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15 KATHY WU AND ALL THOSE
16 SIMILARLY SITUATED

BY FAX

17 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**
18 **COUNTY OF LOS ANGELES – CENTRAL DISTRICT**

19 KATHY WU, an individual, and all those
20 similarly situated;

21 Plaintiff,

22 v.

23 SUNRIDER CORPORATION dba SUNRIDER
24 INTERNATIONAL, a Utah Corporation;
25 TEI-FU CHEN, an individual; OI-LIN CHEN, an
26 individual; and DOES 1-100;

27 Defendants.
28

Case No. _____

BC 663303

**ORIGINAL COMPLAINT –
CLASS ACTION**

[DEMAND FOR JURY TRIAL]

I. INTRODUCTION TO THE CASE

1. Sunrider, Inc. (“Sunrider”) and their cohorts represented to Plaintiff Kathy Wu that Sunrider provides a business opportunity was “unlimited” and that the Plaintiff could formulate her growth for future financial success through Sunrider. Plaintiff and hundreds of thousands, have joined Sunrider and became independent business owners.

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

3. Plaintiff did not make money as promised. As with the case of hundreds of thousands of Sunrider independent business owners (hereafter defined as “distributors”) before and after them, the Plaintiff failed. Plaintiff and those similarly situated, failed even though they were committed and put in the time and effort. They failed because they were doomed from the start by a Sunrider marketing plan that systematically rewards recruiting Distributors over the sale of products.

4. Over 90% of Sunrider Distributors average net losses. No persons, except Individual Defendants and secretly placed individuals into the “representative” tiers of the company, makes any money. Meanwhile, Sunrider is estimated to earn over \$225,000,000 per year, but Sunrider does not disclose financial so the amount could be greater.

5. Defendants run an illegal pyramid scheme. Defendants take money in return for the right to sell products, and reward for recruiting other participants into the pyramid.

6. Accordingly, Plaintiff, for herself, all others similarly situated, and the general public, alleges:

II. TYPE OF ACTION

7. Plaintiff sues for herself and for all persons who were Sunrider participants from 2010 until the present under California’s Endless Chain Scheme Law (California’s Penal Code § 327 and California Civil Code § 1689.2), California’s Unfair Competition Law (Business and Professions Code §17200 et seq.), False Advertising Law (Business and Professions Code

§17500), and Racketeer Influenced and Corrupt Organizations Act, 18 U.S.C. § 1961 *et seq.*

against all defendants for the operation and promotion of an inherently fraudulent endless chain scheme.

III. PARTIES

8. Plaintiff Kathy Wu ("Wu"), is and at all relevant times, has done business in the County of Los Angeles.

9. Defendant Sunrider Corporation dba Sunrider International is a Utah Corporation with its principal place of business in Torrance, CA ("Sunrider") that operates and manages the pyramid scheme in California. Sunrider's manufacturing facilities are also in Torrance, CA.

10. Defendant Tei-Fu Chen ("Tei-Fu") is a natural person who upon information and belief, resides in the City of Rancho Palos Verdes, County of Los Angeles, State of California. Tei-Fu is an upper level executive officer of Sunrider and its most vocal proponent. According to Sunrider's website, Tei-Fu runs Sunrider. He is at or near the top of the pyramid operated and promoted by the Defendants, and he actively participates in, promotes, and profits from Sunrider's pyramid scheme.

11. Defendant Oi-Lin Chen is a natural person who upon information and belief, resides in the County of Los Angeles, State of California. Oi-Lin is the wife of Tei-Fu and the Chief Executive Officer for Sunrider. According to Sunrider's website, Oi-Lin runs Sunrider. She is at, or near, the top of the pyramid operated and promoted by the Defendants, and she actively participates in, promotes, and profits from Sunrider's pyramid scheme.

12. Tei-Fu and Oi-Lin are collectively referred to as the "Individual Defendants."

III. JURISDICTION AND VENUE

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

1 14. Venue is proper in this Court because a substantial part of the events or omissions
2 giving rise to Plaintiff's claims occurred here, a substantial part of the property that is the subject of
3 this action is situated here, and Defendants are subject to personal jurisdiction, in this District.

4 15. Defendant Sunrider is subject to the jurisdiction of this Court. Sunrider has been
5 engaged in continuous and systematic business in California. In fact, many of Sunrider's
6 representative business activities originate from California.

7 16. Sunrider has committed tortious acts in this State.

8 17. Each of the Defendants named herein acted as a co-conspirator, single enterprise,
9 joint venture, co-conspirator, or alter ego of, or for, the other Defendants with respect to the acts,
10 omissions, violations, representations, and common course of conduct alleged herein, and ratified
11 said conduct, aided and abetted, or is other liable. Defendants have agreements with each other,
12 and other unnamed Director co-conspirators and have reached agreements to market and promote
13 the Sunrider pyramid as alleged herein.

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

19 19. Plaintiff is presently unaware of the true identities and capacities of fictitiously
20 named Defendants designated as DOES 1 through 100, but will amend this complaint or any
21 subsequent pleading when their identities and capacities have been ascertained according to proof.
22 On information and belief, each and every DOE defendant is in some manner responsible for the
23 acts and conduct of the other Defendants herein, and each DOE was, and is, responsible for the
24 injuries, damages, and harm incurred by Plaintiff. Each reference in this complaint to "defendant,"
25 "defendants," or a specifically named defendant, refers also to all of the named defendants and those
26 unknown parties sued under fictitious names.

27 20. Plaintiff is informed and believes, and thereon alleges that, at all times relevant
28 hereto, all of the defendants together were members of a single association, with each member

exercising control over the operations of the association. Each reference in this complaint to “defendant,” “defendants,” or a specifically named defendant, refers also to the above-referenced unincorporated association as a jural entity and each defendant herein is sued in its additional capacity as an active and participating member thereof. Based upon the allegations set forth in this Complaint, fairness requires the association of defendants to be recognized as a legal entity, as the association has violated Plaintiff and Class Members’ legal rights.

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

22. Plaintiff is informed and believes and thereon alleges that each of the defendants herein agreed among each other to commit the unlawful acts (or acts by unlawful means) described in this Complaint.

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

IV. FACTS

A. **Sunrider Operates A Pyramid Scheme**

24. Sunrider was founded in 1982 by Tei-Fu Chen (“Tei-Fu”). In the late 1980’s, the company moved its headquarters to the Los Angeles area and Tei-Fu co-operated Sunrider with his wife, Oi-Lin Chen (“Oi-Lin”).

25. The name “Sunrider” according to Tei-Fu, derives from his belief that “if you ride the sun, the day will never end.”

26. Sunrider markets herbal products such as diet pills, teas, and health snacks.

27. In 1995, Sunrider, Tei-Fu, and Oi-Lin were charged with orchestrating a massive tax and customs fraud scheme to evade tens of millions of dollars in taxes. Tei-Fu and Oi-Lin

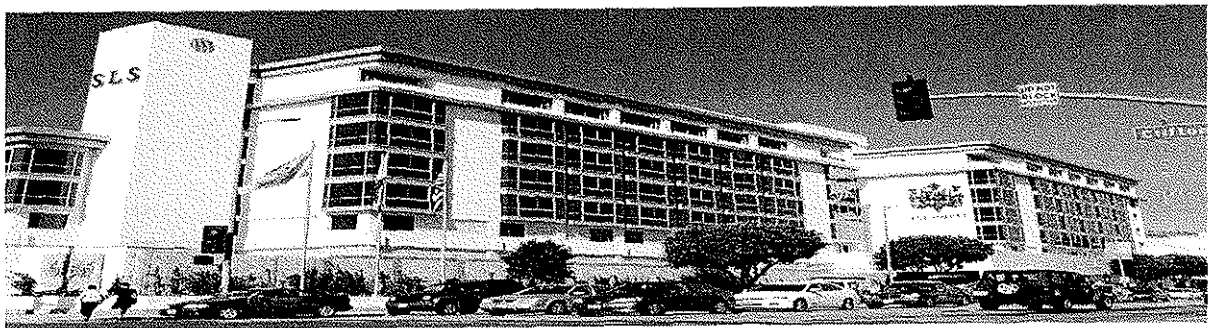
1 were indicted by a Federal grand jury in a 20-count indictment charging them with conspiracy, tax
 2 evasion, filing of false corporate tax returns, and smuggling. [http://caselaw.findlaw.com/us-9th-](http://caselaw.findlaw.com/us-9th-circuit/1368185.html)
 3 [circuit/1368185.html](http://caselaw.findlaw.com/us-9th-circuit/1368185.html).

4 28. In 1997, the Chens entered into a plea bargain, under which Tei-Fu served
 5 approximately one year in prison, and Oi-Lin served six months home detention.

6 29. In 1992, a jury in Phoenix, Arizona, concluded that Sunrider had violated Arizona's
 7 racketeering laws and out of court, Sunrider settled for \$650,000 to a woman who claimed that
 8 Sunrider products have had a negative effect on her health.

9 30. From Sunrider's illicit gains made through this pyramid scheme, the Defendants
 10 purchased one of the crown jewel hotel properties in Beverly Hills in 2015, the 297 room SLS
 11 Beverly Hills located at 465 S. La Cienega Blvd. for about \$195,000,000 million. (*See* Fig. No. 1).

12 FIGURE NO. 1



18 31. To sign up as a Sunrider IBO/distributor, an enrollee must pay a start-up kit fee of
 19 \$600.00, and further a distributor must pay a monthly fee of \$100.00 per month.

20 32. Sunrider pays to an infinite level deep with the downline. In other words, for every
 21 dollar earned below, the illicit profits are spread through the entire pyramid.

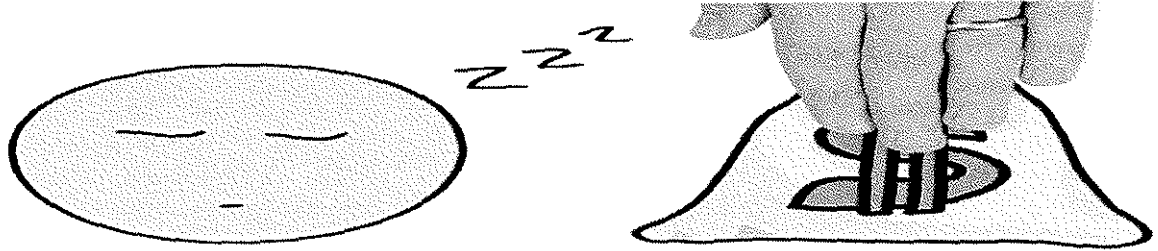
22 33. Rewards paid in the form of cash bonuses, where primarily earned for recruitment,
 23 as opposed to merchandise sales to consumers, constitute a fraudulent business model. *See F.T.C.*
 24 *v. BurnLounge, Inc.*, 753 F.3d 878 (9th Cir. 2014).

25 **B. How Sunrider Perpetuates Its Pyramid Scheme**

26 34. Sunrider touts in its marketing materials, do not join a rideshare service like Uber,
 27 but instead introduce friends to Sunrider (which is passive because one doesn't have to work all
 28 day).

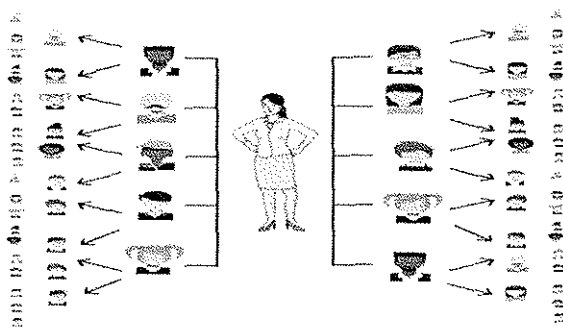
35. Sunrider claims and represents that its income potential is “unlimited” and one can even earn income “while they sleep.”

FIGURE NO. 2



36. Sunrider represents itself as the “answer” that can reward a common person with luxury cars, houses, and travel around the world. Sunrider further markets and represents that its sales are based on recruitment, not the sale of products by showing victims the following chart.

FIGURE NO. 3

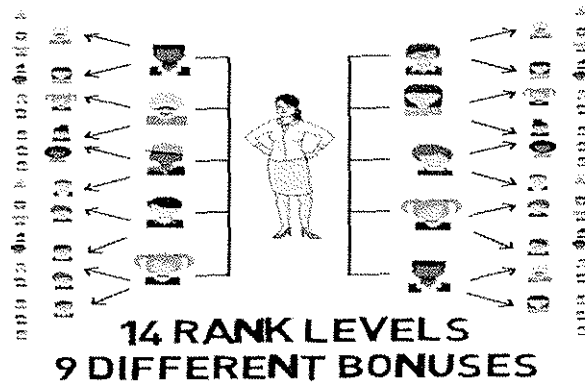


37. Every dollar made in the marketing organization (i.e. throughout the entire pyramid) accrues to the top of the pyramid’s benefit. If everybody in your downline is doing this, your potential is unlimited. Sunrider represents that business can be passed on to generations. “You don’t just make money on sales, *but on developing your business.*” “This income can put you in the top 10% of income in the United States.” “If you ride the sun, the day will never end.”

38. Further, according to Tei-Fu and Sunrider, “wealth is nothing without health and health is nothing without wealth.” Tei-Fu preys on the false health proprieties of the products to get victims to join. Tei-Fu and Sunrider represent that Sunrider is “run by a family of experts.”

39. According to Sunrider, a distributor can climb through 14 rank levels and receive 9 different bonuses by recruiting more distributors.

FIGURE NO. 4



40. Sunrider makes false and misleading claims to its prospective distributors regarding income. The below chart implies that Sunrider distributors earn significant income and that advancing is based on time. In fact, more than 90% of all members of Sunrider fail and do not earn any income, and the chart falsely implies the income potential for those victims who join.

FIGURE NO. 5

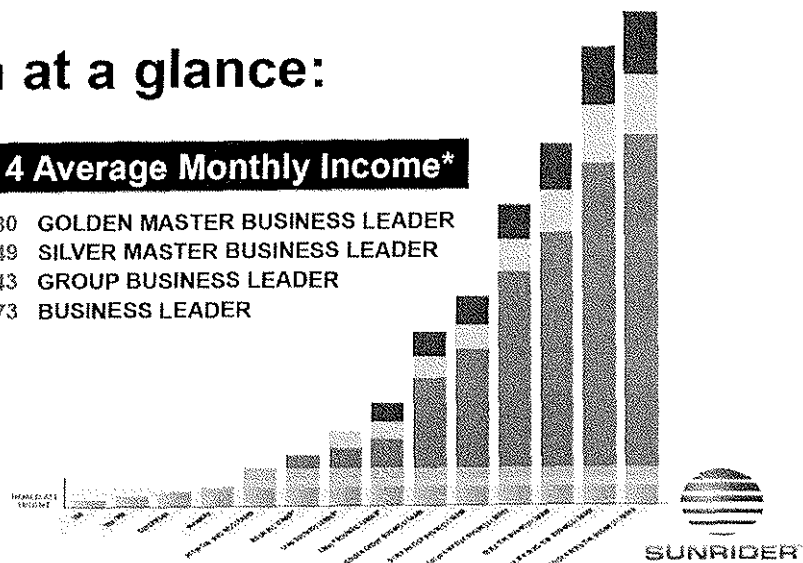
Business plan at a glance:

EXTRA BONUS
TRAVEL INCENTIVE FUND
ASK YOUR UPLINE MORE DETAILS

- GROUP BUSINESS LEADER PERFORMANCE BONUS
- PROFIT SHARING
- LEADERSHIP DEVELOPMENT BONUS
- BUSINESS LEADER HIGH PERFORMANCE BONUS
- BUSINESS LEADER PERFORMANCE BONUS
- RETAIL PROFIT, IBO BONUS, AND TRAINING BONUS

2014 Average Monthly Income*

\$25,280	GOLDEN MASTER BUSINESS LEADER
\$13,749	SILVER MASTER BUSINESS LEADER
\$6,243	GROUP BUSINESS LEADER
\$1,673	BUSINESS LEADER



* The earnings stated above are not necessarily representative or typical of the earnings Sunrider Independent Business Owners (IBOs) can or will earn through participation in the Sunrider Business Plan. These statements should not be considered guarantees or projections of your actual earnings or profits. The average annual income of active Sunrider IBOs based on the months they were active was \$2,344 in 2014. An active Sunrider IBO is an IBO who has \$100 or more in IBO Sales in a month. As with any other independent business, success results only from dedicated sales efforts, hard work, diligence, and leadership.

41. Sunrider falsely claims that with its business opportunity, there is “no big start-up costs,” “no big inventory,” “no commitment,” “no overhead,” “no sales experience,” and “flexible hours.” In fact, the business requires all of the above.

FIGURE NO. 6



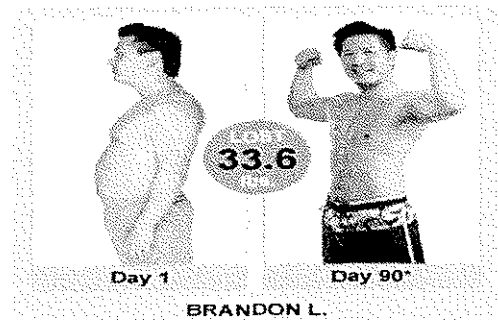
- ☒ NO BIG START-UP COSTS
- ☒ NO BIG INVENTORY
- ☒ NO OVERHEAD
- ☒ NO COMMITMENT
- ☒ NO SALES EXPERIENCE
- ☒ FLEXIBLE HOURS

42. According to Sunrider, Sunrider represents and markets to its customers that one of its lawyers Brandon L., had a lot of success using Sunrider weight loss products and lost 33 pounds using those products.

FIGURE NO. 7

Products That Make a Difference

**"After 90 days,
I had lost over 33 pounds
and my body fat is now
in the teens."***



*Results may vary depending on your level of intensity, diet, and other reasons. Regular exercise, proper diet, and nutrition are required to achieve and maintain weight-loss and muscle definition.



43. From 2014 through 2017, Sunrider and Tei-Fu make false claims about the health benefits of Sunrider's products, representing that the "pH balance" of a product creates health benefits for the skin (even though it does not), that oil that competing companies use for skin care product is the same oil that is in your vehicle (even though this is transparently false), that the

more oil a product has, the less water your skin will have (which is scientifically false), that using oil based products creates a layer on your skin that prevents your skin from being hydrated (another false statement), that Sunrider's tooth paste is the only tooth paste on the market that is not poisonous (which is false), that by using *other* companies' products, the skin will be thinner and thinner. Tei-Fu falsely claims "pay attention, the thinner the skin you have the worse off you are," "the thicker the skin you have, the harder it is to get old and get wrinkles. "You can make your skin as thick as the great wall, and you can live forever." With "fruit and vegetable rinse" 100% of the pesticides are gone. Put your hands in only 5 seconds, all germs are gone, and this "rinse" provides better benefit than typical soap. "I carry the rinse with me everywhere I go and can't leave home without it. I use this fruit and vegetable rinse for my personal showering." "I spray the fruit and vegetable rinse in the cabin of the airplane on a flight, and all germs on the entire plane are gone." "The germs cannot get to me with this spray." "This is my greatest invention." All these statements are false.

FIGURE NO. 8

Our skin is the largest organ in our bodies. It is the first step to protecting our bodies' environments.

Sunrider® skin care products nourish and cleanse with the highest quality herbal essential oils and plant-based ingredients.

They are pH balanced to protect our skin.

They contain no petroleum byproducts or animal oils, which pollute our bodies.



44. Sunrider makes further false income claims as follows based on part time work, i.e. that income can be earned now:

FIGURE NO. 9



**YOU CAN
START MAKING
\$5,000,
\$10,000
OR MORE PER MONTH,
PART TIME, NOW!***

* The earnings stated above are not necessarily representative or typical of the earnings Sunrider Independent Business Owners (IBOs) can or will earn through participation in the Sunrider Business Plan. These statements should not be considered guarantees or projections of your actual earnings or profits. The average annual income of active Sunrider IBOs based on the months they were active was \$2,344 in 2014. An active Sunrider IBO is an IBO who has \$100 or more in IBO Sales in a month. As with any other independent business, success results only from dedicated sales efforts, hard work, diligence, and leadership.

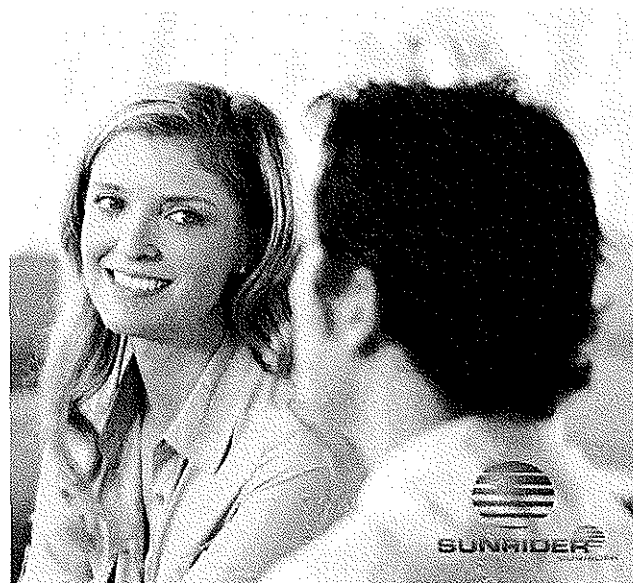
45. Sunrider further confirms in its marketing and presentation that success is based on recruitment, and that the potential is unlimited.

FIGURE NO. 10

The Power of 15 Minutes

**Spend 15 minutes
connecting with 2 people
every day, sharing the
Sunrider opportunity.
You'll reach over 700
people in a year!**

**If everybody does this,
the potential is unlimited.**



46. Sunrider also claims that through duplication, i.e. recruiting, a distributor can make over "\$530,000 in just 30 days."

FIGURE NO. 11

But our business opportunity is based on the Power of Duplication.

Would you rather take \$1 and double it every day for 30 days?

If you chose to double your money, you would end up with \$530,000,000 instead of \$300,000.

Day 1 – \$1

Day 2 – \$2

Day 3 – \$4

Day 4 – \$8

Day 5 – \$16

Doubling every day

OVER
\$530,000,000
IN JUST 30 DAYS



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

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

49. According to a former employee of Sunrider, who posted on Glassdoor.com on January 27, 2016, this company is “based on a sleazy pyramid scheme...advice to management...stop changing the business plan and making it difficult for your sales reps to succeed-it makes the company seem untrustworthy.” Other former employees have said that there are cameras everywhere and as for the environment – “there is a culture of fear and paranoia throughout every dept.” Finally, according to another employee of Sunrider who posted on December 26, 2014, Sunrider still manufactures cosmetics with chemicals that have been known for a long time to be harmful.

1 D. **Sunrider Encourages Inventory Loading**

2 50. Sunrider encourages Distributors to recruit and to inventory load through its
3 wholesale commissions.

4 51. The prospect of wholesale commissions encourages recruiting: the more recruits a
5 Distributor has, the more potential there is for a wholesale commission. The prospect of wholesale
6 commissions also encourages Distributors to purchase product they do not otherwise need or want
7 to increase their points so that they can be eligible for greater discounts and thus, greater
8 wholesale commissions. This is particularly exemplified by the fact that Sunrider's products are
9 very expensive. For instance, a tube of toothpaste sells on Amazon for \$22.00.

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

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

1 new Distributors. Thus, just like a classic pyramid scheme, the Sunrider scheme requires
2 participants to put money into the scheme and rewards participants who bring in new participants.

3 **E. Distributors Are Unable To Sell Sunrider Products For A Profit**

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

8 55. Second, Sunrider's products themselves are available online for the wholesale price
9 or less. That these products are sold at or below the advisor price makes it difficult for
10 Distributors to sell the products for a profit. Sunrider may have taken action to reduce resales, but
11 the fact remains that Sunrider products are available below the discount prices. Moreover, many
12 of these sales are likely made by current or former Distributors desperately trying to offload
13 excess product at whatever price they can get, which further supports the propositions that
14 Distributors Inventory Load and that the Sunrider products are overpriced.

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

22 57. Plaintiff does not contend that Distributors make no retail sales at all. But Plaintiff
23 does allege that relatively little of the revenues received by Distributors—including both money
24 paid them by Sunrider and proceeds from retail sales—comes from retail sales, and the vast
25 majority comes from Distributors' payments to Sunrider. Thus, the Distributors are primarily
26 feeding off each other.

27 58. Sunrider also makes false and/or inadequate income disclosures in that in many
28 instances, it does not disclose income of those who are distributors, or provides statements of

1 income that are false, and/or misleading, that affirmatively represent a profitable business
2 opportunity, when there is none.

3 59. Because Sunrider pays the people at the top of the pyramid exorbitant incomes and
4 because little non-Distributor money comes into the scheme to pay Distributors, the Distributors at
5 the bottom of the pyramid must lose money. These losses are borne out by Sunrider's own financial
6 disclosures and the experiences of the Plaintiff and multiple other Distributors.

7 **F. The Individual Defendants and Sunrider Promote the Pyramid Scheme**

8 60. The Individual Defendants are persons at the top of Sunrider's pyramid. All of the
9 Individual Defendants achieved ranks of top executive. They are in the top 1% of Distributors who
10 make the most lucrative bonuses. They actively participate in the Sunrider pyramid scheme, and
11 they profit from the compensation plan at the expense of the vast majority of Distributors.

12 61. Sunrider and the Individual Defendants promote the pyramid scheme and make
13 misleading claims of financial success.

14 62. In coordination with Sunrider, the Individual Defendants have flooded the internet
15 with promotional materials designed to lure in new Distributors. Sunrider and Individual Defendants
16 promote the scheme as a lawful program that, with sufficient hard work, virtually guarantees
17 financial success. Sunrider and the Individual Defendants promote Sunrider as a reliable source of
18 significant income.

19 63. To sell the financial- success promise, Sunrider and the Individual Defendants flaunt
20 the wealth of the highest-ranked Distributors and those few insiders at the top of the pyramid, as
21 examples of the riches that await new participants.

22 64. All of the Individual Defendants have produced videos and made statements via the
23 internet knowingly promoting Sunrider's pyramid scheme and touting the financial rewards
24 supposedly available to participants. Each of these statements furthered the pyramid scheme by
25 encouraging persons to become Distributors and by encouraging Distributors to remain Distributors
26 and pursue the Sunrider business opportunity.

27 65. The similarity of the statements made by the Individual Defendants indicate a
28 collusive effort to promote the Sunrider scheme.

1 66. In addition to the statements pled *infra*, Tei-Fu and Oi-Lin also represent the
2 opportunity publicly via youtube videos and other medium as follows: “the key to the business is
3 that downline will become master. Encourage downline to see big, instead of seeing small. They
4 should see as big as possible. Costs you nothing more. It is free. We all need to have a crazy idea
5 in our head – to think crazy big.” The Individual Defendants further represent that people should
6 “change our heads and change our minds” that this is a “World class business opportunity” and
7 that “if you are rich, nothing is expensive.” “The only way we can be rich is to teach other people
8 to be richer. Have you ever thought about getting a private jet? Control your destiny with
9 Sunrider. One for me, one for my wife, one for everybody. The world is unlimited.” Tei-Fu and
10 Oi-Lin also downplay a person joining Uber: “Guy joined Uber- what else can you do? Just driving
11 around? Feel sorry for him. Control your own destiny. Lets think we can make multimillion a
12 year. Let’s think we can do the anything. That we can be master. Penetrate your crazy idea to
13 your friend, family, downline, and get everybody to think crazy like you. You will then have an
14 amazing result. No time limit with Sunrider. You are the leader, you are not ordinary people. I
15 know not everybody can come. All your dreams will become reality. Opportunity is everywhere.
16 You have to get up, and take it.”

17 **G. Plaintiff Is A Victim Of The Pyramid Scheme**

18 67. Wu became a Sunrider distributor in 2010 through 2016 by making purchases and
19 buying the starter pack for \$600 plus \$100 (for products) on or about 2010, and an additional \$600
20 plus \$100 (for products) on or about 2015. Plaintiff paid approximately \$3,000 towards this
21 opportunity. Plaintiff Wu was deceived by Sunrider’s misleading opportunity believing, the
22 opportunity was a legitimate way to earn money (even though that representation by Sunrider and
23 the Individual Defendants was false), and Plaintiff Wu did in fact lose money as a result of
24 Defendants’ unfair, unlawful, and fraudulent business practice.

25 68. Plaintiff Wu was unable to make many retail sales, and lost money in the Sunrider
26 scheme.

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

2 69. At some times during Sunrider's history, it has requested consumers assent to a
3 "Business Guide." The Business Guide does not provide for arbitration, but instead provides that
4 disputes be resolved in a court of law as follows: "...any California Superior Court located in Los
5 Angeles, California for the purpose of **all legal actions and proceedings** arising out of or relating to
6 ... (iii) the relationship between IBO's and Sunrider or its officers, directors, agents, or other
7 IBO's." Business Guide, ¶XIX (emphasis added).

8 70. At some times during Sunrider's history, it has requested various class members to
9 sign a document labeled, "Distributor Agreement" (the "DA"). The DA conflicts with the Business
10 Guide by indicating the dispute "shall be resolved by arbitration in Los Angeles, California..." DA,
11 ¶ 5. There is no provision in the DA that the arbitration provision survives in the event the DA
12 expires or terminates.

13 71. The arbitration provision is unenforceable because no class members were required
14 to assent to the arbitration condition by the terms of the Agreement itself, and in fact, the Business
15 Guide plainly permits an IBO to bring an action in a Court of Law.

16 72. In the alternative, the arbitration provision is unconscionable because *inter alia*, it
17 permits Sunrider the unilateral right to modify the conditions of the arbitration policy (DA, ¶ 5), the
18 rules of Commercial Arbitration do not provide for prevailing party fees and class members would
19 have to pay the cost and fees of arbitration, the pre-litigation requirements prior to bringing action
20 are unconscionable, and for other reasons to be asserted in necessary motion practice.

21 73. In the alternative, the arbitration provision is unenforceable as a matter of law and as
22 a matter of fact for reasons to be set forth in motion practice.

23 74. In the alternative, the arbitration provision is unenforceable related to the injunctive
24 relief requested in this Complaint, based on recent California Supreme Court authority.

25 V. **CLASS ACTION ALLEGATIONS**

26 77. Plaintiff seeks to represent a nationwide class defined as follows:

27 78. Plaintiff brings this action as a class action under CCP Section 382.

1 79. Plaintiff seeks relief on behalf of herself and the following class: persons who paid a
2 start-up fee, an annual fee, purchased a Distributor Kit, and/or purchased products from Sunrider
3 between March 9, 2010, to the present date, who lost money from their participation in the Sunrider
4 scheme.

5 80. Subject to confirmation, clarification and/or modification based on discovery to be
6 conducted in this action, Plaintiff also seeks to represent a sub-class in California, defined as
7 follows: persons residing in California who paid start-up fees, product fees, annual fees, purchased a
8 Distributor Kit, and/or purchased products from Sunrider between March 9, 2010, to the present
9 date, who lost money from their participation in the Sunrider scheme.

10 81. Subject to confirmation, clarification and/or modification based on discovery to be
11 conducted in this action, Plaintiff also seeks to represent a sub-class of all worldwide participants
12 of Sunrider, defined as follows: persons residing in anywhere in the World who paid start-up fees,
13 product fees, purchased a Distributor Kit, and/or purchased products from Sunrider between March
14 9, 2010, to the present date, who lost money from their participation in the Sunrider scheme.

15 82. Pursuant to the previous paragraph of this complaint, the damage to any person
16 living anywhere else other than the United States involved a domestic injury to business or
17 property because all contracts of independent business owners were negotiated, executed, and
18 stored in California/United States, involved a significant connection to domestic commerce in that
19 the labeling, products, and other parts of the manufacturing and sales and marketing process were
20 conducted from California and for other reasons to be provided according to proof.

21 83. Excluded from the class are the Defendants, family members, this Court, and any
22 "Director" of Sunrider.

23 84. Plaintiff seek to pursue a private attorney general action for injunctive relief for
24 themselves and all members of the class, and they satisfy the standing and class action
25 requirements.

26 85. While the exact number of members in the Class and Subclasses are unknown to
27 Plaintiff at this time, and can only be determined by appropriate discovery, membership in the
28

1 class and subclasses is ascertainable based upon the records maintained by Defendants. It is
2 estimated that the members of the Class are greater than 250,000, nationwide.

3 86. Therefore, the Class and Subclasses are so numerous that individual joinder of all
4 Class and Subclass members is impracticable.

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

19 88. These and other questions of law and/or fact are common to the class and
20 subclasses and predominate over any question affecting only individual class members.

21 89. Plaintiff's claims are typical of the claims of the class and subclasses in that
22 Plaintiff were Distributors for Defendant Sunrider and lost money because of the illegal scheme.

23 90. Plaintiff will fairly and adequately represent the interests of the class and
24 subclasses. Plaintiff's claims are typical of those of the class and subclasses. Plaintiff's interests
25 are fully aligned with those of the class and subclasses. And Plaintiff has retained counsel
26 experienced and skilled in complex class action litigation.

27 91. Class action treatment is superior to the alternatives for the fair and efficient
28 adjudication of the controversy alleged, because such treatment will allow many similarly-situated

1 persons to pursue their common claims in a single forum simultaneously, efficiently and without
 2 unnecessary duplication of evidence, effort, and expense that numerous individual actions would
 3 engender.

4 92. Plaintiff knows of no difficulty likely to be encountered in the management that
 5 would preclude maintenance as a class action.

6 VI. CLAIMS FOR RELIEF

7 FIRST CLAIM FOR RELIEF

8 **Judgment Declaring the Arbitration Provision Unenforceable**

9 (Plaintiff on Behalf of herself And Those Similarly Situated, Against All Defendants, including
 10 DOES 1 through 100)

11 93. Plaintiff realleges all allegations as if fully set forth herein, and incorporates
 12 previous allegations by reference.

13 94. The Business Guide does not require arbitration, but instead, specifically permits an
 14 IBO to bring legal action in the Los Angeles County Superior Court, and in fact the Business
 15 Guide provides that Sunrider agrees to this forum to litigate disputes.

16 95. Sunrider's DA contains an arbitration provision.

17 96. Based on the conflict between the Business Guide (which specifically permits legal
 18 action), and the DA, which suggests arbitration, Plaintiff and the class seek declaratory relief that
 19 they are not bound by the arbitration provision because the Business Guide expressly permits
 20 litigation to take place in the Court in which this action is brought.

21 97. In the alternative, the conditions grant Sunrider the power to unilaterally modify the
 22 terms of the DA, including the arbitration provision, at any time and without prior notice, thereby
 23 rendering the arbitration provision illusory, lacking consideration, and therefore unenforceable.

24 98. The arbitration provision is alternatively, unenforceable as a matter of fact, and
 25 law.

26 99. For these reasons, and those legal reasons to be stated in connection with any
 27 related motion practice, the Court should declare that the arbitration provision is illusory, lacks
 28

1 consideration, and unenforceable, and that the Plaintiff's claims and the Classes' claims are
 2 properly before this Court.

3 SECOND CLAIM FOR RELIEF

4 **ENDLESS CHAIN SCHEME; California Penal Code § 327 and Section 1689.2 of the** 5 **California Civil Code**

6 (Plaintiff on behalf of herself and the Class, Against All Defendants including DOES 1 through
 7 100)

8 97. Plaintiff realleges all allegations as if fully set forth herein, and incorporates
 9 previous allegations by reference.

10 98. Section 1689.2 of the California Civil Code provides: "[a] participant in an endless
 11 chain scheme, as defined in Section 327 of the Penal Code, may rescind the contract upon which
 12 the scheme is based, and may recover all consideration paid pursuant to the scheme, less any
 13 amounts paid or consideration provided to the participant pursuant to the scheme."

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

16 100. The Sunrider operations constitute a scheme for the disposal or distribution of
 17 property whereby class members pay a valuable consideration for the chance to receive
 18 compensation for introducing one or more additional persons into participation in the scheme or
 19 for the chance to receive compensation when a person introduced by the participant introduces a
 20 new participant.

21 101. Independently, the Sunrider operations constitute an endless chain because
 22 members pay an initial large fee, only to have a membership terminated if he fails to pay.

23 102. Independently, the Sunrider operations constitute an endless chain because
 24 defendants tell victims they earn commissions by recruiting other people to buy memberships and
 25 the members, were in turn, instructed to recruit more members.

26 103. Independently, the Sunrider operations constitute an endless chain because
 27 Defendants' commissions, income, lottery gifts like vehicles, and free products were based on a
 28

1 current member's sales of memberships to new members whether any of these members actually
2 used their Sunrider membership to sell any products.

3 104. Plaintiff and the class have suffered an injury in fact and have lost money or
4 property because of Sunrider and the Individual Defendants' operation of an endless chain,
5 business acts, omissions, and practices.

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

11 **THIRD CLAIM FOR RELIEF**

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

13 (Plaintiff on behalf of herself and the Class Against All Defendants including DOES 1 through
14 100)

15 106. Plaintiff realleges all allegations as if fully set forth herein, and incorporates
16 previous allegations by reference.

17 107. All claims brought under this Third Cause of action that refer or relate to the
18 unlawful, fraudulent or unfair "endless chain" of the Defendants are brought on behalf of Plaintiff
19 and the Class.

20 108. All claims brought under this Third Cause of Action that refer or relate to the
21 unlawful, fraudulent or unfair the statements, the touted Sunrider "business opportunity" are
22 brought on behalf of Plaintiff and the Class.

23 109. Sunrider has engaged in constant and continuous unlawful, fraudulent and unfair
24 business acts or practices, and unfair, deceptive, false and misleading advertising within the
25 meaning of the California Business and Professions Code § 17200, *et seq.* The acts or practices
26 alleged constitute a pattern of behavior, pursued as a wrongful business practice that has
27 victimized and continues to victimize thousands of consumers for which Plaintiff's seek to enjoin
28 from further operation. The Sunrider Sales and Marketing Plan Is Unlawful.

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

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

5 112. Sunrider utilizes its illegal “endless chain” with the intent, directly or indirectly, to
6 dispose of property in Sunrider’s products and to convince Distributors to recruit others to do the
7 same.

8 113. Sunrider’s business practices are unlawful pursuant to §17200 because they violate
9 §17500 *et seq.*, as alleged in the Third Cause of Action.

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

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

16 116. First, as detailed herein, Defendants promoted participation in the Sunrider endless
17 chain, which has a compensation program based on payments to participants for the purchase of
18 product by participants, not the retail sale of products or services.

19 117. Sunrider has made numerous misleading representations about the business
20 opportunity of Sunrider and the income that a recruit or a distributor can realize by becoming a
21 distributor and participating in the scheme.

22 118. Sunrider knew, or should have known, that the representations about the business
23 opportunity of Sunrider were misleading in nature.

24 119. As a direct result of Sunrider’s fraudulent representations and omissions regarding
25 the Sunrider endless chain described herein, Sunrider wrongly acquired money from Plaintiff and
26 the members of the classes.

27 120. Second, Sunrider touted, in numerous different ways as part of a massive
28 advertising campaign, a “business opportunity,” which Sunrider also repeatedly and in many ways

1 represented, among other things, as being “for everyone” and allowing “full time” or “part time”
2 opportunities.

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

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

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

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

25 125. As a direct result of Sunrider’ fraudulent representations and omissions regarding
26 the Statement and the massive adverting campaign during that time frame and thereafter touting
27 Sunrider’s purported “business opportunity” described herein, Sunrider wrongly acquired money
28 from Plaintiff and the members of the classes.

1 126. The named Plaintiff has standing to bring these § 17200 claims under the
2 fraudulent prong, and can demonstrate actual reliance on the alleged fraudulent conduct.

3 127. For instance, Plaintiff has been in receipt of misleading and false financial
4 statements and marketing materials/seminar papers, which promoted the Sunrider's scheme and
5 claimed "business opportunity" and contained material false representations regarding the success
6 Distributors could achieve through Sunrider by purchasing products and recruiting others to do the
7 same.

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

1 129. To the extent proof of reliance is required of Plaintiff, Sunrider and the Individual
2 Defendants knew that Plaintiff and the class would reasonably rely on their representations and
3 omissions, which would cause the Plaintiff and the class joining the fraudulent endless chain
4 scheme and purchasing the products, and Plaintiff did in fact reasonably rely upon such
5 representations and omissions.

6 130. Indeed, had Plaintiff and the class known that Sunrider and its Individual
7 Defendants were promoting an endless chain, they would not have become Sunrider Distributors
8 in the first place and, if learned after becoming a distributor, they would not have purchased
9 Sunrider products thereafter.

10 131. Had Plaintiff and the class known that Sunrider was promoting a “business
11 opportunity” that did not exist except for a select few, they would not have become Sunrider
12 Distributors in the first place and, if learned after becoming a distributor, they would not have
13 purchased Sunrider products thereafter.

14 132. Finally, the fraudulent acts, representations and omissions described herein were
15 material not only to Plaintiff and the class (as described in this complaint), but also to reasonable
16 persons.

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

20 134. For the reasons set forth herein and above, Sunrider’s promotion and operation of an
21 unlawful and fraudulent endless chain, and its fraudulent representations and omissions regarding
22 its purported “business opportunity,” are also unethical, oppressive, and unscrupulous in that
23 Sunrider is and has been duping Plaintiff and the class out of billions, or at least hundreds of
24 millions, of dollars.

25 135. Sunrider’s actions have few, if any, benefits. Thus, the injury caused to Plaintiff
26 and the class easily and dramatically outweigh the benefits, if any.

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

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

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

146. Because of Defendants' untrue and/or misleading representations, Defendants wrongfully acquired money from Plaintiff and the class members to which they were not entitled. The Court should order Defendants to disgorge, for the benefit of Plaintiff and all other Sunrider Distributors in the class who signed a Distributor Agreement with Sunrider their profits and compensation and/or make restitution to Plaintiff and the class.

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

FIFTH CLAIM FOR RELIEF

(RICO 18 U.S.C. § 1962(a))

(Plaintiff on behalf of herself and the Class Against All Defendants including DOES 1 through 100)

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

149. Sunrider, the Individual Defendants, and those in conspiracy, willfully and intentionally violated and continue to violate RICO and California law with the goal of obtaining money, directly and indirectly, through a pattern of racketeering activities in violation of the mail

1 and wire fraud statutes, 18 U.S.C. §§ 1341 and 1343, 18 U.S.C. § 1962(a), and California Penal
2 Code § 327.

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

6 150. The Defendants (with the individual defendants) together make up the “Sunrider
7 Enterprise” as an association of entities and individuals associated in fact to operate an illegal
8 pyramid scheme. The Sunrider Enterprise is not a legal entity within the meaning of “enterprise”
9 as defined in 18 U.S.C. § 1961(4). The Defendants have been members of the Sunrider Enterprise
10 from at least 1992, and continuing until the present. Sunrider and the Individual Defendants are
11 separate entities from the Sunrider Enterprise and play separate and distinct roles in the operation
12 of the Sunrider Enterprise.

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

1 151. From at least April 2009 and continuing until the present, within the County of Los
2 Angeles, and elsewhere, Sunrider in association with the other defendants, did knowingly,
3 willfully and unlawfully conduct and participate, directly and indirectly, in the conduct of the
4 affairs of the Sunrider Enterprise through a pattern of racketeering activity.

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

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

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

23 155. The pattern of racketeering activity alleged is distinct from the Sunrider Enterprise.
24 Each act of racketeering activity is distinct from the Sunrider Enterprise in that each is a separate
25 offense committed by an entity or individual while the Sunrider Enterprise is an association of
26 entities and individuals. The Sunrider Enterprise has an ongoing structure and/or organization
27 supported by personnel and/or associates with continuing functions or duties.

28 156. The racketeering acts set out above and below, and others, all had the same pattern

1 and similar purpose of defrauding Plaintiff and the class for the benefit of the Sunrider Enterprise
2 and its members. Each racketeering act was related, had a similar purpose, involved the same or
3 similar participants and methods of commission and had similar results affecting Plaintiff and the
4 class. The racketeering acts of mail and wire fraud were also related to each other in that they were
5 part of the Sunrider Enterprises' goal to fraudulently induce Plaintiff and the Class to join the
6 illegal scheme, purchase products, and recruit others to join the scheme.

7 157. Sunrider and other Defendants' wrongful conduct has been and remains part of
8 Sunrider Enterprises' ongoing way of doing business and constitutes a continuing threat to the
9 property of Plaintiff and the class. Without the repeated acts of mail and wire fraud, the Sunrider
10 Enterprise's fraudulent scheme would not have succeeded.

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

18 159. Plaintiff and the class were injured by the reinvestment of the racketeering income
19 into the Sunrider Enterprise because they invested billions of dollars of their own money through
20 their purchasing of products, promotional materials, and Sunrider products, all of which were
21 packaged and shipped at inflated charges.

22 160. In connection with promoting and executing their illegal scheme, members of the
23 Sunrider's Enterprise knowingly and recklessly placed and caused to be placed in the United
24 States mail or by interstate commercial carrier, or took or received therefrom, matters or things to
25 be sent to or delivered by the United States mail or by interstate commercial carrier comprising,
26 among other things product, invoices, letters, promotional materials, brochures, products and
27 checks to Plaintiff and the class and received communications between and among themselves
28 through the United States mail, in all fifty states and the District of Columbia. It was reasonably

1 foreseeable that these mailings or receipts would take place in furtherance of the fraudulent
2 scheme.

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

11 162. Sunrider's Distributors can and do buy products and are given inducements to
12 continue working as Distributors within the Sunrider Pyramid. Sunrider maintains various
13 websites that host promotional videos featuring the Individual Defendants promoting the unlawful
14 scheme and other marketing materials featuring the Individual Defendants promoting the illegal
15 scheme. Sunrider sent and received these interstate wire communications to and from all fifty
16 states and the District of Columbia.

17 163. Each Defendant has promoted the Sunrider Pyramid and Sunrider Enterprise. Each
18 use of the mail or wire by Defendants and the Individual Defendants done in furtherance of the
19 Sunrider pyramid is an act of racketeering.

20 164. The pattern of racketeering activity through which the affairs of the Sunrider
21 Enterprise were conducted and in which Sunrider and the Individual Defendants participated
22 consisted of the following:

23 **Racketeering Act Number One**

24 165. Plaintiff received, through private commercial interstate carrier and the internet
25 portal maintained by Sunrider, certain application materials, which promoted the Sunrider
26 Enterprise and contained material false representations regarding the success Distributors could
27 achieve through Sunrider by purchasing products and recruiting others to do the same.

28 166. Because of her receipt of these materials, Plaintiff signed up with Sunrider

1 purchased Sunrider products, and recruited others to do the same. The materials and package items
2 were sent to Plaintiff with the purpose and intent of promoting the Sunrider Enterprise's illegal
3 scheme, all in violation of 18 U.S.C. § 1341.

4 **Racketeering Act Number Two**

5 167. Plaintiff received, through private commercial interstate carrier, and the internet
6 portal maintained by the Defendants, income disclosures, which promoted the Sunrider Enterprise
7 and the Sunrider pyramid through the sales and marketing plan, and which contained material
8 false representations regarding the success that Distributors could achieve through Sunrider by
9 purchasing travel packages and recruiting others to do the same.

10 168. Because of their receipt of the representations, Plaintiff signed up with Sunrider,
11 purchased Sunrider travel package, and recruited others to do the same. The income disclosure
12 statements with the purpose and intent of promoting the Sunrider Enterprise's illegal scheme, all
13 in violation of 18 U.S.C. § 1341.

14 **Racketeering Act Number Three**

15 169. Plaintiff ordered, through interstate wire transmissions over the internet product
16 packages, which were promoted by the Sunrider Enterprise as the means by which Distributors
17 such as Wu could pay for their position and get greater retail profits. Sunrider hosted these
18 websites. Wu paid Sunrider for these products using an electronic transfer of funds. Sunrider
19 shipped Wu these products through private commercial interstate carrier. Sunrider coordinated
20 through interstate wires on at least a monthly basis following the order the collection and accruing
21 of the rewards associated with those purchases. Because of the promised rewards, points,
22 commissions, and opportunity to advance up the Sunrider Pyramid, Plaintiff Wu purchased
23 Sunrider Products, paid for those Sunrider travel packages, and received those products, using
24 instrumentalities of interstate commerce. Defendants' actions violated 18 U.S.C. §§ 1341 and
25 1343.

26 **Racketeering Act Number Four**

27 170. Throughout April of 2009 and continuing through today, Sunrider distributed
28 information by interstate wire transmissions over the internet, such as www.Sunrider.com. The

1 Sunrider websites promoted the fraudulent scheme through videos of Individual Defendants
2 containing material false representations regarding the business opportunity available to
3 Distributors, and the wealth that a distributor could get by agreeing to become an Sunrider
4 distributor. Plaintiff became Sunrider distributors and maintained their position as Sunrider
5 distributors and continued to order Sunrider products and recruit others to do the same. This
6 conduct violated 18 U.S.C. § 1343.

7 **Racketeering Act Number Five**

8 171. Throughout 2016, the members distributed information by interstate wire
9 transmissions over the internet promoting Sunrider as described in this Complaint. These videos
10 promoted the fraudulent pyramid scheme and contained material false representations regarding
11 the wealth that a recruit or Sunrider distributor could achieve if that recruit became an Sunrider
12 distributor and if a distributor purchased Sunrider products. This violated 18 U.S.C. § 1343.

13 172. Sunrider and the Individual Defendants' representations and omissions were the
14 proximate cause of Plaintiff, and the class, joining the fraudulent scheme and purchasing the
15 products.

16 173. To the extent proof of reliance is legally required, in engaging in the
17 aforementioned wire and mail fraud, Sunrider and the Individual Defendants knew that Plaintiff
18 and the class would reasonably rely on their representations and omissions, which would cause the
19 Plaintiff and the class joining the fraudulent pyramid scheme and purchasing the products.

20 174. Defendants and the Individual Defendants knew that the misrepresentations and
21 omissions described above in promoting and executing the fraudulent scheme were material
22 because they caused Plaintiff and the class to join and participate in the illegal scheme.

23 175. Had Plaintiff and the class known that Sunrider and the Individual Defendants were
24 promoting an illegal scheme, they would not have joined the Sunrider's pyramid scheme.

25 176. Sunrider's and the Individual Defendants' acts of mail and wire fraud were a
26 proximate cause of the injuries that Wu and the class suffered. Because of Sunrider and the
27 Individual Defendants' pattern of unlawful conduct, Plaintiff and the class lost hundreds of
28 millions of dollars, if not billions of dollars.

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

3 **SIXTH CLAIM FOR RELIEF**

4 **RICO 18 U.S.C. § 1962(c)**

5 (Plaintiff on behalf of herself and the Class Against All Defendants, including DOES 1 through
6 100)

7 178. Plaintiff realleges all allegations as if fully set forth herein, and incorporates
8 previous allegations by reference.

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

14 180. As a direct and proximate result of Sunrider and the Individual Defendants'
15 violation of 18 U.S.C. § 1962(c), Plaintiff and the class were induced to, and did, become
16 Distributors in the Sunrider Pyramid scheme and purchased hundreds of millions of dollars, if not
17 billions of dollars of the Sunrider products and recruited others to do the same. Plaintiff and the
18 class were injured by Sunrider's and the Individual Defendants' unlawful conduct. The funds
19 used to buy Sunrider products constitute property of Plaintiff and the class within the meaning of
20 18 U.S.C. § 1964(c).

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

23 **SEVENTH CLAIM FOR RELIEF**

24 **(RICO 18 U.S.C. § 1962(d))**

25 (Plaintiff on behalf of herself and the Class Against All Defendants including DOES 1 through
26 100)

27 182. Plaintiff realleges all allegations as if fully set forth herein, and incorporates
28 previous allegations by reference.

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

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

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

11 **EIGHTH CLAIM FOR RELIEF**

12 **(Federal Securities Fraud)**

13 (Plaintiff on behalf of herself and the Class Against All Defendants including DOES 1 through
 14 100)

15 186. Plaintiff realleges all allegations as if fully set forth herein, and incorporates
 16 previous allegations by reference.

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

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

27 189. Sunrider made numerous material omissions in its Policies regarding retail sales.
 28 Sunrider represented that retail sales were a significant part of Defendants' revenues.

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

11 193. By making affirmative statements regarding retail sales and the ability of
12 Distributors to earn income, Sunrider undertook an affirmative obligation to make the disclosures
13 necessary to make such statements not misleading.

19 195. Sunrider made these omissions knowing that doing so was false and misleading.
20 Sunrider benefitted in a concrete and substantial way from the operation of the pyramid scheme,
21 the recruitment of new Distributors, and new Distributors' reliance on Sunrider's omissions.

24 197. Plaintiff's and the Class Members' reliance on the omissions may be presumed.

26 The named Plaintiff and the Plaintiff's class and subclasses request the following relief:

28 b. A jury trial and judgment against Defendants;

1 c. Rescission of the agreements upon which the scheme is based, and recovery of all
2 consideration paid pursuant to the scheme, less any amounts paid or consideration provided to the
3 participant pursuant to the scheme;

4 d. Damages for the financial losses incurred by Plaintiff and by the class and
5 subclasses because of the Sunrider and the Individual Defendants' conduct and for injury to their
6 business and property;

7 e. Restitution and disgorgement of monies;

8 f. Temporary and permanent injunctive relief enjoining Sunrider from paying its
9 Distributors recruiting rewards that are unrelated to retail sales to ultimate users and from further
10 unfair, unlawful, fraudulent and/or deceptive acts;

11 g. The cost of suit including reasonable attorneys' fees under California Code of Civil
12 Procedure § 1021.5, Civil Code § 1689.2, and otherwise by law;

13 h. For damages in an amount yet to be ascertained as allowed by law; and

14 i. For such other damages, relief and pre- and post-judgment interest as the Court
15 may deem just and proper.

16
17 Dated: May 29, 2017

By: 

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DEMAND FOR JURY TRIAL

Plaintiff Kathy Wu on behalf of herself and those similarly situated, hereby requests a jury trial on all matters so triable.

Dated: May 29, 2107

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