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15 CHUANJIE YANG, OLLIE LAN, LIU
16 LIU, AND ALL THOSE SIMILARLY
17 SITUATED

18 **UNITED STATES DISTRICT COURT**
19 **CENTRAL DISTRICT OF CALIFORNIA, WESTERN DIVISION**

20 CHUANJIE YANG, an individual; OLLIE
21 LAN aka RUONING LAN, an individual;
22 LIU LIU, an individual, and all those
23 similarly situated,

24 Plaintiffs,

25 v.

26 MARKET AMERICA, INC., a North
27 Carolina Corporation; MARKET
28 AMERICA WORLDWIDE, INC., a North
Carolina Corporation; JAMES HOWARD
RIDINGER, an individual; LOREN
RIDINGER, an individual; MARC
ASHLEY, an individual; and DOES 1-
100;

Defendants.

Case No. CV 17-cv-04012-GW(JEM)

**FIRST AMENDED COMPLAINT –
CLASS ACTION**

[DEMAND FOR JURY TRIAL]

1 I. **INTRODUCTION TO THE CASE**

2 1. Market America, Inc. (“MarketAmerica”) and their cohorts represented
3 to plaintiffs Chuanjie Yang, Ollie Lan, and Liu Liu (collectively, the “Plaintiffs”)
4 that Market America provides a business opportunity “unlike any seen in history
5 before” and that Plaintiffs could formulate their growth for future financial success
6 through MarketAmerica. Plaintiffs and hundreds of thousands, have joined
7 MarketAmerica and have become distributors.

8 2. MarketAmerica touts that by following a “two-year blueprint,” any
9 person can formulate, grow, and shape his or her growth for financial success.
10 According to MarketAmerica, the only way to fail under MarketAmerica’s business
11 model is to quit. Meanwhile, MarketAmerica and its confederate conspirators now
12 assert a business valuation of \$7.3 billion that they have made off the backs of
13 millions of people in their pyramid.

14 3. MarketAmerica targets Chinese-American immigrants who do not have
15 regularly available legal channels to vindicate their legal rights, and in hope of
16 selling “wonder” products to their relatives in China. Further, these connections
17 help MarketAmerica connect to billions of potential victims thousands of miles
18 away.

19 4. Plaintiffs did not make money as promised. As with the case of
20 hundreds of thousands of MarketAmerica distributors before and after them, the
21 Plaintiffs failed. Plaintiffs and those similarly situated, failed even though they were
22 committed and put in the time and effort. They failed because they were doomed
23 from the start by a MarketAmerica marketing plan that systematically rewards
24 recruiting Distributors over the sale of products.

25 5. Over 90% of MarketAmerica Distributors average net losses. No
26 persons, except Individual Defendants and secretly placed individuals into the
27 “representative” tiers of the company, makes any money.

28

1 6. Defendants run an illegal pyramid scheme. Defendants take money in
2 return for the right to sell products that they do not even manufacture, and reward
3 for recruiting other participants into the pyramid.

4 7. Accordingly, Plaintiffs, for themselves, all others similarly situated,
5 and the general public, allege:

6 **II. TYPE OF ACTION**

7 8. Plaintiffs sue for themselves and for all persons who were
8 MarketAmerica participants from 2010 until the present under California’s Endless
9 Chain Scheme Law (California’s Penal Code § 327 and California Civil Code §
10 1689.2), California’s Unfair Competition Law (Business and Professions Code
11 §17200 et seq.), False Advertising Law (Business and Professions Code §17500),
12 and Racketeer Influenced and Corrupt Organizations Act, 18 U.S.C. § 1961 *et seq.*
13 against all defendants for the operation and promotion of an inherently fraudulent
14 endless chain scheme.

15 **III. PARTIES**

16 9. Plaintiff Chuanjie Yang (“Yang”), is and at all relevant times, has
17 resided in the County of Los Angeles.

18 10. Plaintiff Ollie Lan, aka Ruoning Lan (“Lan”), is and at all relevant
19 times, has resided in the County of Los Angeles.

20 11. Plaintiff Liu Liu (“Liu”) is and at all relevant times, has resided in the
21 County of Los Angeles.

22 12. Market America, Inc. is a North Carolina Corporation
23 (“MarketAmerica”) that operates and manages the pyramid scheme in California.

24 13. Market America Worldwide, Inc. is a North Carolina Corporation
25 (“Marketing”) that also operates and manages the pyramid scheme in California.

26 14. Defendant James Howard Ridinger aka JR Ridinger (“JR”) is a natural
27 person. JR is the founder of MarketAmerica and Marketing, Chairman, and CEO.
28 He is at or near the top of the pyramid operated and promoted by the Defendants,

1 and he actively participates in, promotes, and profits from MarketAmerica’s
2 pyramid scheme.

3 15. Defendant Loren Ridinger (“Loren”) is a senior executive Vice
4 President for MarketAmerica. She is at or near the top of the pyramid operated and
5 promoted by the Defendants, and she actively participates in, promotes, and profits
6 from MarketAmerica’s pyramid scheme.

7 16. Defendant Marc Ashley (“Ashley”) is the son of Loren and the
8 President and Chief Operating Office of MarketAmerica. He is at or near the top of
9 the pyramid operated and promoted by the Defendants, and he actively participates
10 in, promotes, and profits from MarketAmerica’s pyramid scheme.

11 17. JR, Loren, and Ashley are referred to hereinafter, as the “Individual
12 Defendants.”

13 **III. JURISDICTION AND VENUE**

14 18. Jurisdiction is conferred upon this Court because Defendants do business
15 in this judicial district, they hold themselves out and market to this jurisdiction, and
16 they actually conduct significant transactions in this jurisdiction. Under Plaintiff’s
17 California state law claims, more than 75% of those affected in the class (and perhaps
18 more persons) are residents of the State of California. Supplemental jurisdiction
19 exists over the RICO causes of action and Federal Securities claim, pled in the
20 alternative.

21 19. Venue is proper in this Court because a substantial part of the events or
22 omissions giving rise to Plaintiffs’ claims occurred here, a substantial part of the
23 property that is the subject of this action is situated here, and Defendants are subject
24 to personal jurisdiction, in this District.

25 20. Defendant MarketAmerica is subject to the jurisdiction of this Court.
26 MarketAmerica has been engaged in continuous and systematic business in
27 California. In fact, many of MarketAmerica’s representative business activities
28 originate from California.

1 21. MarketAmerica has committed tortious acts in this State.

2 22. Each of the Defendants named herein acted as a co-conspirator, single
3 enterprise, joint venture, co-conspirator, or alter ego of, or for, the other Defendants
4 with respect to the acts, omissions, violations, representations, and common course
5 of conduct alleged herein, and ratified said conduct, aided and abetted, or is other
6 liable. Defendants have agreements with each other, and other unnamed Director
7 co-conspirators and have reached agreements to market and promote the
8 MarketAmerica pyramid as alleged herein.

9 23. Defendants, along with unnamed Director co-conspirators, were part of
10 the leadership team that participated with MarketAmerica, and made decisions
11 regarding: products, services, marketing strategy, compensation plans (both public
12 and secret), incentives, contests and other matters. In addition, Defendants and
13 unnamed co-conspirators were directly and actively involved in decisions to develop
14 and amend the compensation plans.

15 24. Plaintiffs are presently unaware of the true identities and capacities of
16 fictitiously named Defendants designated as DOES 1 through 10, but will amend this
17 complaint or any subsequent pleading when their identities and capacities have been
18 ascertained according to proof. On information and belief, each and every DOE
19 defendant is in some manner responsible for the acts and conduct of the other
20 Defendants herein, and each DOE was, and is, responsible for the injuries, damages,
21 and harm incurred by Plaintiffs. Each reference in this complaint to “defendant,”
22 “defendants,” or a specifically named defendant, refers also to all of the named
23 defendants and those unknown parties sued under fictitious names.

24 25. Plaintiffs are informed and believe, and thereon allege that, at all times
25 relevant hereto, all of the defendants together were members of a single association,
26 with each member exercising control over the operations of the association. Each
27 reference in this complaint to “defendant,” “defendants,” or a specifically named
28 defendant, refers also to the above-referenced unincorporated association as a jural

1 entity and each defendant herein is sued in its additional capacity as an active and
2 participating member thereof. Based upon the allegations set forth in this Complaint,
3 fairness requires the association of defendants to be recognized as a legal entity, as
4 the association has violated Plaintiff and Class Members' legal rights.

5 26. Plaintiffs are further informed and believes and thereon alleges that each
6 and all of the acts herein alleged as to each defendant was authorized and directed by
7 the remaining defendants, who ratified, adopted, condoned and approved said acts
8 with full knowledge of the consequences thereof, and memorialized the authority of
9 the agent in a writing subscribed by the principal.

10 27. Plaintiffs are informed and believe and thereon allege that each of the
11 defendants herein agreed among each other to commit the unlawful acts (or acts by
12 unlawful means) described in this Complaint.

13 28. The desired effect of the conspiracy was to defraud and otherwise
14 deprive Plaintiffs and Class Members (as hereinafter defined) of their constitutionally
15 protected rights to property, and of their rights under other laws as set forth herein.
16 Each of the defendants herein committed an act in furtherance of the agreement.
17 Injury was caused to the Plaintiffs and Class Members by the defendants as a
18 consequence.

19 **IV. FACTS**

20 **A. MarketAmerica Operates A Pyramid Scheme**

21 29. MarketAmerica was founded in 1992 by a former Amway Distributor,
22 and co-defendant, JR Ridinger. MarketAmerica has very little costs, nor production
23 requirements because it does not directly manufacture its own products. Instead,
24 MarketAmerica offers products from third party manufacturers, but requires
25 distributors of MarketAmerica to pay monthly fees just for the opportunity to sell
26 these third-party products, the touchstone of a pyramid scheme.

27 30. To sign up as a Market America distributor, an enrollee must pay a
28 start-up fee of \$399.00 (which was even greater prior to 2013), and further, a

1 distributor must pay MarketAmerica a monthly fee of \$129.00, per month. Further,
2 an enrollee must spend between \$130-\$300 on products offered on Shop.com, per
3 month to allegedly maintain qualifications as an enrollee. MarketAmerica also
4 requires distributors to attend trainings, events and seminars, which cost between
5 \$20 and \$200.

6 31. Ridinger describes himself as a “secular economic evangelist.” JR
7 represents that to be successful with MarketAmerica, one must build two sales
8 distribution teams, bring in preferred customers, sell business, and sell tickets for
9 national events, and training seminars. Further representations are made that sales
10 requires recruiting people to build distribution teams.

11 32. MarketAmerica pays to an infinite level deep with the downline. In
12 other words, for every dollar earned by a distributor for start up-fees, all those lines
13 above the person on the pyramid receive revenues from the person being enrolled.

14 33. Rewards paid in the form of cash bonuses, where primarily earned for
15 recruitment, as opposed to merchandise sales to consumers, constitute a fraudulent
16 business model. *See F.T.C. v. BurnLounge, Inc.*, 753 F.3d 878 (9th Cir. 2014).

17 **B. How MarketAmerica Perpetuates Its Pyramid Scheme**

18 34. To “build a serious business, it is based on bringing two likeminded
19 people-one on your right side, one on your left side.” *See*
20 <https://www.youtube.com/watch?v=TMSQnqK4I8A>, (last visited May 27, 2017) (at
21 6:40).

22 35. As each lower level is recruited, points and commissions are rewarded
23 to an infinite level deep, i.e. to each level of the pyramid scheme. According to
24 MarketAmerica, “people lead to more people.” (*See* Figure No. 1).

25 [Complaint continued on next page]

26
27
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FIGURE NO. 1

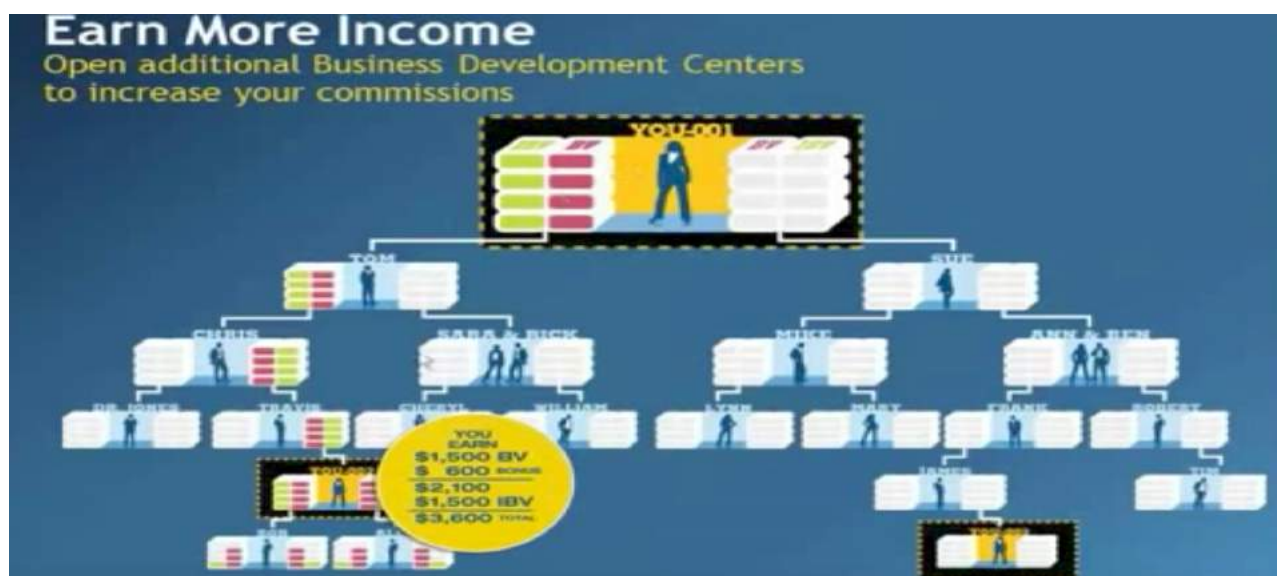


36. Every dollar made by MarketAmerica (*i.e.* throughout the entire pyramid) accrues to the benefit of those at the top of the pyramid.

37. Two commission checks are to be paid – money from BV (Business volume) Products that MarketAmerica affixes its logo to) and IBV (Incentive Business Volume) (non-MarketAmerica Products).

38. After a distributor cycles (creates one full cycle of sales above as reflected in Figure No. 1), a distributor can “re-enter” the pyramid as a downline in both pyramids. Recycling is depicted in the black squares below as follows:

FIGURE NO. 2



1 39. The purpose of “re-entry” is a feeble attempt to detract from the
 2 appearance of a perpetual pyramid scheme and to squeeze out those in the lower
 3 levels of the pyramid from bonuses, points, and commissions. Re-entries in
 4 MarketAmerica are represented by those in MarketAmerica to be “unlimited.”

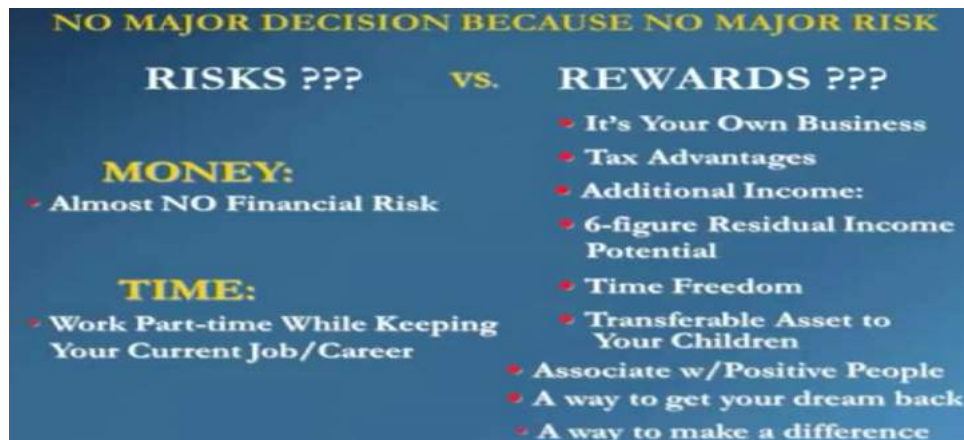
5 40. Finally, if one becomes a “Master Unfranchise Owner” he or she can
 6 earn even more money (see Figure No. 3 below). In short, enrollees are asked to
 7 pay a large upfront fee for the speculative chance to earn another source of income.
 8 Those on the top of the pyramid will give up some of the ill-gotten profits if a
 9 Distributor signs up three times. According to MarketAmerica, through this
 10 process, a distributor can earn “\$561,600.” Through MarketAmerica, a distributor
 11 can have at most, four front lines. In actuality, no true MarketAmerica distributor
 12 earns \$561,000, only those at the helm of the scheme, and more than 90% all
 13 enrollees earn nothing.

14
 15 FIGURE NO. 3



25 41. MarketAmerica claims to its victims, “don’t overthink it. This is a
 26 proven system.” According to representations and advertisements, MarketAmerica
 27 has taken “all the risk away.”

1 FIGURE NO. 4



9 42. MarketAmerica represents that this business opportunity can be “willed or transferable” to an distributor’s children, you “get to dream big,” and get to “make a difference in the world” by being a part of this business.

10

11

12 **C. Members Receive Benefits Only Through The Performance Of Those Downline To Them**

13

14 43. As MarketAmerica’s sale presentation states, income is made only from the recruit of additional sales representatives because Market America has to pay wholesale prices to those companies that actually manufacture its products.

15

16

17 44. Some of the products offered by MarketAmerica are unhealthy and toxic, and after Plaintiff Lan’s mother took MarketAmerica’s products, she suffered health issues. MarketAmerica has been sued under Proposition 65 in a class action because certain of its products allegedly contained lead. *Environmental Research Center v. Market America, Inc.*, 30-2013-00650458 (Orange Ct. Sup. Ct, May 20, 2012).

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23 **D. Market America Encourages Inventory Loading**

24 45. MarketAmerica encourages Distributors to recruit and to inventory load through its wholesale commissions.

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26 46. The prospect of wholesale commissions encourages recruiting: the more recruits a Distributor has, the more potential there is for a wholesale commission. The prospect of wholesale commissions also encourages Distributors

27

28

1 to purchase product they do not otherwise need or want to increase their points so
2 that they can be eligible for greater discounts and thus, greater wholesale
3 commissions.

4 47. There are very few retail purchases made at Distributors' sites. These
5 are MarketAmerica webpages that allow retail customers to order directly from
6 MarketAmerica and attribute the purchase to a particular distributor (much like a
7 customer informing the cashier at a department store which clerk helped him find
8 the sweater he is purchasing). The customer does not receive a discount for
9 purchasing through a particular Distributor's Microsite, so the customer has little
10 incentive to order through the Microsite. As for the Distributors, they will want to
11 make retail sales directly to retail customers so they can offload product that they
12 have already purchased from MarketAmerica. In addition, for reasons described
13 herein, few profitable retail sales are made at all, via the sites or otherwise. Thus,
14 retail sales through a Distributor's site is not a reliable source of points.

15 48. The only reliable source of points for the majority of Distributors is
16 their own purchases. Purchases for normal consumption will be insufficient to meet
17 the thresholds required to qualify for bigger discounts. Thus, MarketAmerica's
18 wholesale commissions financially incentivize the Distributors to inventory load to
19 make purchases; not for the purpose of fulfilling retail demand, and not to satisfy
20 their normal desire for nutritional supplements and health products, but rather so
21 that they can increase their points, qualify for greater discounts, and qualify for
22 wholesale commissions. Moreover, as discussed above, every form of
23 compensation paid by MarketAmerica incentivizes recruiting - bringing more
24 Distributors into the scheme. In fact, Wholesale Commissions, Overrides, and
25 Leadership Bonuses are payable only if a Distributor has recruited new Distributors.
26 Thus, just like a classic pyramid scheme, the MarketAmerica scheme requires
27 participants to put money into the scheme and rewards participants who bring in
28 new participants.

1 **E. Distributors Are Unable To Sell MarketAmerica Products For A**
2 **Profit**

3 49. Distributors are unable to consistently sell MarketAmerica products for
4 a profit for many reasons. First, the products are overpriced. Interchangeable
5 products are available online or in brick-and-mortar stores for amounts far less than
6 MarketAmerica’s suggested retail price, and even lower than its wholesale prices.

7 50. Second, MarketAmerica’s products themselves are available online for
8 the wholesale price or less. That these products are sold at or below the Advisor
9 price makes it difficult for Distributors to sell the products for a profit.

10 MarketAmerica may have taken action to reduce resales, but the fact remains that
11 MarketAmerica products are available below the discount prices. Moreover, many
12 of these sales are likely made by current or former Distributors desperately trying to
13 offload excess product at whatever price they can get, which further supports the
14 propositions that Distributors Inventory Load and that the MarketAmerica products
15 are overpriced.

16 51. Third, MarketAmerica prohibits Distributors from selling the products
17 in the only forum for a where Distributors could reasonably expect to sell enough
18 product to make a meaningful profit: the internet. Some examples of these
19 prohibited websites include, but are not limited to: eBay, Amazon or Craigslist. In
20 addition, MarketAmerica forbids its Distributors from selling MarketAmerica
21 products at almost all brick-and-mortar establishments. MarketAmerica seeks to
22 limit the Distributors to one-on-one situations in private locations (such as the
23 Distributor’s or a friend’s home), but achieving significant, profitable retail sales by
24 this method is extremely difficult.

25 52. Plaintiffs do not contend that Distributors make no retail sales at all.
26 But Plaintiffs do allege that relatively little of the revenues received by
27 Distributors—including both money paid them by MarketAmerica and proceeds
28 from retail sales—comes from retail sales, and the vast majority comes from

1 Distributors' payments to MarketAmerica. Thus, the Distributors are primarily
2 feeding off each other.

3 53. MarketAmerica also makes false and/or inadequate income disclosures
4 in that in many instances, it does not disclose income of those who are distributors,
5 or provides statements of income that are false, and/or misleading, that affirmatively
6 represent a profitable business opportunity, when there is no profit to be made, and
7 nearly all participants in fact, lose money.

8 54. Because MarketAmerica pays the executives at the top of the pyramid
9 exorbitant incomes and because little non-Distributor money comes into the scheme
10 to pay Distributors, the Distributors at the bottom of the pyramid must lose money.
11 These losses are borne out by MarketAmerica's own financial disclosures and the
12 experiences of the Plaintiffs and multiple other Distributors.

13 **F. The Individual Defendants and Market America Promote the**
14 **Pyramid Scheme**

15 55. The Individual Defendants are persons at the top of MarketAmerica's
16 pyramid. All of the Individual Defendants achieved ranks of top executive. They are
17 in the top 1% of Distributors who make the most lucrative bonuses. They actively
18 participate in the MarketAmerica pyramid scheme, and they profit from the
19 compensation plan at the expense of the vast majority of Distributors.

20 56. MarketAmerica and the Individual Defendants promote the pyramid
21 scheme and make misleading claims of financial success.

22 57. In coordination with MarketAmerica, the Individual Defendants have
23 flooded the internet with promotional materials designed to lure in new Distributors.
24 MarketAmerica and Individual Defendants promote the scheme as a lawful program
25 that, with sufficient hard work, virtually guarantees financial success. MarketAmerica
26 and the Individual Defendants promote Market America as a reliable source of
27 significant income.
28

1 58. To sell the financial- success promise, MarketAmerica and the
2 Individual Defendants flaunt the wealth of the highest-ranked Distributors and those
3 few insiders at the top of the pyramid, as examples of the riches that await new
4 participants, if only they will work hard enough (i.e., tirelessly recruit new
5 Distributors).

6 59. All of the Individual Defendants have produced videos and made
7 statements via the internet knowingly promoting MarketAmerica’s pyramid scheme
8 and touting the financial rewards supposedly available to participants. Each of these
9 statements furthered the pyramid scheme by encouraging persons to become
10 Distributors and by encouraging Distributors to remain Distributors and pursue the
11 MarketAmerica business opportunity.

12 60. The similarity of the statements made by the Individual Defendants
13 indicates a collusive effort to promote the MarketAmerica scheme. The following
14 paragraphs set forth just a small subset of publicly broadcast statements made by the
15 Individual Defendants to promote the MarketAmerica “business opportunity.”

16 61. Defendant JR Ridinger (“JR”). Defendant JR is one of the most prolific
17 MarketAmerica promoters. Scores of videos on YouTube and other public internet
18 platforms feature JR promoting, touting, and explaining the MarketAmerica business
19 opportunity.

20 FIG. NO. 5



1 62. As seen above, JR tries to make his introduction to victims appear like a
2 rock and roll concert with visual spectacles including pyrotechnics, laser lights, rock
3 music, and jumbo screens. <https://www.youtube.com/watch?v=pZn5xjKpDns>.

4 63. JR represents: “[h]ow do we build a business, we have fun and we hiss a
5 lot.” “We hiss in a lot of pots.” “For those that understand no explanation is
6 necessary.” “We can sell anything.”

7 64. Further, JR represents “[i]t follows wherever people connect to
8 maximize to infinity.” “One person doesn’t do it, it creates swiss cheese below. In
9 reality if one person doesn’t do it, you have to get three in under them, and three in
10 under them.” “It always maximizes profit.” “We are executive directors in one year.
11 Some Chinese have done it faster. [Except unlike them] we buy tickets.”

12 FIG NO. 6



19
20 FIG. NO. 7



1 65. Defendant Loren Ridinger (“Loren”). Loren represents: “[w]e build
2 people with teams.” “When you buy, you can buy from yourself.” “If you can’t buy
3 from yourself...[convert spending to earning] why are you here?” Loren further
4 represents that distributors, “[n]eed to buy a ticket here [for the next event
5 MarketAmerica is having].” “If you don’t buy it here, *you are not coming [to the next
6 event].*” Loren demands that distributors “build from event to event,” “build an
7 empire, people power.” Among other things, Loren commands to her victims that
8 through the MarketAmerica business opportunity, one can “[b]e a lion for a day rather
9 than being a slave for thousands of years.” “We build people power,” and later she
10 claims MarketAmerica requires an - “empire of people.”

11 FIGURE NO. 8



21 66. Defendant Marc Ashley. Defendant Marc Ashley (“Ashley”) is the
22 COO of MarketAmerica and regularly promotes the recruiting scheme of
23 MarketAmerica at events by discussing the recruitment scam of MarketAmerica.

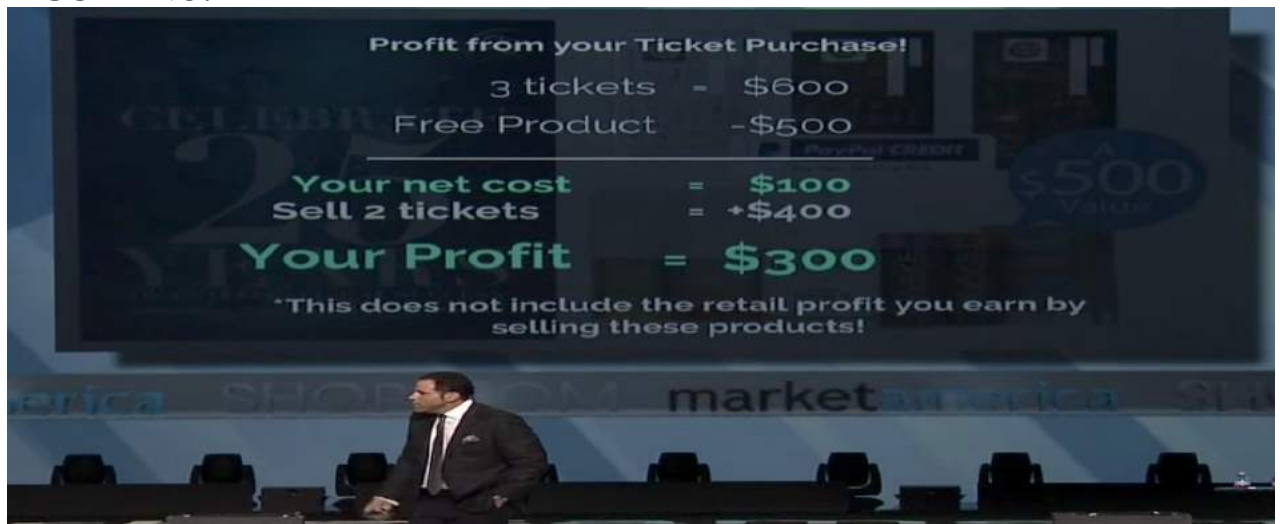
24 FIGURE NO. 9



FIGURE NO. 10



FIGURE NO. 11



67. Carl Eklund, an executive of MarketAmerica confirms in various seminar materials that the MarketAmerica business has “not changed” because of the shopping annuity, the shopping annuity just makes the business easier.

G. Plaintiffs Are Victims Of The Pyramid Scheme

68. Yang became an MarketAmerica distributor in 2010 through 2016 by making purchases and buying the starter pack. Plaintiff paid the monthly membership for years, attended multiple seminars, and in total paid MarketAmerica approximately \$35,000 towards this opportunity. Yang also expended significant amounts towards travel, lodging, and accommodations. Plaintiff Yang was deceived by MarketAmerica’s misleading opportunity believing, the opportunity was a legitimate way to earn money (even though that representation by Market and the

1 Individual Defendants was false), and Plaintiff Yang did in fact lose money as a
2 result of Defendants' unfair, unlawful, and fraudulent business practice. The
3 endless chain account to which Yang is a party, has not been closed by market
4 America at any time, and his claim is based on among other writings, an open
5 account stated for monies owed and spent as reflected in the books and records, as
6 reflected in invoices, invoices for yearly membership, bills, tickets stubs, and
7 receipts. Through this action, Plaintiff Yang is seeking equitable/ injunctive relief in
8 that he seeks rescission of any documents forming his participation in the endless
9 chain which include invoices and receipts, payment on accounts stated, and the
10 return of such amounts he was paid by virtue of being a participant in the Market
11 America pyramid scheme. Market America continues its same business practices to
12 this day, and is likely to continue its business practices into the future. Market
13 America continues to market its business practices and distributorship opportunity to
14 all 50 states. Yang did not sign the distributorship agreement in the form referred to
15 in Figure No. 12 and did not enroll with Market America electronically, but instead
16 signed the form presented by his upline.

17 69. Ollie Lan aka Ruoning Lan, is and at all relevant times, resides in the
18 County of Los Angeles. Lan became a MarketAmerica distributor in December of
19 2015 through present. Lan paid monthly distributor fees for three months. Plaintiff
20 Lan was deceived by MarketAmerica's misleading opportunity believing the
21 opportunity was a legitimate way to earn money (even though that representation
22 was false), and Plaintiff Lan did in fact lose money as a result of Defendants' unfair,
23 unlawful, and fraudulent business practice. Plaintiff Lan lost approximately \$7,000
24 as a result of Defendants' pyramid scheme. The endless chain account to which Lan
25 is a party, has not been closed by market America at any time, and his claim is based
26 on among other writings, an open account stated for monies owed and spent as
27 reflected in the books and records, as reflected in invoices, invoices for yearly
28 membership, bills, tickets stubs, and receipts. Through this action, Plaintiff Lan is

1 seeking equitable/ injunctive relief in that he seeks rescission of any documents
2 forming his participation in the endless chain which include invoices and receipts,
3 payment on accounts stated, and the return of such amounts he was paid by virtue of
4 being a participant in the Market America pyramid scheme. Market America
5 continues its same business practices to this day, and is likely to continue its
6 business practices into the future. Market America continues to market its business
7 practices and distributorship opportunity to all 50 states.

8 70. Plaintiff Liu Liu, is and at all relevant times, resides in the County of
9 Los Angeles. Liu became a MarketAmerica distributor in 2016 through present.
10 Plaintiff Liu was deceived by MarketAmerica's misleading opportunity believing
11 the opportunity was a legitimate way to earn money (even though that representation
12 was false), and Plaintiff Liu did in fact lose money as a result of Defendants' unfair,
13 unlawful, and fraudulent business practice. Plaintiff Liu lost approximately \$10,000
14 as a result of Defendants' pyramid scheme. The endless chain account to which Lan
15 is a party, has not been closed by market America at any time, and his claim is based
16 on among other writings, an open account stated for monies owed and spent as
17 reflected in the books and records, as reflected in invoices, invoices for yearly
18 membership, bills, tickets stubs, and receipts. Through this action, Plaintiff Liu is
19 seeking equitable/ injunctive relief in that he seeks rescission of any documents
20 forming his participation in the endless chain which include invoices and receipts,
21 payment on accounts stated, and the return of such amounts he was paid by virtue of
22 being a participant in the Market America pyramid scheme. Market America
23 continues its same business practices to this day, and is likely to continue its
24 business practices into the future. Market America continues to market its business
25 practices and distributorship opportunity to all 50 states.

26 71. Plaintiffs Lan and Liu did not make any retail sales whatsoever.

27 **H. Independent Distributor Application And Agreement**

1 72. Under controlling precedent in the Ninth Circuit, Market America
 2 cannot seek to compel arbitration in another state, here the Middle District of North
 3 Carolina. *Beauperthuy v. 24 Hour Fitness USA, Inc.*, 2012 WL 3757486, at *5
 4 (N.D. Cal. July 5, 2012) (“[T]he Ninth Circuit’s interpretation of the [Federal
 5 Arbitration Act] . . . prohibits a district court from ordering parties to arbitrate
 6 *outside of the district* in which a motion to compel is filed.”) (internal citations
 7 omitted). Market America’s sole remedy is to seek to transfer the case should it seek
 8 to compel arbitration in another venue.

9 73. At some times during Market America’s history, it has requested various
 10 class members to sign a one page document labeled, “Independent Distributor
 11 Application and Agreement” (the “Agreement”).

12 FIGURE NO. 12

13

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 25 74. The signature line of the Agreement, only requires a MarketAmerica
 26 distributor to “AGREE TO THE **TERMS** SET FORTH IN THIS AGREEMENT.”
 27 (emphasis added). None of the “terms” in the Agreement provide for arbitration.
 28 Nowhere on the form, does Market America ask some class members to assent or sign

1 that they agree to any *conditions*. No term of the Agreement provides for arbitration,
2 so no class member is bound by arbitration.

3 75. At the bottom of the form and *below* the signature box (See Figure No.
4 12 above), next to a box labeled “INTERNAL USE ONLY,” the Agreement states
5 “SEE REVERSE SIDE FOR TERMS AND CONDITIONS OF THIS
6 AGREEMENT.” (emphasis added).

7 76. The “conditions” on the reverse side include an arbitration provision,
8 which provides as follows:

9
10 29. Arbitration. Any controversy or claim arising out of or relating to this
11 Agreement, or the breach thereof, shall ultimately be settled by arbitration
12 administered by the American Arbitration Association in accordance with its
13 Commercial Arbitration Rules and judgment on the award rendered by the
14 arbitrators may be entered in a court of competent jurisdiction. You understand
15 that this arbitration provision means you are giving up the right to have any
16 dispute you have regarding this Agreement heard by a jury and determined in a
17 court of law. The arbitration shall be heard by one arbitrator, and it shall take
18 place in Greensboro, North Carolina. Either party may seek emergency or
19 provisional relief in the General Court of Justice, Guilford County, North
20 Carolina, prior to invoking the arbitration remedy.

21 (Agreement, ¶29).

22 77. The arbitration provision is unenforceable because no class members
23 were required to assent to the arbitration conditions by the terms of the Agreement
24 itself, and the signature line block confirms only the “terms” of the Agreement need
25 be assented to. In the alternative, this is highly misleading.

26 78. The arbitration policy also includes the following provision:

27 Distributor Grievances. You agree to submit any complaint, grievance, or claim
28 against another Distributor or MA in accordance with the Grievance Procedure
set forth in the Career Manual. You agree not to seek arbitration, take legal
action except in accordance with the Grievance Procedure, or contact any
regulatory agency regarding your MA Distributorship until all steps of the
Grievance Procedure have been completed. If you breach this covenant, you may

1 be liable to MA for damages and legal costs, including reasonable attorney’s
2 fees.

3 (Agreement, ¶20).

4 79. Buried in the Career Manual, MA commands: “The Distributor agrees
5 to submit any complaint, grievance or claim against a Distributor or the company to
6 the Appeals Board and Dispute Resolution Board for settlement prior to contacting
7 any regulatory agency or taking any legal action.” (Career Manual pp. 42).

8 80. The complaint must cite “policies and procedures affected,” and
9 provide all evidence that may not be available to a distributor. (*Id.*) Any such
10 complaint will routinely result in a denial by MA because the MA Appeals Board is
11 comprised of officers of MA (and their cronies) who have a financial interest in
12 denying claims. If a distributor is unsatisfied with the “written response” from the
13 MA Appeals Board, the Dispute Resolution Board (DRB) is the “final appeal
14 process regarding company rulings or decisions concerning policies, procedures,
15 rules and regulations. The DRB only reviews facts and enforces company policies
16 and procedures. The DRB does not set policy, change policy, or make exceptions to
17 rules and regulations. It functions to interpret policies, procedures, rules and
18 regulations where no precedent exists or where unique mitigating circumstances are
19 encountered.” Career Manual, Ch. 14, § 8(B).

20 81. To invoke the DRB, a distributor must complete and submit a DRB
21 Submission form, all documents, all evidence, and a \$50.00 filing fee which is non-
22 refundable. If the Distributor disagrees with the decision of the DRB, the
23 Distributor’s only recourse is to request arbitration within 90 days of the date of the
24 DRB decision letter. (*Id.*) (emphasis added). Distributors are further commanded not
25 to take any action through the Career Manual: “Note: You should always consult
26 with your upline leadership before submitting an appeal to make sure: (1) that the
27 situation merits an appeal, and (2) that the situation cannot be resolved by MA
28 without having to submit an appeal.”

1 82. The Career Manual also unconscionably expands on MA’s right to
2 amend the DA as follows: “[t]he Company expressly reserves the right to alter or
3 amend Distributor’s cost of products, policies, procedures, rules, regulations... Upon
4 notification by mailing ... such amendments are automatically incorporated as part
5 of the Independent Distributor Application and Agreement between the company
6 and the Distributor.” (Career Manual, pp. 51).

7 83. There is an unconscionable 90-day statute of limitation to bring claims
8 in the Career Manual. (Career Manual, pp. 51-52).

9 84. The internal reconciliation procedure and two-tiered Kangaroo Court
10 administrative review proceeding are a sham, and undeniably demonstrate
11 substantively unconscionable because the arbiters are Market America’s officers and
12 its cronies who cannot adjudicate any claims for rescission/monetary damages and
13 thus there is no legal venue.

14 85. The arbitration policy is also unconscionable because it constitutes a
15 chilling provision, that permits Market America to sue a distributor for contacting a
16 regulatory body like the FTC, the California Attorney General, and from
17 commencing arbitration without first going through the sham internal reconciliation
18 process, and the sham two-tiered review process.

19 86. Market America has claimed in the course of this litigation that it is not
20 bound by ¶20 of the DA and the Career Manual, which is made part of the DA by
21 the express terms of the DA itself. Defendants’ position, actions, and conduct,
22 constitutes waiver of its right to assert arbitration whatsoever, as Defendants are
23 taking the position in this litigation that certain terms are not enforceable. Based on
24 the doctrine of waiver, no arbitration can be enforced.

25 87. In the alternative, the arbitration provision is unconscionable because
26 *inter alia*, it permits MarketAmerica the unilateral right to modify the conditions of
27 the arbitration policy, the rules of Commercial Arbitration for AAA do not provide
28 for prevailing party fees and class members would have to pay the cost and fees of

1 arbitration despite their entitlement to costs of suit and fees should they be the
2 prevailing party in this action, the pre-litigation requirements of MarketAmerica prior
3 to bringing action are unconscionable, and for other reasons to be asserted to the
4 extent motion practice is initiated.

5 88. In the alternative, the arbitration provision is unenforceable as a matter
6 of law and as a matter of fact on other grounds.

7 89. In the alternative, the arbitration provision is unenforceable related to the
8 injunctive relief requested in this Complaint, based on recent California Supreme
9 Court authority.

10 90. To the extent “[t]he arbitration shall be heard by one arbitrator, and it
11 shall take place in Greensboro, North Carolina” is considered a “forum selection
12 clause”, the forum selection clause should be analyzed under Federal Law, and such
13 clause is unenforceable because independently, and in the alternative, (1) it was the
14 product of fraud and overreaching, (2) Plaintiffs would effectively be deprived of
15 their day in court if this clause was enforced, and (3) enforcement of this provision
16 would contravene a strong public policy of the forum in which the suit is brought
17 (particularly in light of the legislative history of the Endless Chain law). For each of
18 these reasons, and incorporating ¶¶ 72-88, this provision cannot be enforced to
19 require transfer.

20 **V. CLASS ACTION ALLEGATIONS**

21 90. Plaintiffs seek to represent a nationwide class defined as follows:

22 91. Plaintiffs bring this action as a class action under Federal Rule of Civil
23 Procedure 23.

24 92. Plaintiffs seek to certify a class pursuant to Fed. R. Civ. Proc. 23(a),
25 23(b), 23(c)(4), and 23(c)(5), if necessary.

26 93. Plaintiffs seek relief on behalf of themselves and the following class:
27 persons who paid start-up fees, monthly fees, annual fees, seminar ticket fees, any
28 other fees imposed by Market America, and/or purchased products from

1 MarketAmerica between March 9, 2010, to the present date, who lost money from
2 their participation in the MarketAmerica scheme.

3 94. Subject to confirmation, clarification and/or modification based on
4 discovery to be conducted in this action, Plaintiffs also seek to represent a sub-class
5 in California, defined as follows: persons residing in California who paid start-up
6 fees, monthly fees, annual fees, seminar ticket fees, any other fees imposed by Market
7 America, and/or purchased products from MarketAmerica between March 9, 2010, to
8 the present date, who lost money from their participation in the MarketAmerica
9 scheme.

10 95. Subject to confirmation, clarification and/or modification based on
11 discovery to be conducted in this action, Plaintiff also seeks to represent a sub-class
12 of all worldwide participants of MarketAmerica, defined as follows: persons
13 residing anywhere in the World who paid start-up fees, monthly fees, annual fees,
14 seminar ticket fees, any other fees imposed by Market America, and/or purchased
15 products from MarketAmerica between March 9, 2010, to the present date, who lost
16 money from their participation in the MarketAmerica scheme.

17 96. Pursuant to the previous paragraph of this complaint, the damage to any
18 person living anywhere else other than the United States involved a domestic injury
19 to business or property because all contracts of independent business owners were
20 negotiated, executed, and stored on a server in the United States owned by
21 MarketAmerica, and are available on the worldwide web, involved a significant
22 connection to domestic commerce in that the labeling, products, and other parts of
23 the manufacturing and sales and marketing process were conducted from the United
24 States, and for other reasons to be provided according to proof, and after the
25 opportunity for discovery.

26 97. Excluded from the class are the Defendants, family members, this
27 Court, and any "Director" of MarketAmerica.

28

1 98. Plaintiffs seek to pursue a private attorney general action for injunctive
2 relief for themselves and all members of the class, and they satisfy the standing and
3 class action requirements.

4 99. While the exact number of members in the Class and Subclasses are
5 unknown to Plaintiffs at this time, and can only be determined by appropriate
6 discovery, membership in the class and subclasses is ascertainable based upon the
7 records maintained by Defendant. It is estimated that the members of the Class are
8 greater than 250,000, nationwide.

9 100. Therefore, the Class and Subclasses are so numerous that individual
10 joinder of all Class and Subclass members is impracticable.

11 101. There are questions of law and/or fact common to the class and
12 subclasses, including but not limited to: (a) Whether the arbitration policy is
13 enforceable; (b) Whether MarketAmerica is operating an endless chain; (c) Whether
14 Distributors paid money to MarketAmerica for (1) the right to sell a product and (2)
15 the right to receive, in return for recruiting others, rewards which were unrelated to
16 the sale of the product to retail consumers; (d) Whether MarketAmerica's rules
17 apply to Section 327 claims; (e) If the MarketAmerica rules do apply, are
18 MarketAmerica's rules effective; (f) If the MarketAmerica rules do apply, and
19 MarketAmerica's rules are effective, did MarketAmerica enforce those rules; (g)
20 Whether MarketAmerica or the Individual Defendants omitted to inform the
21 Plaintiffs and the plaintiff class that they were entering into an illegal scheme where
22 an overwhelming number of participants lose money; (h) Whether MarketAmerica's
23 statements of compensation during the Class Period were deceptive and misleading;
24 (i) Whether MarketAmerica's conduct constitutes an unlawful, unfair and/or
25 deceptive trade practice under California state law; (j) Whether MarketAmerica's
26 conduct constitutes unfair competition under California state law; and (k) Whether
27 MarketAmerica's conduct constitutes false advertising under California state law.

28

1 102. These and other questions of law and/or fact are common to the class
2 and subclasses and predominate over any question affecting only individual class
3 members.

4 103. Plaintiffs' claims are typical of the claims of the class and subclasses in
5 that Plaintiffs were Distributors for Defendant MarketAmerica and lost money
6 because of the illegal scheme.

7 104. Plaintiffs will fairly and adequately represent the interests of the class
8 and subclasses. Plaintiffs' claims are typical of those of the class and subclasses.
9 Plaintiffs' interests are fully aligned with those of the class and subclasses. And
10 Plaintiffs have retained counsel experienced and skilled in complex class action
11 litigation.

12 105. Class action treatment is superior to the alternatives for the fair and
13 efficient adjudication of the controversy alleged, because such treatment will allow
14 many similarly-situated persons to pursue their common claims in a single forum
15 simultaneously, efficiently and without unnecessary duplication of evidence, effort,
16 and expense that numerous individual actions would engender.

17 106. Plaintiffs know of no difficulty likely to be encountered in the
18 management that would preclude its maintenance as a class action.

19 **VI. CLAIMS FOR RELIEF**

20 **FIRST CLAIM FOR RELIEF**

21 **Judgment Declaring the Arbitration Provision Unenforceable**

22 (Plaintiffs on Behalf of Themselves And Those Similarly Situated, Against All
23 Defendants, including DOES 1 through 10)

24 107. Plaintiffs reallege all allegations as if fully set forth herein, and
25 incorporate previous allegations by reference.

26 108. Because the MarketAmerica Agreement itself does not require any
27 class member to assent, by signature, to the "conditions," the arbitration provision is
28 unenforceable related to the claims in this action.

1 109. MarketAmerica’s “conditions” buried at the bottom of the form, below
2 the signature block and next to a box “for internal use only” include an arbitration
3 provision. The conditions grant MarketAmerica the power to unilaterally modify
4 the terms of the Agreement, including the arbitration provision, at any time and
5 without prior notice, thereby rendering the arbitration provision illusory, lacking
6 consideration, and therefore unenforceable.

7 110. The arbitration provision is alternatively, unenforceable as a matter of
8 fact, and law.

9 111. For these reasons, and those legal reasons to be stated in connection
10 with any motion practice initiated by the Defendants, the Court should declare that
11 the arbitration provision is illusory, lacks consideration, and unenforceable, and that
12 the Plaintiffs’ claims and the Classes’ claims are properly before this Court.

13 **SECOND CLAIM FOR RELIEF**

14 **ENDLESS CHAIN SCHEME; California Penal Code § 327 and Section 1689.2**
15 **of the California Civil Code**

16 (Plaintiffs on behalf of themselves and the Class, Against All Defendants including
17 DOES 1 through 10)

18 97. Plaintiffs reallege all allegations as if fully set forth herein, and
19 incorporate previous allegations by reference.

20 98. Section 1689.2 of the California Civil Code provides: “[a] participant in
21 an endless chain scheme, as defined in Section 327 of the Penal Code, may rescind
22 the contract upon which the scheme is based, and may recover all consideration paid
23 pursuant to the scheme, less any amounts paid or consideration provided to the
24 participant pursuant to the scheme.”

25 99. The Defendants are operating an endless chain scheme under Section
26 327 of the Penal Code because they have contrived, prepared, set up, and proposed
27 an endless chain.

28

1 100. The MarketAmerica operations constitute a scheme for the disposal or
2 distribution of property whereby class members pay a valuable consideration for the
3 chance to receive compensation for introducing one or more additional persons into
4 participation in the scheme or for the chance to receive compensation when a person
5 introduced by the participant introduces a new participant.

6 101. Independently, the MarketAmerica operations constitute an endless
7 chain because members pay an initial fee and then sign up for indefinite monthly
8 automatic deductions to maintain their memberships, only to have a membership
9 terminated if he fails to pay.

10 102. Independently, the MarketAmerica operations constitute an endless
11 chain because defendants tell victims they earn commissions by recruiting other
12 people to buy memberships and the members, were in turn, instructed to recruit
13 more members.

14 103. Independently, the MarketAmerica operations constitute an endless
15 chain because Defendants' commissions, income, lottery gifts like vehicles, and free
16 products were based on a current member's sales of memberships to new members
17 whether any of these members actually used their MarketAmerica membership to
18 sell any products.

19 104. Plaintiffs and the class have suffered an injury in fact and have lost
20 money or property because of MarketAmerica and the Individual
21 Defendants' operation of an endless chain, business acts, omissions, and practices.

22 105. Plaintiffs and the class are entitled to: (a) rescind the
23 contracts/agreements upon which the scheme is based and recover all consideration
24 paid under the scheme, less any amounts paid or consideration provided to the
25 participant under the scheme; (b) restitution, compensatory and consequential
26 damages (where not inconsistent with their request for rescission or restitution); and
27 (c) attorneys' fees, costs, pre and post-judgment interest.

28 **THIRD CLAIM FOR RELIEF**

1 **Unfair and Deceptive Practices Claims Under Cal. Bus, & Prof. Code § 17200,**
2 ***et seq.***

3 (Plaintiffs on behalf of themselves and the Class Against All Defendants including
4 DOES 1 through 10)

5 106. Plaintiffs reallege all allegations as if fully set forth herein, and
6 incorporate previous allegations by reference.

7 107. All claims brought under this Third Cause of action that refer or relate
8 to the unlawful, fraudulent or unfair “endless chain” of the Defendants are brought
9 on behalf of Plaintiffs and the Class.

10 108. All claims brought under this Third Cause of Action that refer or relate
11 to the unlawful, fraudulent or unfair the statements, the touted MarketAmerica
12 “business opportunity” are brought on behalf of Plaintiffs and the Class.

13 109. MarketAmerica has engaged in constant and continuous unlawful,
14 fraudulent and unfair business acts or practices, and unfair, deceptive, false and
15 misleading advertising within the meaning of the California Business and
16 Professions Code § 17200, *et seq.* The acts or practices alleged constitute a pattern
17 of behavior, pursued as a wrongful business practice that has victimized and
18 continues to victimize thousands of consumers for which Plaintiffs’ seek to enjoin
19 from further operation. The MarketAmerica Sales and Marketing Plan Is Unlawful.

20 110. Under California Business and Professions Code § 17200, an
21 “unlawful” business practice is one that violates California law.

22 111. MarketAmerica’s business practices are unlawful under § 17200
23 because they constitute an illegal “endless chain” as defined under, and prohibited
24 by, California Penal Code § 327.

25 112. MarketAmerica utilizes its illegal “endless chain” with the intent,
26 directly or indirectly, to dispose of property in MarketAmerica’s products and to
27 convince Distributors to recruit others to do the same.

28

1 113. MarketAmerica’s business practices are unlawful pursuant to §17200
2 because they violate §17500 *et seq.*, as alleged in the Third Cause of Action.

3 114. Under California Business and Professions Code § 17200, a
4 “fraudulent” business practice is one that is likely to deceive the public.

5 115. MarketAmerica’s business practices are fraudulent in two separately
6 actionable ways: (1) MarketAmerica’s business constitutes an illegal and deceptive
7 “endless chain;” (2) the touted, yet non-existent, MarketAmerica “business
8 opportunity” is for everyone, including but not limited to MarketAmerica’s massive
9 advertising campaign and the misleading statements of compensation.

10 116. First, as detailed herein, Defendants promoted participation in the
11 MarketAmerica endless chain, which has a compensation program based on
12 payments to participants for the purchase of product by participants, not the retail
13 sale of products or services.

14 117. MarketAmerica has made numerous misleading representations about
15 the business opportunity of MarketAmerica and the income that a recruit or a
16 distributor can realize by becoming a distributor and participating in the scheme.

17 118. MarketAmerica knew, or should have known, that the representations
18 about the business opportunity of MarketAmerica were misleading in nature.

19 119. As a direct result of MarketAmerica’ fraudulent representations and
20 omissions regarding the MarketAmerica endless chain described herein,
21 MarketAmerica wrongly acquired money from Plaintiff and the members of the
22 classes.

23 120. Second, MarketAmerica touted, in numerous different ways as part of a
24 massive advertising campaign, a “business opportunity,” which MarketAmerica also
25 repeatedly and in many ways represented, among other things, as being “for
26 everyone” and allowing “full time” or “part time” opportunities.

1 121. The massive advertising campaign included among other things, the
2 website, emails, websites, presentations by MarketAmerica, training, word of mouth
3 among Distributors, and events.

4 122. As part of this campaign and a further inducement to potential
5 Distributors, MarketAmerica made and disseminated statements of compensation
6 that further misled the public, among other things: (1) by using cryptic and technical
7 terms known to MarketAmerica but not to the general public or to those exploring
8 the claimed “business opportunity,” (2) by highlighting the successful persons, i.e.,
9 those that received compensation from MarketAmerica, and the average gross
10 compensation paid by MarketAmerica to those winners, (3) by failing to disclose the
11 actual number of successful persons as compared to the number of Distributors who
12 received no compensation from MarketAmerica (i.e., the “losers”), and (4) by
13 downplaying and omitting the risks and costs involved in starting an MarketAmerica
14 Distributorship and succeeding in such a Distributorship.

15 123. In reality, the touted “business opportunity” was only for a select few,
16 and those that were recruited specially. And these numbers did not include expenses
17 incurred by distributors in the operation or promotion of their businesses, meaning
18 there were likely more net losers who made no profit at all.

19 124. MarketAmerica knew, or should have known, that the selective
20 information presented to distributors in the compensation and its massive adverting
21 campaign during that time frame touting its purported “business opportunity” was
22 likely to mislead the public and did in fact mislead the public into believing that
23 there was a legitimate “business opportunity” in which Distributors, or a large
24 portion of them, could make money in either a full or part time capacity. In fact,
25 however, there was no such “business opportunity,” except for a very select few.

26 125. As a direct result of MarketAmerica’ fraudulent representations and
27 omissions regarding the Statement and the massive adverting campaign during that
28 time frame and thereafter touting MarketAmerica’s purported “business

1 opportunity” described herein, MarketAmerica wrongly acquired money from
2 Plaintiffs and the members of the classes.

3 126. The named Plaintiffs have standing to bring these § 17200 claims under
4 the fraudulent prong, and can demonstrate actual reliance on the alleged fraudulent
5 conduct.

6 127. For instance, Plaintiffs have been in receipt of misleading and false
7 financial statements and marketing materials/seminar papers, which promoted the
8 MarketAmerica’ scheme and claimed “business opportunity” and contained material
9 false representations regarding the success Distributors could achieve through
10 MarketAmerica by purchasing products and recruiting others to do the same.

11 128. There were other representations made to Distributors as part of the
12 massive advertising campaign regarding the claimed “business opportunity,” on
13 which Plaintiff or some of the Class Members, reasonably believed the
14 representations they could succeed in the “business opportunity,” did not return the
15 refund, purchased MarketAmerica products and did not immediately return them,
16 signed up as MarketAmerica Distributors, and attempted to and recruited others to
17 do the same. These other representations include, but are not limited to the
18 following: (a) emails from MarketAmerica that promoted MarketAmerica and
19 contained material false representations regarding the success that a distributor
20 could achieve through MarketAmerica by purchasing products and recruiting others
21 to do the same; (b) websites, such as www.shop.com and marketamerica.com, which
22 promoted the fraudulent scheme through videos of Individual Defendants containing
23 material false representations regarding the “business opportunity” available to
24 Distributors and the wealth that a distributor could get by agreeing to become an
25 MarketAmerica distributor; (c) Presentations by MarketAmerica Distributors which
26 contained material false representations regarding the “business opportunity” and
27 the success that a distributor could get through MarketAmerica by purchasing
28 products and recruiting others to do the same; (d) Presentations by MarketAmerica,

1 including the presentations described in this complaint, which contained material
2 false representations regarding the “business opportunity” and the success that a
3 distributor could get through MarketAmerica by purchasing products and recruiting
4 others to do the same; (e) Training and events where MarketAmerica Distributors
5 made material false representations regarding the “business opportunity” and the
6 success that a distributor could get through MarketAmerica by purchasing products
7 and recruiting others to do the same.

8 129. To the extent proof of reliance is required of Plaintiffs, MarketAmerica
9 and the Individual Defendants knew that Plaintiffs and the class would reasonably
10 rely on their representations and omissions, which would cause the Plaintiffs and the
11 class joining the fraudulent endless chain scheme and purchasing the products, and
12 Plaintiffs did in fact reasonably rely upon such representations and omissions.

13 130. Indeed, had Plaintiffs and the class known that MarketAmerica and its
14 Individual Defendants were promoting an endless chain, they would not have
15 become MarketAmerica Distributors in the first place and, if learned after becoming
16 a distributor, they would not have purchased MarketAmerica products thereafter.

17 131. Had Plaintiffs and the class known that MarketAmerica was promoting
18 a “business opportunity” that did not exist except for a select few, they would not
19 have become MarketAmerica Distributors in the first place and, if learned after
20 becoming a distributor, they would not have purchased MarketAmerica products
21 thereafter.

22 132. Finally, the fraudulent acts, representations and omissions described
23 herein were material not only to Plaintiffs and the class (as described in this
24 complaint), but also to reasonable persons.

25 133. Under California Business and Professions Code § 17200, a business
26 practice is “unfair” if it violates established public policy or if it is immoral,
27 unethical, oppressive or unscrupulous and causes injury which outweighs its
28 benefits.

1 134. For the reasons set forth herein and above, MarketAmerica's promotion
2 and operation of an unlawful and fraudulent endless chain, and its fraudulent
3 representations and omissions regarding its purported "business opportunity," are
4 also unethical, oppressive, and unscrupulous in that MarketAmerica is and has been
5 duping Plaintiff and the class out of billions, or at least hundreds of millions, of
6 dollars.

7 135. MarketAmerica's actions have few, if any, benefits. Thus, the injury
8 caused to Plaintiff and the class easily and dramatically outweigh the benefits, if
9 any.

10 136. Defendants should be made to disgorge all ill-gotten gains and return to
11 Plaintiff and the class all wrongfully taken amounts.

12 137. Finally, Defendants' unlawful, fraudulent and unfair acts and omissions
13 will not be completely and finally stopped without orders of an injunctive nature.
14 Under California Business and Professions Code section 17203, Plaintiffs and the
15 class seek a judicial order of an equitable nature against all Defendants, including,
16 but not limited to, an order declaring such practices as complained of to be unlawful,
17 fraudulent and unfair, and enjoining them from further undertaking any of the
18 unlawful, fraudulent and unfair acts or omissions described herein.

19 **FOURTH CLAIM FOR RELIEF**

20 **False Advertising - California Business and Professions Code § 17500, et seq.**
21 (Plaintiffs on behalf of themselves and the Class Against All Defendants including
22 DOES 1 through 10)

23 138. Plaintiffs reallege all allegations as if fully set forth herein, and
24 incorporate previous allegations by reference.

25 139. All claims brought under this Fourth Claim for Relief that refer or
26 relate to the false, untrue, fraudulent or misleading endless chain of Defendants are
27 brought on behalf of Plaintiffs and the Class.
28

1 140. All claims brought under this Fourth Cause of Action that refer or
2 relate to the false, untrue, fraudulent or misleading statements of income are brought
3 on behalf of Plaintiffs.

4 141. All claims brought under this Fourth Claim for Relief that refer or
5 relate to the false, untrue, fraudulent or misleading statements of income are brought
6 on behalf of Plaintiffs and the Class.

7 142. Defendants’ business acts, false advertisements and materially
8 misleading omissions constitute false advertising, in violation of the California
9 Business and Professions Code § 17500, *et seq.*

10 143. Defendants engaged in false, unfair and misleading business practices,
11 consisting of false advertising and materially misleading omissions regarding the
12 purported “business opportunity,” likely to deceive the public and include, but are
13 not limited to, the items set forth above. MarketAmerica knew, or should have
14 known, that the representations about the business opportunity of MarketAmerica
15 were misleading in nature.

16 144. Because of Defendants’ untrue and/or misleading representations,
17 Defendants wrongfully acquired money from Plaintiff and the class members to
18 which they were not entitled. The Court should order Defendants to disgorge, for the
19 benefit of Plaintiff and all other MarketAmerica Distributors in the class who signed
20 an agreement with MarketAmerica governed by California law their profits and
21 compensation and/or make restitution to Plaintiff and the Class.

22 145. Under California Business and Professions Code Section 17535,
23 Plaintiffs and the class seek a judicial order directing Defendants to cease and desist
24 all false advertising related to the Defendants’ illegal endless chain scheme, and
25 such other injunctive relief as the Court finds just and appropriate.

26 146. Because of Defendants’ untrue and/or misleading representations,
27 Defendants wrongfully acquired money from Plaintiff and the class members to
28 which they were not entitled. The Court should order Defendants to disgorge, for the

1 benefit of Plaintiff and all other MarketAmerica Distributors in the class who signed
2 a Distributor Agreement with MarketAmerica their profits and compensation and/or
3 make restitution to Plaintiff and the class.

4 147. Under California Business and Professions Code Section 17535,
5 Plaintiff and the class seek a judicial order directing Defendants to cease and desist
6 from all false advertising related to the Defendants' illegal scheme, and such other
7 injunctive relief as the Court finds just and appropriate.

8 ///

9 ///

10 **FIFTH CLAIM FOR RELIEF**

11 **(RICO 18 U.S.C. § 1962(a))**

12 (Plaintiffs on behalf of themselves and the Class Against All Defendants including
13 DOES 1 through 10)

14 148. Plaintiff realleges all allegations as if fully set forth herein, and
15 incorporate previous allegations by reference.

16 149. MarketAmerica, the Individual Defendants, and those in conspiracy,
17 willfully and intentionally violated and continue to violate RICO and California law
18 with the goal of obtaining money, directly and indirectly, through a pattern of
19 racketeering activities in violation of the mail and wire fraud statutes, 18 U.S.C. §§
20 1341 and 1343, 18 U.S.C. § 1962(a), and California Penal Code § 327.

21 149. Each of the Defendants are engaged in activities of federal interstate
22 and foreign commerce and are entities capable of holding a legal or beneficial
23 interest in property. All Defendants are "persons," as that term is defined by 18
24 U.S.C. § 1961(3).

25 150. The Defendants (with the individual defendants) together make up the
26 "MarketAmerica Enterprise" as an association of entities and individuals associated
27 in fact to operate an illegal pyramid scheme. The MarketAmerica Enterprise is not a
28 legal entity within the meaning of "enterprise" as defined in 18 U.S.C. § 1961(4).

1 The Defendants have been members of the MarketAmerica Enterprise from at least
2 1992, and continuing until the present. MarketAmerica and the Individual
3 Defendants are separate entities from the MarketAmerica Enterprise and play
4 separate and distinct roles in the operation of the MarketAmerica Enterprise.

- 5 a. MarketAmerica is creator, architect, and beneficiary of the
6 MarketAmerica Pyramid. Through interstate wire and mails, it
7 coordinates the MarketAmerica Enterprise, a worldwide scheme. It also
8 pays and awards the commissions, bonuses, and other incentives to the
9 Defendants and others through online.
- 10 b. All members of the pyramid scheme (whether located in the U.S. or
11 abroad) were signed up electronically in the United States.
- 12 c. MarketAmerica employs the Defendants to coordinate operations of the
13 MarketAmerica Pyramid in the countries in which MarketAmerica
14 operates, including determining and coordinating points, bonuses, and
15 other incentives.
- 16 d. MarketAmerica employs the other defendants as its operational arm of
17 the MarketAmerica Enterprise to conduct racketeering activities in the
18 U.S.
- 19 e. MarketAmerica employs the remainder of the Defendants to induce
20 new recruits into the MarketAmerica' Pyramid, to induce Distributors
21 to purchase MarketAmerica' product, and to induce Distributors to
22 recruit additional Distributors into the MarketAmerica Pyramid. The
23 Remaining Defendants also have an agreement with MarketAmerica
24 mandating that MarketAmerica will not reform its fraudulent marketing
25 plan without their consent.

26 151. From at least April 2009 and continuing until the present, within the
27 County of Los Angeles, and elsewhere, MarketAmerica in association with the other
28 defendants, did knowingly, willfully and unlawfully conduct and participate,

1 directly and indirectly, in the conduct of the affairs of the MarketAmerica Enterprise
2 through a pattern of racketeering activity.

3 152. From at least April 2009 and continuing until the present,
4 MarketAmerica with each other and the remaining defendants, executed a *per se*
5 scheme to defraud through a pattern of racketeering made up of distinct acts of mail
6 and wire fraud under 18 U.S.C. §§ 1341 and 1343. The MarketAmerica Enterprise
7 engaged in and affected interstate and foreign trade. The MarketAmerica Enterprise
8 transacts business through the instrumentalities of interstate commerce such as
9 telephones, facsimile machines, the internet, email, and the United States mail and
10 interstate commercial carrier to communicate in furtherance of the activities of the
11 MarketAmerica Enterprise.

12 153. The MarketAmerica Enterprise advertises, markets, and sells products
13 and services throughout the United States. The operation of the enterprise continued
14 over several years, including activities in every state, and has affected and damaged,
15 and continues to affect and damage, commercial activity.

16 154. To further the goals of the MarketAmerica Enterprise, which were to
17 (1) earn money through fraudulent means, (2) entice individuals to become
18 MarketAmerica Distributors, (3) entice individuals to purchase products from
19 MarketAmerica, (4) entice individuals to recruit others to become MarketAmerica
20 Distributors and profit off those recruits' purchases of MarketAmerica' products, (5)
21 reap large profits for themselves based on false representations, MarketAmerica and
22 the remaining defendants engaged in various forms of illegal activity, including (a)
23 mail fraud, (b) wire fraud, and (c) conspiracy.

24 155. The pattern of racketeering activity alleged is distinct from the
25 MarketAmerica Enterprise. Each act of racketeering activity is distinct from the
26 MarketAmerica Enterprise in that each is a separate offense committed by an entity
27 or individual while the MarketAmerica Enterprise is an association of entities and
28 individuals. The MarketAmerica Enterprise has an ongoing structure and/or

1 organization supported by personnel and/or associates with continuing functions or
2 duties.

3 156. The racketeering acts set out above and below, and others, all had the
4 same pattern and similar purpose of defrauding Plaintiff and the class for the benefit
5 of the MarketAmerica Enterprise and its members. Each racketeering act was
6 related, had a similar purpose, involved the same or similar participants and methods
7 of commission and had similar results affecting Plaintiff and the class. The
8 racketeering acts of mail and wire fraud were also related to each other in that they
9 were part of the MarketAmerica Enterprises' goal to fraudulently induce Plaintiff
10 and the Class to join the illegal scheme, purchase products, and recruit others to join
11 the scheme.

12 157. MarketAmerica and other Defendants' wrongful conduct has been and
13 remains part of MarketAmerica Enterprises' ongoing way of doing business and
14 constitutes a continuing threat to the property of Plaintiff and the class. Without the
15 repeated acts of mail and wire fraud, the MarketAmerica Enterprise's fraudulent
16 scheme would not have succeeded.

17 158. Revenue gained from the pattern of racketeering activity, which
18 constitutes a significant portion of the total income of MarketAmerica and the
19 Individual Defendants, was reinvested in the operations of the MarketAmerica
20 Enterprise for the following purposes: (a) to expand the operations of the
21 MarketAmerica Enterprise through additional false and misleading advertising and
22 promotional materials aimed at recruiting new Distributors; (b) to facilitate the
23 execution of the illegal scheme; and (c) to convince current Distributors to recruit
24 new Distributors, and purchase MarketAmerica's products.

25 159. Plaintiffs and the class were injured by the reinvestment of the
26 racketeering income into the MarketAmerica Enterprise because they invested
27 billions of dollars of their own money through their purchasing of products,
28 promotional materials, and MarketAmerica products, all of which were packaged

1 and shipped at inflated charges.

2 160. In connection with promoting and executing their illegal scheme,
3 members of the MarketAmerica's Enterprise knowingly and recklessly placed and
4 caused to be placed in the United States mail or by interstate commercial carrier, or
5 took or received therefrom, matters or things to be sent to or delivered by the United
6 States mail or by interstate commercial carrier comprising, among other things
7 product, invoices, letters, promotional materials, brochures, products and checks to
8 Plaintiff and the class and received communications between and among themselves
9 through the United States mail, in all fifty states and the District of Columbia. It was
10 reasonably foreseeable that these mailings or receipts would take place in
11 furtherance of the fraudulent scheme.

12 161. In connection with promoting and executing their illegal scheme,
13 members of the MarketAmerica's Enterprise engaged in wire fraud, in violation of
14 18 U.S.C. § 1343, by, among other things, knowingly and recklessly transmitting or
15 causing to be transmitted with wire communications, in interstate and foreign trade,
16 materials promoting the illegal MarketAmerica Pyramid on internet web sites, radio,
17 satellite radio, television, email, facsimile, telephone, and text messages, including
18 promotional materials, registration information, product information, and invoices.
19 MarketAmerica and Individual Defendants maintain websites on the internet where
20 the enterprise was perpetrated.

21 162. MarketAmerica's Distributors can and do buy products and are given
22 inducements to continue working as Distributors within the MarketAmerica
23 Pyramid. MarketAmerica maintains various websites that host promotional videos
24 featuring the Individual Defendants promoting the unlawful scheme and other
25 marketing materials featuring the Individual Defendants promoting the illegal
26 scheme. MarketAmerica sent and received these interstate wire communications to
27 and from all fifty states and the District of Columbia.

28 163. Each Defendant has promoted the MarketAmerica Pyramid and

1 MarketAmerica Enterprise. Each use of the mail or wire by Defendants and the
2 Individual Defendants done in furtherance of the MarketAmerica pyramid is an act
3 of racketeering.

4 164. The pattern of racketeering activity through which the affairs of the
5 MarketAmerica Enterprise were conducted and in which MarketAmerica and the
6 Individual Defendants participated consisted of the following:

7 **Racketeering Act Number One**

8 165. Plaintiffs received, through private commercial interstate carrier and
9 the internet portal maintained by MarketAmerica, certain application materials,
10 which promoted the MarketAmerica Enterprise and contained material false
11 representations regarding the success Distributors could achieve through
12 MarketAmerica by purchasing products and recruiting others to do the same.

13 166. Because of her receipt of these materials, Plaintiffs signed up with
14 MarketAmerica purchased MarketAmerica products, and recruited others to do the
15 same. The materials and package items were sent to Plaintiffs with the purpose and
16 intent of promoting the MarketAmerica Enterprise's illegal scheme, all in violation
17 of 18 U.S.C. § 1341.

18 **Racketeering Act Number Two**

19 167. Plaintiffs received, through private commercial interstate carrier, and
20 the internet portal maintained by the Defendants, income disclosures, which
21 promoted the MarketAmerica Enterprise and the MarketAmerica pyramid through
22 the sales and marketing plan, and which contained material false representations
23 regarding the success that Distributors could achieve through MarketAmerica by
24 purchasing product packages and recruiting others to do the same.

25 168. Because of their receipt of the representations, Plaintiffs signed up with
26 MarketAmerica, purchased MarketAmerica product packages, and recruited others
27 to do the same. The income disclosure statements with the purpose and intent of
28 promoting the MarketAmerica Enterprise's illegal scheme, all in violation of 18

1 U.S.C. § 1341.

2 **Racketeering Act Number Three**

3 169. Plaintiffs ordered, through interstate wire transmissions over the
4 internet product packages, which were promoted by the MarketAmerica Enterprise
5 as the means by which Distributors such as Yang could pay for their position and
6 get greater retail profits. MarketAmerica hosted these websites. Yang paid
7 MarketAmerica for these products using an electronic transfer of funds.
8 MarketAmerica shipped Yang these products through private commercial interstate
9 carrier. MarketAmerica coordinated through interstate wires on at least a monthly
10 basis following the order the collection and accruing of the rewards associated with
11 those purchases. Because of the promised rewards, points, commissions, and
12 opportunity to advance up the MarketAmerica Pyramid, Plaintiff Yang purchased
13 MarketAmerica Products, paid for those MarketAmerica product packages, and
14 received those products, using instrumentalities of interstate commerce. Defendants'
15 actions violated 18 U.S.C. §§ 1341 and 1343.

16 **Racketeering Act Number Four**

17 170. Throughout April of 2009 and continuing through today,
18 MarketAmerica distributed information by interstate wire transmissions over the
19 internet, such as www.MarketAmerica.com and Shop.com. The MarketAmerica
20 websites promoted the fraudulent scheme through videos of Individual Defendants
21 containing material false representations regarding the business opportunity
22 available to Distributors, and the wealth that a distributor could get by agreeing to
23 become an MarketAmerica distributor. Plaintiffs became MarketAmerica
24 distributors and maintained their position as MarketAmerica distributors and
25 continued to order MarketAmerica products and recruit others to do the same. This
26 conduct violated 18 U.S.C. § 1343.

27 **Racketeering Act Number Five**

28 171. Throughout 2016, the members distributed information by interstate

1 wire transmissions over the internet promoting MarketAmerica as described in this
2 Complaint. These videos promoted the fraudulent pyramid scheme and contained
3 material false representations regarding the wealth that a recruit or MarketAmerica
4 distributor could achieve if that recruit became an MarketAmerica distributor and if
5 a distributor purchased MarketAmerica products. This violated 18 U.S.C. § 1343.

6 172. MarketAmerica and the Individual Defendants' representations and
7 omissions were the proximate cause of Plaintiffs, and the class, joining the
8 fraudulent scheme and purchasing the products.

9 173. To the extent proof of reliance is legally required, in engaging in the
10 aforementioned wire and mail fraud, MarketAmerica and the Individual Defendants
11 knew that Plaintiffs and the class would reasonably rely on their representations and
12 omissions, which would cause the Plaintiffs and the class joining the fraudulent
13 pyramid scheme and purchasing the products.

14 174. Defendants and the Individual Defendants knew that the
15 misrepresentations and omissions described above in promoting and executing the
16 fraudulent scheme were material because they caused Plaintiffs and the class to join
17 and participate in the illegal scheme.

18 175. Had Plaintiffs and the class known that MarketAmerica and the
19 Individual Defendants were promoting an illegal scheme, they would not have
20 joined the MarketAmerica' pyramid scheme.

21 176. MarketAmerica's and the Individual Defendants' acts of mail and wire
22 fraud were a proximate cause of the injuries that Yang and the class suffered.
23 Because of MarketAmerica and the Individual Defendants' pattern of unlawful
24 conduct, Plaintiffs and the class lost hundreds of millions of dollars, if not billions of
25 dollars.

26 177. Under 18 U.S.C. § 1964, Plaintiffs and the class are entitled to treble
27 their damages, plus interest, costs and attorney's fees.

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SIXTH CLAIM FOR RELIEF

RICO 18 U.S.C. § 1962(c)

(Plaintiffs on behalf of themselves and the Class Against All Defendants, including
DOES 1 through 10)

178. Plaintiffs reallege all allegations as if fully set forth herein, and incorporate previous allegations by reference.

179. MarketAmerica and the Individual Defendants are associated with the MarketAmerica Enterprise. In violation of 18 U.S.C. § 1962(c), MarketAmerica and the Individual Defendants conducted and/or participated in the conduct of the affairs of the MarketAmerica Enterprise, including participation in activities in furtherance of the MarketAmerica Defendants’ fraudulent scheme, through the pattern of racketeering activity earlier alleged.

180. As a direct and proximate result of MarketAmerica and the Individual Defendants’ violation of 18 U.S.C. § 1962(c), Plaintiffs and the class were induced to, and did, become Distributors in the MarketAmerica Pyramid scheme and purchased hundreds of millions of dollars, if not billions of dollars of the MarketAmerica products and recruited others to do the same. Plaintiffs and the class were injured by MarketAmerica’s and the Individual Defendants’ unlawful conduct. The funds used to buy MarketAmerica products constitute property of Plaintiffs and the class within the meaning of 18 U.S.C. § 1964(c).

181. Under 18 U.S.C. § 1964(c), Yang and the class are entitled to treble their damages, plus interest, costs and attorney’s fees.

SEVENTH CLAIM FOR RELIEF

(RICO 18 U.S.C. § 1962(d))

(Plaintiffs on behalf of themselves and the Class Against All Defendants including
DOES 1 through 10)

182. Plaintiffs reallege all allegations as if fully set forth herein, and incorporate previous allegations by reference.

1 183. MarketAmerica and the Individual Defendants agreed to work together
2 in a symbiotic relationship to carry on the illegal scheme. Under that agreement,
3 MarketAmerica, all named defendants, and those named as DOE defendants, and
4 others conspired to violate 18 U.S.C. § 1962(a) and (c), in violation of 18 U.S.C. §
5 1962(d).

6 184. As a direct and proximate result of MarketAmerica's and the Individual
7 Defendants' violation of 18 U.S.C. § 1962(d), Plaintiffs and the class were injured
8 by MarketAmerica's and the Individual Defendants' unlawful conduct. The funds
9 used to buy MarketAmerica products constitute property of Yang and the class
10 under 18 U.S.C. § 1964(c).

11 185. Under 18 U.S.C. § 1964(c), Plaintiffs and the class are entitled to treble
12 their damages, plus interest, costs and attorney's fees.

13 **EIGHTH CLAIM FOR RELIEF**

14 **(Federal Securities Fraud)**

15 (Plaintiffs on behalf of themselves and the Class Against All Defendants including
16 DOES 1 through 10)

17 186. Plaintiffs reallege all allegations as if fully set forth herein, and
18 incorporate previous allegations by reference.

19 187. In the alternative to Counts Five, Six, and Seven, and without prejudice
20 to their position that Counts Five, Six and Seven are not preempted by the PSLRA,
21 Plaintiffs in Count Eight alleges violations of the securities laws.

22 188. Only to the extent Defendants contend that Plaintiffs' purchases of
23 starter kits, payment of monthly and annual fees, and purchases of MarketAmerica
24 products constitute investments in unregistered securities (the sale of which would
25 be a past and continuing violation of federal securities laws), and only if Defendants
26 are successful in obtaining a dismissal for judgment against Plaintiffs' RICO claims
27 on the grounds that the PSLRA preempts their RICO claims, Plaintiffs contend that
28 their purchases of starter kits, payment of monthly fee, and purchases of

1 MarketAmerica products constitute investments in securities.

2 189. MarketAmerica made numerous material omissions in its Policies
3 regarding retail sales. MarketAmerica represented that retail sales were a significant
4 part of Defendants' revenues.

5 190. These statements are misleading because they fail to inform
6 Distributors that "retail sales," particularly as defined in the Policies, are not a true
7 viable way of earning income because Distributors are extremely unlikely to make
8 significant "retail sales" and because the only realistic way to make money in the
9 MarketAmerica scheme is through recruiting.

10 191. MarketAmerica made material omissions in its Policies regarding
11 Distributors' ability to earn money. In the Policies, MarketAmerica informed its
12 Distributors that they do not even need to be good at sales, and they can still earn
13 money.

14 192. This statement is misleading because it fails to inform Distributors that
15 very few Distributors are likely to earn any profit from participating in
16 MarketAmerica, regardless of how much work they put in and regardless of what
17 part of the country they live in.

18 193. By making affirmative statements regarding retail sales and the ability
19 of Distributors to earn income, MarketAmerica undertook an affirmative obligation
20 to make the disclosures necessary to make such statements not misleading.

21 194. MarketAmerica made the then-current version of the Policies available
22 to Plaintiffs and the Class Members through MarketAmerica's website at all times.
23 MarketAmerica contractually requested Plaintiffs and the Class Members to
24 acknowledge that they had read and reviewed the current version of the Policies at
25 the time they joined MarketAmerica, to abide by the terms of the current
26 version of the Policies, and to read, understand, and adhere to the current version of
27 the Policies.

28 195. MarketAmerica made these omissions knowing that doing so was false

1 and misleading. MarketAmerica benefitted in a concrete and substantial way from
2 the operation of the pyramid scheme, the recruitment of new Distributors, and new
3 Distributors' reliance on MarketAmerica's omissions.

4 196. MarketAmerica made these omissions with the specific intent that
5 Distributors rely on them.

6 197. Plaintiffs' and the Class Members' reliance on the omissions may be
7 presumed.

8 **PRAYER FOR RELIEF**

9 The named Plaintiffs and the Plaintiffs' class and subclasses request the
10 following relief:

- 11 a. Certification of the class and subclasses;
- 12 b. A jury trial and judgment against Defendants;
- 13 c. Rescission of the agreements, accounts stated, invoices, receipts, ticket
14 stubs, bills, and any other writings upon which the scheme is based, and recovery of
15 all consideration paid pursuant to the scheme, less any amounts paid or
16 consideration provided to the participant pursuant to the scheme;
- 17 d. Damages for the financial losses incurred by Plaintiff and by the class
18 and subclasses because of the MarketAmerica and the Individual Defendants'
19 conduct and for injury to their business and property;
- 20 e. Restitution and disgorgement of monies;
- 21 f. Temporary and permanent injunctive relief enjoining MarketAmerica
22 from paying its Distributors recruiting rewards that are unrelated to retail sales to
23 ultimate users and from further unfair, unlawful, fraudulent and/or deceptive acts;
- 24 g. The cost of suit including reasonable attorneys' fees under California
25 Code of Civil Procedure § 1021.5, Civil Code §1689.2, and otherwise by law;
- 26 h. For damages in an amount yet to be ascertained as allowed by law; and
27 i. For such other damages, relief and pre- and post-judgment interest as
28 the Court may deem just and proper.

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Dated: July 20, 2017

By: 

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DEMAND FOR JURY TRIAL

Plaintiffs Chuanjie Yang, Ollie Lan, and Liu Liu on behalf of themselves, and those similarly situated, hereby request a jury trial on all matters so triable.

Dated: July 20, 2107

By:  _____

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PROOF OF SERVICE

I, the undersigned, declare: I am employed in the County of Los Angeles, State of California. I am over the age of 18 and not a party to the within action; my business address is 433 N. Camden Drive, 4th Floor, Beverly Hills, CA 90210.

On July 20, 2017, I served the foregoing document as follows:

FIRST AMENDED COMPLAINT – CLASS ACTION

by electronically filing the foregoing with the Clerk of the Court using the CM/ECF system which will send notification of such electronic filing to counsel of record for all parties by operation of the Court’s CM/ECF System.

by U.S. Mail in the ordinary course of business to the non-CM/ECF participants indicated on the attached Manual Notice List. I am readily familiar with the Firm’s practice for the collection and processing of correspondence for mailing with the Postal Service and that the correspondence would be deposited with same that same day in the ordinary course of business.

I declare under penalty of perjury under the laws of the United States of America and the State of California that the above is true and correct. Executed on July 20, 2017, at Beverly Hills, California.



NATALY GRANDE