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FEDERAL TRADE COMMISSION

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF ARIZONA

Federal Trade Commission;

No. CV-15-01578-PHX-JJT

Plaintiff,

v.

Vemma Nutrition Company, et al

Defendants.

PLAINTIFF FEDERAL
TRADE COMMISSION'S
MOTION FOR LEAVE TO
SUPPLEMENT
PRELIMINARY INJUNCTION
RECORD AND TO FILE
PHYSICAL EXHIBITS

I. BACKGROUND

The FTC moves the Court for leave to supplement the preliminary injunction record in this case with additional evidence. The additional evidence consists of a YouTube video and Facebook posting showing Defendant Alkazin's involvement with Xango, LLC, a multi-level marketing company that shares certain similarities

with Vemma, and a supporting declaration by FTC Investigator Matthew Thacker.

On October 2, 2015, the FTC filed its Motion to Clarify or Reconsider Preliminary Injunction as to Defendant Tom Alkazin ("FTC Motion"). Doc. 135. The Court held that Defendant Alkazin participated in the Vemma pyramid scheme and made deceptive income claims about the Vemma opportunity, but the Court declined to place Defendant Alkazin under an injunction because the Court found he did not control the scheme. Doc. 118. The FTC asked the Court to reconsider its ruling in light of case law supporting injunctive relief for participation even in the absence of control.

On July 1, 2016, the Court entered an order establishing a July 16, 2016 deadline for Defendant Alkazin to file a Response to the FTC Motion and a July 22, 2016 deadline for the FTC to file a reply. Doc. 240. Defendant Alkazin filed a response, and the FTC filed a reply on July 22, 2016. Doc. 252.

Subsequent to the filing of the Reply, it came to FTC counsel's attention that there was evidence that Defendant Alkazin was promoting Xango:¹

- On January 12, 2016, Defendant Alkazin appeared in a live-streamed
 YouTube video entitled "How to Go 1K with Tom Alkazin." In that video,
 he offered guidance to distributors of Xango, LLC on how to succeed with
 the Xango business opportunity.
- Defendant Alkazin also appeared in a March 21, 2016 Facebook posting that promoted a "Thirty2Earning" conference call. The call was to feature Defendant Alkazin and what appeared to be Xango affiliates.

FTC Investigator Matthew Thacker captured the YouTube video and accompanying webpage, the Facebook posting, and screenshots from Xango's current

¹ At his deposition on June 9, 2016, Defendant Alkazin testified that he was still an active Vemma affiliate, and that he did not hold any "positions" or "ownership interest" in any other multi-level marketing company. *See* Deposition of Tom Alkazin (Ex. A to Doc. 252), 12:6-17.

website. He has prepared a declaration describing the actions he took to obtain and authenticate the evidence. The FTC seeks leave to file the declaration and attached documents to supplement the preliminary injunction record. If approved, the FTC will file the declaration and attachments thereto as Exhibit C (following sequentially from the exhibits to the Reply). Since the video clip (Attachment 1 to proposed Exhibit C) will be submitted on a DVD, the FTC also seeks leave to file the declaration and attachments as physical exhibits. The FTC is submitting the declaration and non-DVD attachments electronically with this Motion. If permitted, the FTC will also file the DVD containing a copy of the video segment.

II. ARGUMENT

The Court's orders do not set a deadline or limitation on submission of evidence related to the FTC Motion. However, the FTC seeks leave to file the evidence in the event the Court considers the reply brief deadline of July 22, 2016 to be a deadline for submitting evidence. The proposed supplemental evidence shows that Defendant Alkazin was actively involved in promoting Xango, an MLM with business characteristics similar to Vemma's business model, as of January 2016. Defendant Alkazin was still doing presentations with Xango affiliates as of March 2016. Xango offers mangosteen products, as well as "the opportunity for a happier, healthy, wealthier life." Attachment 4 to proposed Exhibit A, pg. 1. Xango describes its business opportunity as offering "limitless potential for a personal business (*Id.*, pg.3)," and, if desired, the opportunity for a "full-fledged lifestyle upgrade." *Id.*, pg. 5. The Xango compensation plan seems to require distributors to have a personal "Automatic Delivery Program" ("ADP") order in place to qualify for some bonuses. *Id.*, pgs. 7-8. The "PowerStart" bonus appears to specifically reward distributors for recruiting new distributors. *Id.*, pg.7.

The FTC draws no conclusions as to the legality of the Xango program. However,

given Defendant Alkazin's history of participating in Vemma's pyramid scheme and making deceptive income claims about Vemma's business opportunity, his involvement with a Vemma-like marketing program poses potential economic harm to consumers and warrants the Court's placing him under an injunction to prevent future consumer harm. The FTC requests that the Court grant the FTC leave to submit this evidence.

III. CONCLUSION

For the foregoing reasons, the FTC respectfully requests the Court grant the FTC leave to file proposed Exhibit C and attachments by physical exhibit.

Dated: July 26, 2016.

Respectfully submitted,

JASON C. MOON

/s/ Jason C. Moon

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Attorneys for Plaintiff
FEDERAL TRADE COMMISSION

CERTIFICATE OF SERVICE

I certify that on July 26, 2016, Plaintiff Federal Trade Commission electronically transmitted the attached Document to the Clerk's Office using the CM/ECF System for filing and transmittal of a Notice of Filing to all CM/ECF registrants including:

Counsel for Defendants Vemma Nutrition Co. and Vemma Int'l Holdings Inc.:

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/s/ Jason C. Moon

Jason C. Moon

DECLARATION OF FTC INVESTIGATOR MATTHEW J. THACKER PURSUANT TO 28 U.S.C. § 1746

- I, Matthew J. Thacker, declare that I have personal knowledge of the facts set forth below. If called as a witness before any court, I could and would testify as follows:
- 1. I am over the age of 18 and competent to give this declaration. I am a Federal Trade Investigator with the Federal Trade Commission (FTC). My business address is 1999 Bryan Street, Suite 2150, Dallas, Texas 75201. I have a Bachelor of Science degree in Criminal Justice. I have more than six years of experience as a Special Agent Criminal Investigator for the United States Army Criminal Investigation Command.
- 2. As a Federal Trade Investigator with the FTC, my primary duties include, but are not limited to, conducting computer research using a variety of Internet search engines, public record and law enforcement databases, and computer software-based investigative tools, as well as requesting, receiving, and examining information provided by third parties during investigations or discovery.
- 3. As part of my duties, I was assigned to work on the FTC's matter against Vemma Nutrition Company and Vemma International Holdings, Inc., and related individuals, Benson K. Boreyko (BK Boreyko) and Tom Alkazin (T. Alkazin) (collectively "Defendants"). I have previously submitted sworn declarations in this matter, which appear in the record at Dkts. 10, 30-1, 59-1, and 173-1. This declaration provides newly-discovered information relating to Defendant T. Alkazin, only.
- 4. I conducted general Internet searches for websites, video and audio recordings, and documents related to T. Alkazin and his promotion of the Vemma program or other multi-level marketing programs. Through these searches, I identified a video and a Facebook posting that document T.Alkazin's participation in or promotion of Xango, LLC, which my investigation

Proposed Exhibit C

found to be another multilevel marketing company that features a mangosteen health and wellness drink.

5. I captured the websites, videos and audio recordings using Adobe Acrobat X Pro software and Firefox video download helper, both tools that I have been trained to use and have used in many investigations. Adobe Acrobat X Pro's Web Capture tool allows users to create a copy of a website and save it as a PDF file. Firefox video download helper allows users to download and preserve videos. The following paragraphs discuss the materials that I captured or downloaded.

YouTube:

6. I searched www.youtube.com for videos and audio recordings related to T. Alkazin, which resulted in dozens of videos and audio recordings. On July 25, 2016, using Firefox video download helper, I captured the YouTube video entitled "How to Get to 1K with Tom Alkazin." According to YouTube, this video was streamed live on January 12, 2016. I also captured a screenshot of the YouTube web page that contained the embedded video, using Adobe Acrobat X Pro. A true and correct copy of the video is attached as Attachment 1. A true and correct copy of the screen shot of the YouTube web page is attached as Attachment 2.

Facebook:

7. I also searched various social media platforms for posts related to T. Alkazin. I found a March 21, 2016 Facebook post announcing a training call by T. Alkazin and what appeared to be Xango affiliates. Using Adobe Acrobat X Pro, I preserved the post relating to T. Alkazin. A true and correct copy of the post is attached as Attachment 3.

www.xango.com:

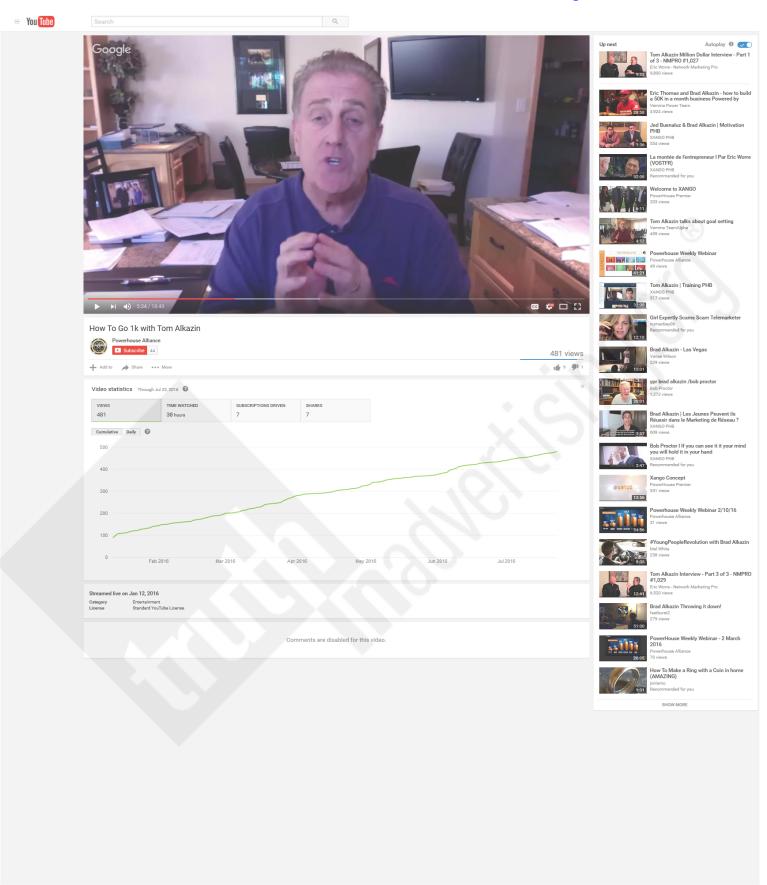
8. To learn additional information concerning Xango, I visited www.xango.com, which purports to be the company's website. I saved portions of the website as a PDF using Adobe Acrobat X Pro. I saved only portions of the website, including the landing page, the opportunity page, and pages describing the Xango compensation plan. A true and correct copy of the portions of the website I saved is attached as Attachment 4.

I declare, under penalty of perjury, that the foregoing statement is true and correct. Executed on July 26, 2016, at Dallas, Texas.

MATTHEW J THACKER

To be submitted by DVD

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 About
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YOU TUBE De Language: English Country: Worldwide Restricted Mode: Off Wilstory History







ABOUT PRODUCTS



OPPORTUNITY

LATEST

MEDIA

EVENTS



of total wellness, of grand ambitions, of the perfect opportunity.



A TINY FRUIT, AN ENORMOUS OPPORTUNITY

XANGO introduced the world to mangosteen. The rare concentration of xanthones in "the Queen of Fruit" creates the opportunity for a happier, healthier, wealthier life. Find the wellness you're looking for.

Watch the XANGO story



Page 1 Attachment 4

Southeast Asian scribes recorded the use of the whole-fruit mangosteen as early as 600 A.D.

Ancient cultures revere 'The Queen of Fruit' for its flavor and its support of good health.



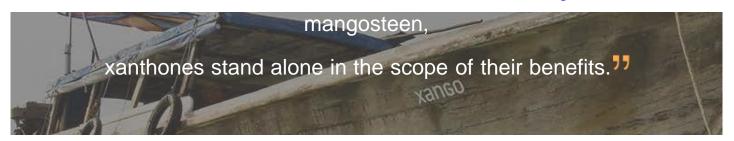
THE WORLD'S FIRST MANGOSTEEN BEVERAGE

We're so much more than just a beautiful bottle. Captured within is our delicious blend of nutrient-rich mangosteen fruit that you'll not only crave, but that is also packed with bioactive phytonutrients that offers unprecedented health benefits.

(Now's a good time to start learning about the 40 different types of xanthones in the mangosteen...).

Learn more

4 Among the powerful phytonutrients found in the rind of the





BE WELL, INSIDE & OUT.

With XANGO Juice as our foundation, we've developed a portfolio of products that refuse to cut corners. Premium ingredients and tireless research ensure safe, natural wellness for everything from your hair to your heart and your bones to your brain.

Learn more

At XANGO, there is limitless potential for a personal business.

This is a place for the dreamer, for someone who wants to believe in what they do and get rewarded for doing it well.

Page 3 Attachment 4

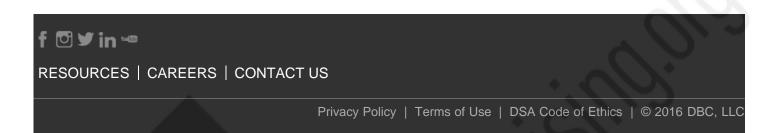
IT'S SAFE TO DREAM AGAIN

Improved health and a better quality of life—isn't it what we all dream about?

XANGO works hard to create an opportunity where dreams can become a reality—for you, your family and your friends—by simply sharing your experience with our products.

See how sharing XANGO can help you earn a residual income.

ENROLL





ABOUT PRODUCTS



OPPORTUNITY

LATEST

MEDIA

EVENTS









IT'S BEEN SAID THAT THE FUTURE BELONGS TO THOSE WHO SEEK IT OUT AND EMBRACE IT

We've sought it out, we're embracing it, and we've found there's room for the world to join us.

In 2002 XANGO shocked the network-marketing world with a product and compensation that no one had seen before. And since then it's only gotten better:

That sound you hear is Opportunity knocking! Whether you're looking to have your products paid for, a little extra spending money each month, or a full-fledged lifestyle upgrade, there's no better time than now — and there's no better place than XANGO.

OUR PLAN IS SIMPLE. Simple to build and simple to explain.

OUR PLAN IS GENEROUS. We pay 50% of commissionable volume. Notice how we didn't say "up to 50%" or "as much as 50%"—we pay 50%. And our plan has generated more than 100 million-dollar earners in under 12 years, and hundreds of thousands of others enjoying multiple streams of income with weekly and monthly checks.

OUR PLAN IS GLOBAL. The same qualifications are in place around the world, so once you qualify in your home market, you're eligible for commissions from throughout our more than 40 international markets.

OUR PLAN IS REWARDING. We offer amazing incentives, including global bonuses beginning as early as 1,000 points of volume in a month, a lifestyle/car bonus beginning at 10,000 points per month, rankadvancement bonuses beginning at 20,000 points per month, and exotic trips beyond that.

AND EMBRACE THESE NUGGETS

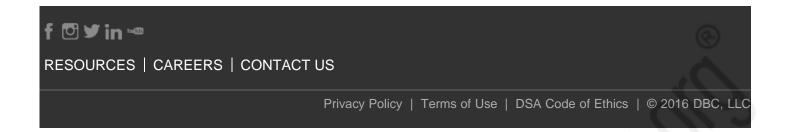
Attachment 4 Page 5

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WHILE YOU'RE SEEKING OUT YOUR FUTURE

We'd like to introduce you to some other elements that are also simple, generous, global and rewarding. You'll definitely want to take advantage of them along your amazing XANGO path.

Click here to learn about earning products for free, about additional rewards for staying on our Automatic Delivery Program (ADP), and about qualifying for a bonus — based on global sales — almost ridiculously early in your XANGO career!



XANGO Compensation Plan

PowerStart

PowerStart is a weekly bonus paid on a new Distributor's initial order, placed within 30 days of sign-up. Existing Distributors on the Automatic Delivery Program (ADP) can qualify.

Level	Amount	Requirements	
1*	25%	100 PV on ADP	
2	15%	200 PV on ADP	

NOTE:

Subsequent Distributor orders pay out through monthly UniLevel commissions.

*15% if you purchase at least 100 PV but no ADP

Customer Connect

Customer Connect is a weekly payout based on all Customer volume. Existing Distributors on ADP can qualify.

Level	Amount	Requirements
1	15%	100 PV on ADP
2-5	3%	200 PV on ADP
6-9	2%	300 PV on ADP

NOTE:

Commissions on volume from all Customer orders are paid through Customer Connect.

UniLevel

MONTHLY PAYOUT

Distributors earn monthly UniLevel commissions based on personal rank, ADP commitment (PV), and total group volume (GV) from ongoing purchases of Distributors in their organizations.

UniLevel Ranks and Qualification Requirments

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	Rep.	Pref. Rep.	1K	5K	20K	Premier	100K	200K	500K
Personal ADP	100*	100	100	100	200	200	200	200	200
Group Volume	n/a	n/a	1,000	5,000	20,000	50,000	100,000	200,000	500,000
Front-line Sponsored Legs	n/a	n/a	3 groups of 100 GV	3 groups of 1,000 GV	3 groups of 5,000 GV	2 groups of 20,000 GV 1 group of 5,000 GV	3 groups of 20,000 GV 1 group of 5,000 GV	3 groups of 50,000 GV 1 group of 20,000 GV	1 group of 200,000 2 groups of 100,000 G' 2 groups of 50,00 GV
Front-line Placed Legs* 'Placed by you or by an upline	n/a	n/a	n/a		2 legs of 5,000	2 legs of 20,000	2 legs of 20,000 1 leg of 5,000 GV	2 legs of 50,000 1 leg of 20,000 GV	1 leg of 200,000 1 leg of 100,000 GV 1 leg of 50,000 GV
UniLevel Payout									
Level 1	2%	2%	2%	2%	2%	2%	2%	2%	2%
Level 2	5%	5%	5%	5%	5%	5%	5%	5%	5%
Level 3		5%	5%	5%	5%	5%	5%	5%	5%
Level 4			5%	5%	5%	5%	5%	5%	5%
Level 5				5%	5%	5%	5%	5%	5%
Level 6					5%	5%	5%	5%	5%
Level 7					5%	5%	5%	5%	5%
Level 8						5%	5%	5%	5%
Level 9						5%	5%	5%	5%
	Rep.	Pref. Rep.	1K	5K	20K	Premier	100K	200K	500K

Effective: November 2014 /// For more information on the XANGO Compensation Plan visit: xango.com/distributor-resources and view the XANGO Policies and Procedures. Also located in your MyXANGOOffice.

Drive Your Own Dream

This monthly bonus — paid in addition to standard commissions — is available as early as 5K with as little as 10,000 in group volume. It's a true lifestyle bonus that you get to use as you see fit: education, transportation, inspiration. It's your call.



5K	10,000 GV (min.) and 200 ADP	\$400/month
Premier	50,000 GV (min.) and 200 ADP	\$600/month
200K	200,000 GV (min.) and 200 ADP	\$800/month

NOTE

Maximum of 50% of the required volume can come from any one leg.

Rank-Advancement Bonuses

Title	Bonus	Accelerated Bonus*		
20K	\$3,000	\$5,000	6 mo	
Premier	\$5,000	\$10,000	1 yr	
100K	\$10,000	\$25,000	2 yr	
200K	\$25,000	\$50,000	3 yr	
500K	\$50,000	\$100,000	4 yr	

^{*}The Accelerated Bonus is earned when a Distributor first achieves the new title within the time frame defined.

Paid over 6–24 months with continuing qualification.

iBonus Pool

BONUS POOLS

As early as 1K in BOLD you can begin to earn bonuses from global Customer volume (CV).



^{*} iVolume = your personal volume + your Customer volume — and Customers on ADP triple the share value!

Global Bonus

Qualifying Premiers and above share in a pool of 3% of global volume (paid monthly)



Rank	Volume*
Premier	GV 3
100K	GV 6
200K	GV 9
500K	GV 9 [†]

^{*} Shares are determined based on volume through representaive levels. For example, a Premier's shares are based on combined volume from her/his levels 1, 2 and 3.

Effective: November 2014 /// For more information on the XANGO Compensation Plan visit: xango.com/distributor-resources and view the XANGO Policies and Procedures. Also located in your MyXANGOOffice.

Page 8 Attachment 4

^{† 500}Ks receive additional bonuses from PowerStart and Customer Connect

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Plaintiff,

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Vemma Nutrition Company, et al

[proposed] ORDER GRANTING LEAVE TO SUPPLEMENT PRELIMINARY INJUNCTION RECORD AND TO FILE PHYSICAL EXHIBITS

Upon review of Plaintiff Federal Trade Commission's Motion for Leave to Supplement Preliminary Injunction Record and To File Physical Evidence, and good cause appearing,

IT IS ORDERED THAT the Motion is GRANTED. The Clerk of the Court shall accept a hard copy of the proposed Exhibit C and attachments referenced in the Motion, including a DVD containing the video entitled "How to Go 1K with Tom Alkazin."

IT IS SO ORDERED.