submitted pursuant to the annual survey.

30. In prior iterations of their websites, Defendants also claimed that they are accredited by an independent, third-party accreditor named IABOS (International Accrediting Body of Online Schools). In fact, IABOS is fictitious entity created by Defendants, and is not a legitimate accrediting body. Defendants registered the website www.iabos.org in 2007, and deactivated it in 2013.

31. Current iterations of Defendants' websites continue to misrepresent their accreditation status. For example, Defendants claim that "Life Experience based programs" like the ones they offer "have been accepted since their origination and many have received accreditation status from accrediting bodies/organizations." The second tab at the top of both the Jefferson and Enterprise web pages is titled, "Accreditation." Clicking on that link leads consumers to a page titled, "Accreditation Comprehensive Guide." This page contains multiple paragraphs of small-print writing purporting to answer consumers' questions about the high school accreditation process. Only at the very bottom of this page, hidden in the middle of a lengthy, dense, small-print paragraph, do Defendants reveal that their program is not accredited. Defendants obfuscate this disclosure by stating that Enterprise and Jefferson have not yet *applied* for accreditation, but that they are "actively pursuing accreditation options:"

In an effort to keep program cost down and the current platform HSE based format, EHS has not yet sought nor been approved by the US DOE, CHEA or DETC organizations and does not represent itself to be an accredited program of any of these organizations. EHS is actively pursuing accreditation options including options with AdvancED, in the meantime EHS incorporates an internal review and self-auditing approach to assure consistent standards . . .

32. In reality, Defendants' programs are not accredited by any legitimate or recognized accrediting bodies.

VIOLATIONS OF THE FTC ACT

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

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

Count I

35. Through the means described in Paragraphs 15-32, Defendants have represented, directly or indirectly, expressly or by implication, that consumers can successfully use Defendants' diplomas as valid high school equivalency credentials when applying for jobs, seeking enrollment in higher education institutions, or for other purposes.

36. In truth and in fact, in numerous instances, consumers could not successfully use Defendants' diplomas as valid high school equivalency credentials when applying for jobs, seeking enrollment in higher education institutions, or for other purposes.

37. Therefore, Defendants' representations as set forth in Paragraph 35 of this Complaint are false or misleading and constitute deceptive acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

Count II

38. Through the means described in Paragraph 30, Defendants have represented, directly or indirectly, expressly or by implication, that IABOS is an independent, third party accrediting body that objectively evaluates and accredits Defendants' online schools.

39. In truth and in fact, IABOS is not an independent, third party accrediting body that objectively evaluates and accredits Defendants' online schools. In fact, IABOS is owned and controlled by individuals who own or control Defendants' online schools.

40. Therefore, Defendants' representations as set forth in Paragraph 38 of this Complaint are false or misleading and constitute deceptive acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

Count III

41. Relief Defendants Steinbock Holdings LLC, Zwillinge, LLC, Tiffany Chambers, and Sylvia Gads have received, directly or indirectly, funds or other assets from Defendants that are traceable to funds obtained from Defendants' customers through the deceptive acts or practices described herein.

42. Relief Defendants are not bona fide purchasers with legal and equitable title to Defendants' customers' funds or other assets, and Relief Defendants will be unjustly enriched if they are not required to disgorge the funds or the value of the benefit they received as a result of Defendants' deceptive acts or practices.

43. By reason of the foregoing, Relief Defendants hold funds and assets in constructive trust for the benefit of Defendants' customers.

CONSUMER INJURY

44. Consumers have suffered and will continue to suffer substantial injury as a result of Defendants' violations of the FTC Act. In addition, Defendants have been unjustly enriched as a result of their deceptive 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

45. 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

46. Wherefore, Plaintiff FTC, pursuant to Section 13(b) of the FTC Act, 15 U.S.C. § 53(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, and an order freezing assets;

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

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

D. Enter an order requiring Relief Defendants to disgorge all funds and assets, or the value of the benefit they received from the funds and assets, which are traceable to Defendants' deceptive acts or practices; and

E. 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.

Dated: September 16, 2014

Respectfully submitted,

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