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6 RUI CHEN, WENJIAN GONZALES, AND ALL
THOSE SIMILARLY SITUATED
7

8 **UNITED STATES DISTRICT COURT**
9 **NORTHERN DISTRICT OF CALIFORNIA**

10 RUI CHEN, an individual, WENJIAN
11 GONZALES, an individual; and all those
12 similarly situated,

13 Plaintiffs,

14 v.

15 PREMIER FINANCIAL ALLIANCE, INC., a
suspended California Corporation, or as may be
16 organized under Georgia Law; DAVID
CARROLL, an individual; JACK WU, an
17 individual; LAN ZHANG, an individual; BILL
HONG, an individual, REX WU, an individual;
18 LIFE INSURANCE COMPANY OF THE
SOUTHWEST, a Texas Corporation;
19 NATIONAL LIFE INSURANCE COMPANY, a
Texas Corporation; NLV FINANCIAL
20 CORPORATION, a Texas Corporation;
21 NATIONAL LIFE HOLDING COMPANY, a
Texas Corporation; AJWPRODUCTION, LLC, a
22 California Limited Liability Company, THE
23 CONSORTIUM GROUP, LLC, a Nevada
Limited Liability Company, trustee of NEW
24 WORLD TRUST, a trust operating under
25 unknown laws, trustee of EARLY BIRD TRUST,
a trust operating under unknown laws, DOES 7-
26 10,

27 Defendants.
28

Case No. 4:18-cv-03771-YGR

FIRST AMENDED COMPLAINT

[Class Action]

[DEMAND FOR JURY TRIAL]

1 I. **INTRODUCTION TO THE CASE**

2 1. The Defendants are operating a classic pyramid scheme. What makes this scam
3 particularly egregious is that Defendants have never marketed or sold insurance policies to *any* retail
4 customers, but instead derive 100% of the scheme’s revenues from chain recruitment. These
5 practices have been prohibited by the Federal Trade Commission, and violate State and Federal
6 Laws. Plaintiffs and tens of thousands, have joined PFA and have become “Associates.” Plaintiffs
7 did not make money as promised. The Associates failed because they were doomed from the start
8 by a PFA marketing plan that systematically rewards recruiting Associates over the sale of over-
9 priced insurance product or service to retail consumers.

10 2. More than 95% of PFA Associates average net losses. No persons, except the
11 promotors and operators of the Defendants’ scheme make any money. The Defendants also engage
12 in a common pattern and practice of fraud and concealment by promising Associates that they will
13 earn vast wealth, luxury vehicles, and lavish trips when in reality, only middle men, and the top
14 representatives of the pyramid scheme make any money or receive these benefits. In just one
15 representation PFA claims a “revolutionary compensation” opportunity whereby with just one sale,
16 based on the time value of money, \$2,500,000 can be made by an Associate. Defendants’
17 representations are reckless and make the scam inherently fraudulent in addition to the structurally
18 illegal nature of the recruitment.

19 3. Defendants take money in return for the right to sell insurance policies, which are
20 readily available on the market at a lesser price, and reward for recruiting other participants into the
21 pyramid. Accordingly, Plaintiffs, for themselves, and all others similarly situated, and the general
22 public, allege:

23 II. **TYPE OF ACTION**

24 4. Plaintiffs sue for themselves and for all persons who were participants of Defendants
25 scheme from June 25, 2014 until the present under California’s Endless Chain Scheme Law
26 (California’s Penal Code § 327 and California Civil Code § 1689.2), California Seller Assisted
27 Marketing Plan Act §§ 1812.200 *et. seq.*, California’s Unfair Competition Law (Business and
28 Professions Code §17200 *et seq.*), False Advertising Law (Business and Professions Code §17500),

1 Common Law Fraud, Unjust Enrichment, Conversion, and the Federal Securities Law against all
2 defendants for the operation and promotion of an inherently fraudulent endless chain scheme. In
3 addition, Plaintiffs sue some of the defendants for their illegal operation of a fraudulent racketeering
4 scheme under RICO, based on independent conduct unrelated to the pyramid scheme conduct that
5 forms liability of the other claims.

6 **III. PARTIES**

7 5. Plaintiff Rui Chen (“Chen”), is and at all relevant times during the allegations
8 alleged, has resided in the State of California.

9 6. Plaintiff Wenjian Gonzales (“Gonzales”), is and at all relevant times, has resided in
10 the State of California.

11 7. Defendant Premier Financial Alliance, Inc. (“PFA”) is a suspended California
12 Corporation, Entity No. C2820332, that currently does business at 8000 Marina Blvd., Ste. 100,
13 Brisbane, CA 94005. PFA may have privately organized under the Laws of Georgia as a different
14 or restructured entity.

15 8. PFA and the other defendants also maintain Corporate California Offices in Garden
16 Grove, Brea, San Francisco, Brisbane, Citrus Heights, San Jose, California, and 10 Corporate Park
17 Suite 120, Irvine, CA 92606.

18 9. Defendant David Carroll (“Carroll”) is a conspirator who has a mailing address at
19 4600 Colony Point, Suwanee, Georgia 30024. He is at or near the top of the pyramid operated and
20 promoted by the Defendants, and he actively participates in, promotes, and profits from PFA’s
21 pyramid scheme.

22 10. Defendant Jack Wu (“J. Wu”) is the “chairman” and ringleader of the Defendants’
23 scheme. He is at or near the top of the pyramid operated and promoted by the Defendants, and he
24 actively participates in, promotes, and profits from Defendants’ pyramid scheme. Upon information
25 and belief, Jack Wu resides in this Judicial District.

26 11. Defendant Rex Wu (“R. Wu”) is a “field chairman” of the Defendants’ scheme. He
27 is at or near the top of the pyramid operated and promoted by the Defendants, and he actively
28 participates in, promotes, and profits from Defendants’ pyramid scheme.

1 12. Defendant Lan Zhang (“L. Zhang”) is one of the original members of the Defendants’
2 scheme. She is at or near the top of the pyramid operated and promoted by the Defendants, and she
3 actively participates in, promotes, and profits from Defendants’ pyramid scheme.

4 13. Defendant Bill Hong (“Hong”) is conspirator in the illegal enterprise. He is at or
5 near the top of the pyramid operated and promoted by the Defendants, and he actively participates
6 in, promotes, and profits from Defendants’ pyramid scheme.

7 14. Defendants J. Wu, R. Wu, Zhang, and Hong (the “Insurance Company Agent
8 Defendants”) are not officers, directors, employees, or associates of PFA, but instead, are
9 “independent agents” of the insurance company, Life Insurance Company of the Southwest.

10 15. AJW Productions, LLC (“AJW”) is a Limited Liability Company, which is the alter
11 ego, owned and operated, by Jack Wu to collect monies from the pyramid scheme. AJW is at or
12 near the top of the pyramid operated and promoted by the Defendants, and he actively participates
13 in, promotes, and profits from Defendants’ pyramid scheme.

14 16. Life Insurance Company of the Southwest (“LSW”) is a Texas Corporation that
15 panders the insurance products for sale to participants in the scheme, with complete knowledge that
16 the Defendants have violated Department of Insurance Guidelines and the anti-pyramid laws, but
17 aided and abetted the conduct of LSW’s co-defendants. LSW provides the insurance policies for
18 the illegal recruiting scheme.

19 17. LSW Life Insurance Company (“LSW Life”) is a parent company and/or owner Life
20 Insurance of the Southwest. Although the exact amount by which LSW is capitalized is unknown,
21 upon information and belief, LSW is inadequately capitalized. LSW Life provides the life blood
22 for the illegal recruiting scheme, the insurance policies. LSW provides the insurance policies for the
23 illegal recruiting scheme.

24 18. NLV Financial Corporation (“NLV”) is a parent company and/or owner of LSW
25 Life. Although the exact amount by which LSW Life is capitalized is unknown, upon information
26 and belief, LSW Life is inadequately capitalized. NLV provides the life blood for the illegal
27 recruiting the scheme, the insurance policies. LSW provides the insurance policies for the illegal
28 recruiting scheme.

1 19. LSW Life Holding Company (“Holding”) is a parent company and/or owner of NLV.
2 Although the exact amount by which NLV is capitalized is unknown, upon information and belief,
3 NLV is inadequately capitalized. Holding provides the insurance policies for the illegal recruiting
4 scheme.

5 20. The Consortium Group, LLC (“Consortium”) is the owner and/or parent company of
6 PFA. Upon information, Consortium is organized under the laws of the State of Nevada.
7 Consortium is at or near the top of the pyramid operated and promoted by the Defendants, and its
8 actively participates in, promotes, and profits from Defendants’ pyramid scheme.

9 21. New World Trust (“New World”) is the partial and/or co-owner of Consortium. It is
10 unknown what law New World is organized under. New World is at or near the top of the pyramid
11 operated and promoted by the Defendants, and its actively participates in, promotes, and profits
12 from Defendants’ pyramid scheme. Although the exact amount by which Consortium is capitalized
13 is unknown, upon information and belief, Consortium is inadequately capitalized.

14 22. Early Bird Trust (“Early Bird”) is the partial and/or co-owner of Consortium. It is
15 unknown It is unknown what law Early Bird is organized under. Early Bird is at or near the top of
16 the pyramid operated and promoted by the Defendants, and its actively participates in, promotes,
17 and profits from Defendants’ pyramid scheme. Although the exact amount by which Consortium is
18 capitalized is unknown, upon information and belief, Consortium is inadequately capitalized.

19 23. PFA, J. Wu, R. Wu, Carroll, L. Zhang, Hong, AJW, LSW, LSW Life, NLV, Holding,
20 Consortium, New World, Early Bird, and DOES 7-10 are collectively known as the “Defendants.”

21 **IV. JURISDICTION AND VENUE**

22 24. Jurisdiction is conferred upon this Court because Defendants do business in this
23 judicial district, they hold themselves out and market to this jurisdiction, and they actually conduct
24 significant transactions in this jurisdiction. Under Plaintiffs’ California state law claims, more than
25 75% of those affected in the class (and perhaps more persons) are residents of the State of California.
26 Supplemental jurisdiction exists over the Federal Causes of Action.

1 25. Venue is proper in this Court because a substantial part of the events or omissions
2 giving rise to Plaintiffs' 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 26. Defendants are subject to the jurisdiction of this Court. Defendants have been
5 engaged in continuous and systematic business in California. In fact, many of Associates' business
6 activities originate from California, and an estimated 2/3 of recruitment of Associates occurs in the
7 State of California.

8 27. PFA has committed tortious acts in the State of California.

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

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

20 30. Plaintiffs are presently unaware of the true identities and capacities of fictitiously
21 named Defendants designated as DOES 7 through 10, but will amend this complaint or any
22 subsequent pleading when their identities and capacities have been ascertained according to proof.
23 On information and belief, each and every DOE defendant is in some manner responsible for the
24 acts and conduct of the other Defendants herein, and each DOE was, and is, responsible for the
25 injuries, damages, and harm incurred by Plaintiffs. Each reference in this complaint to "defendant,"
26 "defendants," or a specifically named defendant, refers also to all of the named defendants and those
27 unknown parties sued under fictitious names.

28

1 31. Plaintiffs are informed and believe, and thereon allege that, at all times relevant
2 hereto, all of the defendants together, were members of a single association, with each member
3 exercising control over the operations of the association. Each reference in this complaint to
4 “defendant,” “defendants,” or a specifically named defendant, refers also to the above-referenced
5 unincorporated association as a jural entity and each defendant herein is sued in its additional
6 capacity as an active and participating member thereof. Based upon the allegations set forth in this
7 Complaint, fairness requires the association of defendants to be recognized as a legal entity, as the
8 association has violated Plaintiff and Class Members’ legal rights.

9 32. Plaintiffs are further informed and believe and thereon allege, that each and all of the
10 acts herein alleged as to each defendant was authorized and directed by the remaining defendants,
11 who ratified, adopted, condoned and approved said acts with full knowledge of the consequences
12 thereof, and memorialized the authority of the agent in a writing subscribed by the principal.

13 33. Plaintiffs are informed and believe and thereon allege that each of the defendants
14 herein agreed among each other to commit the unlawful acts (or acts by unlawful means) described
15 in this Complaint.

16 34. The desired effect of the conspiracy was to defraud and otherwise deprive Plaintiffs
17 and Class Members (as hereinafter defined) of their constitutionally protected rights to property,
18 and of their rights under other laws as set forth herein. Each of the defendants herein committed an
19 act in furtherance of the agreement. Injury was caused to the Plaintiffs and Class Members by the
20 defendants as a consequence. Plaintiffs and the Class are entitled to public, preliminary and
21 permanent injunctive relief.

22 **V. FACTS**

23 **A. Defendants’ Business Is A Pyramid Scheme and Endless Chain**

24 35. The Defendants’ scheme was created and founded by co-Defendant Carroll.

25 36. This scheme has existed for three decades, but has grown more successful at duping
26 and ensnaring ordinary consumers in the State of California. According to Defendants’ website,
27 “For over three decades, PFA has provided thousands of people from all walks of life the opportunity
28

1 to start their own business and gain the financial freedom to live their dreams.”
2 <https://www.pfaonline.com/about.php>.

3 37. To become an associate, a victim has to pay into the scheme, a “non-refundable”
4 amount of \$125.00. An associate is then required to buy a “life insurance” policy for the opportunity
5 to recruit potential associates. Part of each premium payment is remitted to PFA and its conspirators;
6 the other portion of the premium payment is remitted to LSW Life Group Insurance.

7 38. To earn any commissions or financial rewards in PFA, one has to recruit and cause
8 to be signed up, six persons, and obtain a license to sell insurance under applicable State Law.

9 39. Defendants maintain a comprehensive back-office database that tracks and displays
10 those Associates of the scheme with the most recruits, and the income derived from recruiting. In
11 doing so, representations are made that recruiting is essential.

12 40. Defendants, through their back-office computer system encourage Associates¹ to
13 recruit, and the performance metrics, demonstratives, and reports represent that the only way to earn
14 money is recruiting.

15 41. Each PFA Associate has uplines (persons in the organization directly above an
16 individual), and downlines (those directly below an individual).

17 42. There are four Base Shop Levels which include Career Associate, Field Associate,
18 Senior Associate, and Provisional Field Director. The more an Associate recruits, the more money
19 they earn from the scheme, and are elevated within the scheme.

20 43. The Director Levels include Qualified Field Director and Senior Field Director. The
21 highest level is the Infinity Director Level, which include Regional Field Director, Area Field
22 Director, LSW Field Director, and Executive Field Director. A person only reaches these “levels”
23 within the organization by recruiting.

24 44. The principal focus is on recruiting. For instance, the Defendants market and
25 advertising in their materials, reports, scoreboards, and charts that a Career Associate is urged to
26

27
28 ¹ An “associate” is really a distributor of the company and the terms “Associates” and “Distributors” can be used interchangeably to mean those lower-level persons that enrolled with the Defendants.

1 recruit at least “three people and submit three sales of minimum 9,000 points in the first thirty days
2 of joining PFA.” No marketing is done to retail customers.

3 45. In many downlines, there is a sad litany of downline reports reflecting that persons
4 have made their initial payment to Defendants, and premium payments on the applicable insurance
5 policies, only to discontinue payments upon realizing the business is impossible.

6
7 **B. PFA Makes Further False Income Representations And Product
8 Representations In Violation of Department of Insurance Guidelines**

9 46. PFA through conspirators Carroll, J. Wu, R. Wu, Hong, Zhang, AJW, and LSW, and,
10 by their authorization, represented to Plaintiffs during their applicable joining periods from 2017 to
11 2018 (and to the Class during the applicable class period as defined) through the internet, materials,
12 sign-up documents, training seminars, mailed materials, and through PFA’s agents, made the
13 following representations to Plaintiffs in the ¶¶ 35-63.

14 47. Defendants represent to Plaintiffs and Associates during the Class period that their
15 cash flow will grow in “size and stability” and that one can build strong business once and business
16 ownership for a lifetime. Defendants further represent to the Associates base, during the entire class
17 period that “we help you win the money game by reallocating old money to create benefits and
18 savings. Build financial independence for you and your family.”

19 48. Defendants also represent that Plaintiffs and Associates will make “base income” of
20 \$13,800 per month.

21 49. Defendants represent to their victim participants during the entire Class Period: enjoy
22 freedom of owning your own business and gain the financial freedom to live your dreams. Further,
23 Defendants represented to Plaintiffs and the Associates during the class period: “Revolutionary
24 compensation: how could this part time income change your life? Make one sale and save the
25 retirement income over 30 years. Make one sale and earn \$2,459,093. Where else can you make
26 this much money part time?”

27 50. The Defendants tout to Associates, and the Plaintiffs that they can make significant
28 income each month from the PFA scheme, and “Total Income” of \$60,360 per month.

1 51. Under PFA's compensation plan, a victim only gains a rank by recruiting people into
2 the business opportunity. The business opportunity is focused on recruiting people, and have them
3 purchase 100 "points" in volumes. Commissions and bonuses are paid to infinite level deep, which
4 means that for each commission and person signed up, the profit travels up the entire pyramid.

5 52. With this many levels, those at the top are enriched. The price of the product is so
6 high compared to comparative market prices that it is impossible to legitimately sell these products
7 retail, except to friends and families.

8 53. According to the Compensation Plan, an Associate's income increases as she/he
9 begins to build teams of recruits that each make four sales.

10 54. PFA makes false and/or misleading income disclosures that are affirmatively false,
11 and false by omission in the picture they present to proposed distributors, in that the representations
12 imply a PFA distributorship is profitable, when these are in fact, false statements. (See Figure No.
13 1).

14 55. Further, PFA emphasizes recruitment over product sales.

15 56. In short, there is no dispute that PFA wholly lacks the required evidence to support
16 the various claims made about the benefit of its insurance products.

17 57. Further, PFA is using deceptive, atypical, and unsubstantiated income claims
18 regarding the financial gains consumers will achieve by becoming associates.

19 58. PFA and its executives make a host of unrealistic financial promises, ranging from
20 getting a company car to making millions of dollars.

21 59. The problem, however, is that while an overwhelming majority of PFA associates do
22 not make any profit at all, and do not obtain the often-touted company car, the vast majority of the
23 income marketing claims boasting exorbitant financial rewards do not disclose this fact.

24 60. The Defendants represent during the class period to the Plaintiffs and the Associates
25 that the opportunity is "risk-free. We make it easy: no major investment, no franchise fees, no job
26 risk, no experienced required, flexible schedule." In reality, to earn any commissions one must put
27 in significant time to obtain a license to sell insurance.
28

1 61. Defendants further represented to Plaintiffs and the Associates' class: "our executive
2 business system is time tested and proven: with your commitment to follow the system and put
3 forward the right effort, your success has no boundaries."

4 62. Defendants also represented to Plaintiffs and the Associates' class: "the turnkey
5 approach allows you to build a business that is: proven, predictable, profitable, self-replicating, self-
6 motivating, self-financed."

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

10 **C. All The Defendants Promote the Pyramid**

11 64. Carroll is a person at the top of Defendants' pyramid and endless chain. Carroll is in
12 the top 1% of Associates who make the most lucrative bonuses. He actively participates in the PFA
13 pyramid scheme, and he profits from the compensation plan at the expense of the vast majority of
14 Associates.

15 65. Each of PFA, Carroll, J. Wu, R. Wu, Hong, Zhang, AJW, by their authorization
16 promote the pyramid scheme and make misleading claims of financial success.

17 66. Each of LSW, LSW Life, NLV, Holding (the "Insurance Defendants") are aware that
18 PFA, Carroll, J. Wu, R. Wu, Hong, Zhang, and AJW make misleading claims of financial success.

19 67. The Insurance Defendants track premium payments under the insurance policies and
20 are aware that most of the policies terminate for lack of payment, and that the failure rate for these
21 policies is extremely high.

22 68. The Insurance Defendants are aware that the other Defendants are not selling
23 insurance in compliance with the California Department of Regulations, and in fact the policies
24 being sold are hoisted on people through promises of wealth, not based on need of insurance.

25 69. The Insurance Defendants actually provide policies for sale, knowing that nearly
26 every policy will eventually be cancelled after significant money is lost to the participant and that
27 the sale of policies is simply a money making system whereby the Defendants have no interest (and
28

1 their associates) have no interest, in selling Policies to people in need of those Policies under the
2 California Department of Regulations.

3 70. In coordination with PFA, Carroll, J. Wu, R. Wu, Hong, Zhang, and AJW flooded the
4 internet with promotional materials designed to lure in new Associates. PFA, Carroll, J. Wu, R. Wu,
5 Hong, Zhang, and AJW promote the scheme as a lawful program that, with sufficient hard work,
6 virtually guarantees financial success. Carroll, J. Wu, R. Wu, Hong, Zhang, and AJW promote PFA
7 as a reliable source of significant income.

8 71. To sell the financial-success promise, PFA, Carroll, J. Wu, R. Wu, Hong, Zhang, and
9 AJW flaunt the wealth of the highest-ranked Associates and those few insiders at the top of the
10 pyramid, as examples of the riches that await new participants, if only they will work hard enough
11 (i.e., tirelessly recruit new Associates). The wechat (a popular social networking platform), instagram,
12 facebook, and twitter posts made during the class period boast of luxury vehicles, grandiose trips,
13 expensive fine dining.

14 72. PFA, authorized by Carroll, J. Wu, R. Wu, Hong, Zhang, and AJW, has produced
15 videos and made statements via the internet knowingly promoting the pyramid scheme and touting
16 the financial rewards supposedly available to participants. Each of these statements furthered the
17 pyramid scheme by encouraging persons to become Associates and by encouraging Associates to
18 remain Associates and pursue the PFA business opportunity.

19 73. The preceding and following paragraphs set forth just a small subset of publicly
20 broadcast statements made by PFA, as authorized by Carroll, to promote the PFA opportunity.

21 **F. Plaintiffs Are Participants and Victims Of The Pyramid Scheme**

22 74. Plaintiff Rui Chen (upon information and belief) became an associate in the scheme,
23 upon information and belief, on or about 2017. Plaintiff Chen was deceived by PFA's misleading
24 opportunity believing, the opportunity was a legitimate way to earn money (even though that
25 representation by Defendants was false), and Plaintiff Chen did in fact lose money as a result of
26 Defendants' unfair, unlawful, and fraudulent business practices. PFA apparently does not consider
27 Rui Chen to have enrolled, but she has evidence of attending PFA training meeting and paying the
28

1 amounts, and the scheme was marketed to her, and she relied on the statements above in
2 participating.

3 75. Plaintiff Chen was unable to make any policy sales, and she lost money in the PFA
4 scheme even considering policy sales. Plaintiff Chen's participation resulted in no monies.

5 76. Plaintiff Wenjian Gonzales became an associate on or about late 2017/2018. Plaintiff
6 Gonzales was deceived by PFA's misleading opportunity believing, the opportunity was a legitimate
7 way to earn money (even though that representation by Defendants was false), and Plaintiff
8 Gonzales did in fact lose money as a result of Defendants' unfair, unlawful, and fraudulent business
9 practices.

10 77. All transactions to enroll in the Defendants' pyramid scheme occurred in the State of
11 California, and were interstate for all purposes.

12 78. Upon information, PFA's electronic records are not housed in Georgia even though
13 that is where one PFA entity asserts its offices are maintained, and upon information and belief, any
14 transactions to enroll or receipts were produced, maintained, and entered into at in the State of
15 California.

16 79. Georgia Code 9-9-2 prohibits enforcement of arbitration clauses in any contract of
17 insurance. An Associate of PFA is required to purchase an integrated insurance policy with the
18 Defendants, as a condition to obtain enrollment.

19 80. California prohibits enforcement of arbitration clauses in any contract of insurance.
20 *Smith v. Pacificare Behavioral Health of California, Inc.*, 93 Cal. App. 4th 139; 113 Cal. Rptr. 2d
21 140 (2001). An Associate of PFA is required to purchase an integrated insurance policy as a
22 condition to obtain enrollment.

23 81. PFA's alleged terms of service have two additional fatal flaws:

24 (a) They are subject to complete and unfettered unilateral amendment by PFA's
25 "President" which makes them (and any "arbitration" provision) illusory and
26 invalid;

27 (b) The terms permit PFA impermissible unilateral right to seek monetary damages
28 and injunctive relief in Court, whereas an associate cannot do either: "PFA, in its

1 sole discretion, may elect to file civil litigation... seeking monetary damages
2 and/or injunctive relief... Associate agrees to pay liquidated damages in the
3 amount of \$100,000 for a breach hereof...”

4 **VI. CLASS ACTION ALLEGATIONS**

5 82. Plaintiffs bring this action as a class action under Federal Rule of Civil Procedure
6 23.

7 83. Plaintiffs seek to certify a class pursuant to Fed. R. Civ. Proc. 23(a), 23(b), 23(c)(4),
8 and 23(c)(5), if necessary.

9 84. Plaintiffs seek relief on behalf of themselves and the following classes:

10 (a) all persons who enrolled in PFA from June 25, 2014 to present date, who paid more money
11 to Defendants than the amount of money that they received from the Defendants;

12 (b) all persons who were targeted to enroll in PFA from June 25, 2014 to present date, who
13 paid money to the Defendants.

14 85. Excluded from the class are the Defendants, executives of PFA, family members,
15 this Court.

16 86. Plaintiffs seek to pursue a private attorney general action for public injunctive relief
17 for themselves and all members of the class, and they satisfy the standing and class action
18 requirements. Plaintiffs intend to seek preliminary and permanent injunctive relief.

19 87. While the exact number of members in the Class and Subclasses are unknown to
20 Plaintiffs at this time, and can only be determined by appropriate discovery, membership in the class
21 and subclasses is ascertainable based upon the records maintained by Defendant. It is estimated that
22 the members of the Class are greater than 25,000 persons.

23 88. Therefore, the Class and Subclasses are so numerous that individual joinder of all
24 Class and Subclass members is impracticable.

25 89. There are questions of law and/or fact common to the class and subclasses, including
26 but not limited to: (a) Whether Defendants are operating an endless chain; (b) Whether Associates
27 paid monies to Defendants; (c) Whether PFA paid monies to Associates; (d) Whether Defendants’
28 omitted to inform the Plaintiff and the plaintiff class that they were entering into an illegal scheme

1 where an overwhelming number of participants lose money; (e) Whether PFA's statements of
2 income during the Class Period were deceptive and misleading; (f) Whether PFA's conduct
3 constitutes an unlawful, unfair and/or deceptive trade practice under California state law; (g)
4 Whether PFA's conduct constitutes unfair competition under California state law; (h) Whether
5 PFA's conduct constitutes false advertising under California state law; (i) Whether the Defendants
6 violated the Department of Insurance Guidelines in representing the benefits under a policy and/or
7 underwriting.

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

10 91. Plaintiffs' claims are typical of the claims of the class and subclasses in that Plaintiffs
11 were Associates for Defendant PFA and lost money because of the illegal scheme.

12 92. Plaintiff will fairly and adequately represent the interests of the class and subclasses.
13 Plaintiffs' claims are typical of those of the class and subclasses. Plaintiffs' interests are fully
14 aligned with those of the class and subclasses. And Plaintiffs have retained counsel experienced and
15 skilled in class action litigation.

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

21 94. Plaintiffs know of no difficulty likely to be encountered in the management that
22 would preclude its maintenance as a class action.

23 **VII. CLASS ACTION COUNTS**

24 **COUNT I**

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

27 (Plaintiffs on behalf of themselves and the Class, Against All Defendants including DOES 7
28 through 10)

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

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

7 97. Each of the Defendants are operating an endless chain scheme under Section 327 of
8 the Penal Code because each has participated in contriving, preparing, setting up, and proposing an
9 endless chain as pled in the factual section of this FAC. Nearly 95% of those who participate in
10 PFA’s business fail.

11 98. The PFA operation constitute a scheme for the disposal or distribution of property
12 whereby class members pay a valuable consideration for the chance to receive compensation (as
13 pled in the fact section) for introducing one or more additional persons into participation in the
14 scheme or for the chance to receive compensation when a person introduced by the participant
15 introduces a new participant. This is particularly evident in this scheme because PFA has no “retail
16 customers.”

17 99. Independently, the PFA operation constitutes an endless chain because members pay
18 an initial fee and then are required to purchase an insurance policy (in many cases for individuals in
19 their 20’s), only to have insurance cancelled, if he fails to pay the premiums that are higher than
20 market.

21 100. Independently, the PFA operation constitutes an endless chain because defendants
22 tell victims they earn commissions by recruiting other people to buy memberships and the members,
23 were in turn, instructed to recruit more members. Revenues are made primarily from recruitments.

24 101. Independently, the PFA operations constitute an endless chain because Defendants’
25 commissions, income, lottery gifts like vehicles, and free products were based on a current
26 member’s sales of memberships to new members and not the sale of products.

1 102. Plaintiffs and the Class have suffered an injury in fact and have lost money or
2 property because of PFA or Carroll’s operation of an endless chain, business acts, omissions, and
3 practices.

4 103. Plaintiffs and the Class are entitled to: (a) rescind all writings upon which the scheme
5 is based; (b) recover all consideration paid under the scheme, less any amounts paid or consideration
6 provided to the participant under the scheme; (b) restitution, compensatory and consequential
7 damages (where not inconsistent with their request for rescission or restitution); and (c) attorney’s
8 fees, costs, pre and post-judgment interest.

9
10 **COUNT II**

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

12 (Plaintiffs on behalf of themselves and the Class Against All Defendants including DOES 7
13 through 10)

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

16 105. All claims brought under this Second Cause of action that refer or relate to the
17 unlawful, fraudulent or unfair “endless chain” of the Defendants are brought on behalf of Plaintiffs
18 and the Class.

19 106. All claims brought under this Second Cause of Action that refer or relate to the
20 unlawful, fraudulent or unfair the statements, the touted PFA “business opportunity” are brought on
21 behalf of Plaintiffs and the Class.

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

28

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

3 109. Defendants’ business practices are unlawful under § 17200 because PFA’s
4 promotions constitute an illegal “endless chain” as defined under, and prohibited by, California
5 Penal Code § 327.

6 110. Defendants utilized their illegal “endless chain” with the intent, directly or indirectly,
7 to dispose of property in PFA’s products and to convince Associates to recruit others to do the same.

8 111. Defendants’ business practices are unlawful pursuant to §17200 because they violate
9 §17500 *et seq.*, as alleged in the Fourth Count.

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

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

16 114. First, as detailed herein, Defendants promoted participation in the PFA endless chain,
17 which has a compensation program based on payments to participants for the purchase of insurance
18 by participants, not the retail sale of insurance.

19 115. Defendants have made numerous misleading representations to Plaintiffs and
20 Associates about the business opportunity of PFA and the income that a recruit can realize by
21 becoming an Associate, and participating in the scheme, as outlined above in ¶¶ 27-94.

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

24 117. As a direct result of Defendants’ fraudulent representations and omissions regarding
25 the PFA endless chain described herein, PFA wrongly acquired money from Plaintiffs and the
26 members of the classes.

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

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

3 119. The massive advertising campaign included among other things, the website, emails,
4 websites, presentations by PFA, training, word of mouth among Associates, and events.

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

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

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

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

28

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

3 125. For instance, the Plaintiffs has been in receipt of misleading and false financial
4 statements and marketing materials/seminar papers, which promoted the PFA scheme and claimed
5 “business opportunity” and contained material false representations regarding the success
6 Associates could achieve through PFA by purchasing products and recruiting others to do the same,
7 as pled in ¶¶ 27-94.

8 126. There were other representations made to Associates as part of the massive
9 advertising campaign regarding the claimed “business opportunity,” on which Plaintiffs 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 PFA products and signed up as PFA Associates,
12 and attempted to and recruited others to do the same. These other representations include, but are
13 not limited to the following: (a) messages PFA that promoted PFA and contained material false
14 representations regarding the success that an associate could achieve through PFA by purchasing
15 insurance and recruiting others to do the same; (b) websites, such as www.pfaonline.com which
16 promoted the fraudulent scheme through videos of PFA (as authorized by Carroll) containing
17 material false representations regarding the “business opportunity” available to Associates and the
18 wealth that an associate could get by agreeing to become a PFA associate; (c) presentations by PFA
19 Associates which contained material false representations regarding the “business opportunity” and
20 the success that an associate could get through PFA by purchasing products and recruiting others to
21 do the same; (d) presentations by PFA, including the presentations described in this complaint,
22 which contained material false representations regarding the “business opportunity” and the success
23 that a distributor could get through PFA by purchasing products and recruiting others to do the same;
24 (e) training and events where PFA Associates made material false representations regarding the
25 “business opportunity” and the success that a distributor could get through PFA by purchasing
26 products and recruiting others to do the same.

27 127. To the extent proof of reliance is required of Plaintiffs, PFA, Carroll, J. Wu, R. Wu,
28 Hong, Zhang, and AJW knew that Plaintiffs and the Class would reasonably rely on their

1 representations and omissions, which would cause the Plaintiffs and the Class joining the fraudulent
2 endless chain scheme and purchasing the products, and Plaintiffs did in fact reasonably rely upon
3 such representations and omissions.

4 128. Indeed, had Plaintiffs and the Class known that PFA, Carroll, J. Wu, R. Wu, Hong,
5 Zhang, and AJW were promoting an endless chain, they would not have become PFA Associates in
6 the first place and, if learned after becoming a distributor, they would not have purchased PFA
7 products thereafter.

8 129. Had Plaintiffs and the Class known that PFA, Carroll, J. Wu, R. Wu, Hong, Zhang,
9 and AJW were promoting a “business opportunity” that did not exist except for a select few, they
10 would not have become PFA Associates in the first place and, if learned after becoming an associate,
11 they would not have purchased PFA insurance thereafter.

12 130. The fraudulent acts, representations and omissions described herein were material
13 not only to Plaintiffs and the Class (as described in this complaint), but also to reasonable persons.

14 131. Under Cal. Bus. and Prof. Code § 17200, a business practice is “unfair” if it violates
15 established public policy or if it is immoral, unethical, oppressive or unscrupulous and causes injury
16 which outweighs its benefits.

17 132. For the reasons set forth herein and above, PFA’s promotion and operation of an
18 unlawful and fraudulent endless chain, and its fraudulent representations and omissions regarding
19 its purported “business opportunity,” are also unethical, oppressive, and unscrupulous in that PFA,
20 Carroll, J. Wu, R. Wu, Hong, Zhang, and AJW have been duping Plaintiffs and the class out of
21 billions, or at least hundreds of millions, of dollars.

22 133. PFA’s actions have few, if any, benefits. Thus, the injury caused to Plaintiffs and the
23 class easily and dramatically outweigh the benefits, if any.

24 134. Defendants should be made to disgorge all ill-gotten gains and return to Plaintiff and
25 the class all wrongfully taken amounts.

26 135. Based on the Defendants’ violation of the FCPA, Plaintiffs, the class, and the general
27 public are entitled to injunctive relief derivatively through Cal. Bus. & Prof. Code § 17200, even if
28 the FCPA does not provide a private right of action.

1 136. PFA, Carroll, J. Wu, R. Wu, Hong, Zhang, AJW, and LSW, acting in concert with
2 DOES 7 through 10, inclusive, aided, abetted and conspired with Defendants in making the
3 concealment against named Plaintiffs and class members.

4 137. As a direct and legal result of Defendants' willful and unfair conduct, named
5 Plaintiffs, the public, and those similarly situated, have suffered damages.

6 138. Finally, Defendants' unlawful, fraudulent and unfair acts and omissions will not be
7 completely and finally stopped without orders of an injunctive nature. Under California Business
8 and Professions Code section 17203, Plaintiff and the Class seek a judicial order of an equitable
9 nature against all Defendants, including, but not limited to, an order declaring such practices as
10 complained of to be unlawful, fraudulent and unfair, and enjoining them from further undertaking
11 any of the unlawful, fraudulent and unfair acts or omissions described herein.

12 **COUNT III**

13 **False Advertising - California Business and Professions Code § 17500, et seq.**

14 (Plaintiffs on behalf of themselves and the Class Against All Defendants including DOES 7
15 through 10)

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

18 140. All claims brought under this Fourth Count that refer or relate to the false, untrue,
19 fraudulent or misleading endless chain of Defendants are brought on behalf of Plaintiffs and the
20 Class.

21 141. All claims brought under this Fourth Count that refer or relate to the false, untrue,
22 fraudulent or misleading statements of income are brought on behalf of Plaintiffs.

23 142. All claims brought under this Fourth Count that refer or relate to the false, untrue,
24 fraudulent or misleading statements of income are brought on behalf of Plaintiffs and the Class.

25 143. Defendants' business acts, false advertisements and materially misleading omissions
26 constitute false advertising, in violation of the California Business and Professions Code § 17500,
27 *et seq.*

28

1 144. Defendants engaged in false, unfair and misleading business practices, consisting of
2 false advertising and materially misleading omissions regarding the purported “business
3 opportunity,” and the “health benefits” likely to deceive the public and include, but are not limited
4 to, the items set forth in the factual background of this Complaint. PFA knew, or should have known,
5 that the representations about the business opportunity of PFA were misleading in nature. The
6 statements made to Plaintiff, and the date of the allegations, are found at ¶¶ 27-94 of this Complaint.

7 145. In addition, the Defendants have attempted to sell unnecessary insurance to many
8 individuals (a large number in their 20’s and 30’s) who have no need for insurance based on risk,
9 and based on the typical purchasers of insurance in the actual fair market. Defendants have
10 misrepresented the need for insurance, have misrepresented and improperly tethered a “business
11 opportunity” to obtaining insurance, and thus Plaintiffs are entitled to relief under the California
12 Business & Professions Code based on the Defendants rampant violation of the Insurance Code, and
13 the Department of Insurance guidelines, which PFA is bound to follow, but fails to do so.

14 146. The Defendants’ also misrepresent the benefits attainable and available under the
15 applicable insurance policies to victim Associates. The Policy benefits are represented as providing
16 significant cash value, when this is not true. The Policy premiums are represented as being
17 competitive, when this is false.

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

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

27 149. Because of Defendants’ untrue and/or misleading representations, Defendants
28 wrongfully acquired money from Plaintiffs and the class members to which they were not entitled.

1 The Court should order Defendants to disgorge, for the benefit of Plaintiffs and all other PFA
2 Associates in the class who signed an Associate Marketing Agreement with PFA their profits and
3 compensation and/or make restitution to Plaintiffs and the class.

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

8
9 **COUNT IV**

10 **Fraudulent Concealment/Non-Disclosure**

11 (Plaintiffs on behalf of themselves and the Class Against All Defendants including DOES 7
12 through 10)

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

15 152. As alleged above in ¶¶ 27-94 of this Complaint, Defendants made a number of
16 representations concerning their business, including that this was a way for normal people to obtain
17 incredible financial success.

18 153. Defendants' representations described above were false. However, despite knowing
19 of the falsity of their representations, Defendants concealed, and/or failed to disclose material and
20 contrary facts set forth above, including, among other things, that nearly 95% of all participants in
21 PFA's pyramid scheme failed. Defendants also falsely represented the income to be obtained per
22 month through the scheme, and the base level of income, as set forth above.

23 154. Defendants had a duty to disclose this information to their participants because: it is
24 material information that would reflect the fraudulent nature of the business, and Defendants knew
25 the information was not reasonably discoverable by their participants; Defendants made affirmative
26 representations that were contrary and misleading without the disclosure of this information; and/or
27 Defendants actively concealed this information from their participants, the government and the
28 public.

1 155. Defendants concealed and failed to disclose these material facts with the intent to
2 deceive Plaintiffs and the Class, including but not limited to concealing the fact that nearly all
3 participants in the pyramid scheme fail.

4 156. Defendants' concealments and non-disclosure of material facts as set forth above
5 were made with the intent to induce Plaintiffs and the Class to join the PFA opportunity.

6 157. Plaintiffs and the Class, at the time these failures to disclose and suppressions of facts
7 occurred, and at the time Plaintiffs and the Class became associates, were ignorant of the existence
8 of the facts that Defendants suppressed and failed to disclose. If Plaintiffs and the Class had known
9 of Defendants' concealments and failures to disclose material facts, they would not have taken the
10 actions they did, including but not limited to becoming associates of PFA.

11 158. Plaintiffs and the Class' reliance was justified and reasonable as they had no basis to
12 doubt the original representations made to them, nor did they have reason to believe they were being
13 misled or material facts were being concealed from them.

14 159. As a direct and proximate result of the above, Plaintiffs and the Class have suffered
15 damages in an amount to be proven at trial.

16 160. Defendants undertook the aforesaid illegal acts intentionally or with conscious
17 disregard of the rights of Plaintiffs and the Class, and did so with fraud, oppression, and/or malice.
18 This despicable conduct subjected Plaintiffs and the Class to cruel and unjust hardship so as to
19 justify an award of punitive damages in an amount sufficient to deter such wrongful conduct in the
20 future. Therefore, Plaintiffs and the Class are also entitled to punitive damages against Defendants
21 in an amount to be determined at trial. Plaintiffs reallege all allegations as if fully set forth herein,
22 and incorporate previous allegations by reference.

23 **COUNT V**

24 **(Federal Securities Fraud)**

25 (Plaintiffs on behalf of themselves and the Class Against All Defendants, except the Insurance
26 Defendants)

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

1 162. The Insurance Defendants have represented in these proceedings that “universal life
2 products sold by PFA’s associates, are not securities.” (Dkt. No. 25, p. 6). Thus, Plaintiffs will
3 proceed on the basis of Racketeer Influence and Corrupt Organizations Act (“RICO”) against the
4 Insurance Defendants and drop their Federal Securities Claim under 10(b) against the Insurance
5 Defendants, only.

6 163. PFA and the Non-Insurance Defendants made numerous material omissions that
7 significant monthly income could be earned by all involved. Further fraudulent representations were
8 made about this opportunity. FAC, ¶¶ 27-94.

9 164. These statements are misleading because they fail to inform Associates that “policy
10 sales,” particularly as defined in the Policies, are not a true viable way of earning income because
11 Associates are extremely unlikely to make significant “policy sales” and because the only realistic
12 way to make money in the PFA scheme is through recruiting.

13 165. PFA and the Non-Insurance Defendants made material omissions in its Policies
14 regarding Associates’ ability to earn money. In the Policies, PFA informed its Associates that they
15 do not even need to be good at sales, that they do not have to put significant time, and they can still
16 earn money.

17 166. These statements are misleading because they fail to inform Associates that very few
18 Associates are likely to earn any profit from participating in PFA, regardless of how much work
19 they put in and regardless of what part of the country they live in.

20 167. By making affirmative statements regarding retail sales and the ability of Associates
21 to earn income, PFA undertook an affirmative obligation to make the disclosures necessary to make
22 such statements not misleading.

23 168. PFA and the non-insurance defendants made these omissions knowing that doing so
24 was false and misleading. PFA benefitted in a concrete and substantial way from the operation of
25 the pyramid scheme, the recruitment of new Associates, and new Associates’ reliance on PFA’s
26 omissions.

27 169. PFA and the non-insurance defendants made these omissions with the specific intent
28 that Associates rely on them.

1 170. Plaintiffs' and the Class Members' reliance on the omissions may be presumed.

2 **COUNT VI**

3 **Unjust Enrichment**

4 (Plaintiffs on behalf of themselves and the Classes Against all Defendants except PFA, including
5 DOES 7 through 10)

6 171. Plaintiffs and the Classes repeat and re-allege every allegation above as if set forth
7 herein in full.

8 172. Unjust enrichment occurs when Plaintiffs confer a benefit to the defendant, the
9 defendant accepts and retains the benefit, and defendant does not pay the Plaintiffs the value of the
10 benefit.

11 173. Carroll, J. Wu, R. Wu, Hong, Zhang, AJW, and LSW who were named in this Count,
12 have been unjustly enriched at the expense of, and to the detriment of, Plaintiffs and the members
13 of the class in that the financial benefits obtained by them came as a result of their promotion of the
14 unlawful pyramid scheme. The financial benefit that Defendant came to obtain came from the
15 Plaintiffs and the members of the class, who unwittingly participated in the pyramid scheme and
16 naturally and inevitably lost money in the process. The unjustly-obtained benefits are comprised of
17 the following three categories of gains.

18 174. First, the individual defendants named in this Count made contractual agreements
19 with each other and with other third-parties that depended on the success of the pyramid scheme.
20 Carroll took active steps to expand the scope of the pyramid scheme, and increased the number of
21 participants—and therefore the number of inevitable losers in order to maximize the amounts each
22 would get. The Defendant was able to obtain payouts under the contracts on the back of the Plaintiff.

23 175. Second, Carroll, J. Wu, R. Wu, Hong, Zhang, AJW, and LSW together with his
24 controlled entities, and other parties have each been enriched in significant amounts as a result of
25 the performance of their various illegal duties. Regardless of in what year, Carroll, J. Wu, R. Wu,
26 Hong, Zhang, AJW, and LSW were the ultimate upline from the Plaintiffs and the class, and thus,
27 as a matter of the compensation plan implemented by PFA, obtained bonuses and commissions,
28 which were necessarily funded by a portion of the Plaintiffs' (and the classes) purchase of

1 distributorships, and purchase of product. These payments were thus, directly funded by the
2 Plaintiffs by virtue of the compensation system paying commissions and bonuses “upline” to
3 promoters at the top of the pyramid. The value of these benefits can be computed but is presently
4 unknown. But for the illegal Compensation Plan and the commission of the illegal pyramid scheme,
5 Carroll, J. Wu, R. Wu, Hong, Zhang, AJW, and LSW could not have obtained the funds that came
6 to them via the compensation plan.

7 176. Third, in addition to the unjust benefits, Carroll, J. Wu, R. Wu, Hong, Zhang, AJW,
8 and LSW have obtained as a result of being upline at the top of the PFA Pyramid, Carroll, J. Wu,
9 R. Wu, Hong, Zhang, AJW, and LSW have also received a compensation in an amount equaling in
10 the millions based on their executive position in the pyramid scheme. The monies that they received,
11 in part to pay these salaries, came from Plaintiffs’ (or the class) payments for the same reasons as
12 set forth above.

13 177. The revenue that resulted in these payments came directly from the payments made
14 by Plaintiffs and the class. It would be unjust to permit these Defendants to retain these ill-gotten
15 gains.

16 COUNT VII

17 **The California Seller Assisted Marketing Plan Act §§ 1812.200, *et seq.***

18 **(As Against All Defendants, Including DOES 7-10)**

19
20
21 178. Plaintiffs reallege and incorporates by reference all of the other allegations as if set
22 forth herein.

23 179. SAMP excludes only securities as defined in the Corporate Securities Law of 1968
24 that have been qualified for sale by the Department of Business Oversight, or is exempt. The
25 Insurance Defendants have taken the position that “universal life products sold by PFA’s associates,
26 are not securities.” (Doc. 25, p. 6). And moreover, the distributorship/purchase of insurance has not
27 been qualified, nor determined to be exempt. Thus, this exclusion to SAMP does not apply.

28 180. The physical insurance policy itself issued to each participant including Plaintiff

1 Gonzales is a “chattel paper” and thus, constitutes a “product” under SAMP.

2 181. The know-how and training, provided from each of the Defendants to the associates
3 pertaining to the business model, constitutes a “service” under SAMP.

4 182. The PFA seller assisted marketing plan meets the definitions of a “seller assisted
5 marketing plan” under the California Seller Assisted Marketing Plan Act, Cal. Civ. Code §§
6 1812.200, *et seq.* and did not qualify for any exemptions thereunder. Specifically, the PFA seller
7 assisted marketing plan involved Defendants’ sale or lease of product, equipment, supplies, and
8 services for initial payment (including the payment on the premium) exceeding \$400 to the Plaintiffs
9 and the Class in connection with or incidental to beginning, maintaining, or operating their
10 respective PFA distributorship.

11 183. From within California, Defendants individually and by and through their agents
12 advertised and otherwise solicited the purchase or lease of product, equipment, supplies, and
13 services to the Plaintiffs and the Class as alleged above.

14 184. Defendants, individually and through its/their agents represented that: (1) Plaintiffs
15 and the Class were likely to earn an amount in excess of the initial payment; (2) there is a market
16 for PFA products that were purchased by the Plaintiffs and the Class; and (3) PFA would, partially,
17 buy back and/or is likely to buy back a portion of the product initially sold to the Plaintiffs and the
18 Class.

19 185. Defendants also represented or implied that they have sold the PFA seller assisted
20 marketing plan to at least five other individuals in the previous 24 months, and intend to sell the
21 PFA seller assisted marketing plan to at least five individuals in the next 12 months.

22 186. Defendants are sellers of “Seller Assisted Marketing Plans,” as defined in Cal. Civ.
23 Code § 1812.201(d).

24 187. The Defendants did not provide the Plaintiffs or the Class a “Disclosure Document
25 or an Information Sheet” as required by Cal. Civ. Code §§ 1812.205 and 1812.206. Furthermore,
26 the PFA business opportunity contracts did not meet the substantive requirements of Cal. Civ. Code
27 § 1812.209. Nor was the PFA seller assisted marketing plan registered as required by Cal. Civ. Code
28 § 1812.203.

1 188. As more fully alleged above, Defendants, individually and through their agents,
2 made earnings and market representations to the Plaintiffs and the Class without the substantiating
3 data or disclosures required by Cal. Civ. Code § 1812.204. The representations were fraudulent in
4 violation of Cal. Civ. Code §§ 1812.201 and 1812.204.

5 189. Defendants’ sale of an unregistered “Seller Assisted Marketing Plan” from the state
6 of California entitles the Plaintiffs and the Class to their actual damages, attorneys’ fees, rescission
7 of the agreements at issue, and punitive damages pursuant to Cal. Civ. Code §§ 1812.215 and
8 1812.218.

9 190. Defendants’ disclosure violations entitle Plaintiffs and the Class to their actual
10 damages, attorneys’ fees, rescission of the agreements at issue, and punitive damages pursuant to
11 Cal. Civ. Code §§ 1812.215 and 1812.218.

12 191. Defendants’ anti-fraud violations entitle the Plaintiffs and the Class to recover their
13 damages pursuant to Cal. Civ. Code §§ 1812.215 and 1812.218.

14 **COUNT VIII**

15 **(RICO 18 U.S.C. § 1961(5), 1962(c))**

16 (Plaintiffs on behalf of themselves and the Class Against All Defendants (excluding PFA)

17 including DOES 7 through 10)

18 192. RICO prohibits the following conduct: It shall be unlawful for (1) any person, (2)
19 employed by or associated with, (3) any enterprise, (4) engaged in, or the activities of which affect,
20 interstate or foreign commerce, (5) to conduct or participate, directly or indirectly, in the conduct of
21 such enterprise’s affairs, (6) through a pattern of racketeering activity or collection of unlawful debt.
22 18 U.S.C. § 1961.

23 193. Section 1962(c) makes it “unlawful for any person employed by or associated with
24 any enterprise engaged in, or the activities of which affect, interstate . . . commerce, to conduct or
25 participate, directly or indirectly, in the conduct of such enterprise’s affairs through a pattern of
26 racketeering activity.”

27 194. RICO requires that a “person” violate its provisions.” 18 U.S.C. §§ 1962(c-d). A
28 RICO “person” includes any individual or entity capable of holding a legal or beneficial interest in

1 property.” 18 U.S.C. § 1961(3). A RICO person can be either an individual or a corporate entity.
 2 All Defendants named in this count are RICO persons.

3 195. The Insurance Company Agent Defendants and the Insurance Defendants (and each
 4 of them) acted as an “association-in-fact” for a common purpose, have and maintained relationships
 5 between and among each other (and nonparties), and the association-in-fact has a longevity
 6 sufficient to permit those associates to pursue the enterprise’s purpose the establishment and
 7 perpetuation of an unlawful fraudulent scheme in which hundreds of thousands of people have lost
 8 money. The operation and management of the association in fact was generally led, at various times,
 9 by the Insurance Company Agent Defendants. Each of the Insurance Company Agent Defendants
 10 served as individuals who promoted the scheme and who generally operated certain field aspects of
 11 the enterprise, taking direction from Carroll, the Insurance Defendants, and others. The Insurance
 12 Defendants provided funds to enable the association to grow and management and strategic advice
 13 to grow and expand the fraudulent scheme. Later, the Insurance Company Agent Defendants
 14 provided financial incentives to certain recruiters.

15 196. The “association-in-fact” began in 2012 and has continued to today. Each of the
 16 Defendants charged in Count VIII has been a part of the association-in fact.

17
 18 **A. The Insurance Defendants and the Insurance Company Agent Defendants Make
 False Claims As To The PFA Opportunity**

19 197. On or before 2012, the PFA fraudulent scheme was hatched.

20 198. The Insurance Company Agent Defendants make various representations (adopted
 21 and authorized by Insurance Company Agent Defendants and the Insurance Defendants) about the
 22 business opportunity of PFA as set forth in ¶¶ 27-94 of this FAC.

23 199. Each of the statements made by the Insurance Company Agent Defendants (adopted
 24 and authorized by the Insurance Defendants as the agents of the Insurance Defendants) in ¶¶ 27-94,
 25 were false and misleading.

26 **B. RICO Enterprise**

27 200. A defendant can be both a RICO “person” and part of another RICO “enterprise.”
 28 Plaintiffs and the Classes allege the following:

1 (a) each of the Insurance Company Agent Defendants and the Insurance Defendants
2 is a RICO “person.”

3 (b) each Insurance Company Agent Defendants and the Insurance Defendants, each
4 person, combination of persons or combination one or more person and an entity
5 as defined above, is a RICO “person.”

6 (c) the Defendants named in this Count are an “enterprise,” (e.g., a de facto
7 corporation acting as a single legal entity, or, alternatively, an association in fact).

8 201. There was an identifiable hierarchy and framework within the enterprise. It is
9 directed by Insurance Company Agent Defendants and the Insurance Defendants, to whom the
10 remaining Defendants named in this Count report.

11 C. **All Defendants Are “Employed By Or Associated With” the RICO “Enterprise”**

12 202. Under Section 1962(c), a defendant must be “employed by or associated with” the
13 RICO enterprise. Section 1962(c) operates equally to both “insiders” and “outsiders” who
14 participate directly or indirectly in the conduct of the enterprise’s affairs through a pattern of
15 racketeering activity. All Defendants named in this Count are employed by or associated with the
16 enterprise, as set forth in detail previously.

17 203. They conduct and participate in the operation or management of the fraudulent
18 scheme through a pattern of racketeering activity, by conducting the affairs and supporting the acts
19 of the fraudulent scheme. The Insurance Company Agent Defendants and the Insurance Defendants
20 use the assets of PFA and themselves to direct, in whole or part, the affairs of the fraudulent scheme,
21 including the operation of the fraudulent scheme and the distribution of unlawful profits to
22 individuals associated with the scheme. Insurance Company Agent Defendants and the Insurance
23 Defendants control and direct the websites, web presentations, events, sponsored conventions and
24 speeches of each of them, and the dissemination of video of same, and the individual promoter
25 Defendants named in this Count.

26 204. Insurance Company Agent Defendants and the Insurance Defendants have directed
27 the Company to disburse over time, millions of dollars to Insurance Company Agent Defendants
28 and the Insurance Defendants.

1 205. The other promoters of PFA are also “employed by or associated with” each other
2 and the remaining Defendants for purposes of RICO. They conduct and participate in the operation
3 or management of the fraudulent scheme through a pattern of racketeering activity, by conducting
4 the affairs and supporting the acts of the fraudulent scheme. Insurance Company Agent Defendants
5 and the Insurance Defendants communicate regularly with PFA, operate the website that induces
6 innocent people to engage in the illegal fraudulent scheme, and cooperate with the other Defendants
7 to lend their names to promotional materials. While appearing as ostensible “independent”
8 distributors for purposes of convincing innocent recruits to join the “business opportunity,” each of
9 the promoters takes direction from and is in contact with each other, and each of the Insurance
10 Company Agent Defendants.

11 **D. All RICO Persons Are Distinct From The RICO Enterprise**

12 206. RICO requires the involvement of a RICO “enterprise.” 18 U.S.C. § 1964 (a-d). An
13 “enterprise” includes any individual, partnership, corporation, association, or other legal entity, and
14 any union or group of individuals associated in fact although not a legal entity.” 18 U.S.C. §
15 1961(5).

16 207. The enterprise itself is not the liable entity, rather it is the RICO person who conducts
17 the affairs of the enterprise through a pattern of racketeering activity. Each of the Insurance
18 Defendants and the Insurance Company Agent Defendants described in this FAC are distinct from
19 each other. Insurance Company Agent Defendants and the Insurance Defendants are each distinct
20 from the corporate defendant. The corporate Defendant is distinct from the RICO enterprise because
21 it is functionally separate, performs different roles within the enterprise and uses its separate legal
22 incorporation to facilitate racketeering activity.

23 208. Besides paying the salaries of Insurance Company Agent Defendants and the
24 Insurance Defendants, the Insurance Company Agent Defendants also created phony distributorship
25 positions for their cohorts, and certain high placed persons, placing them at the top of the fraudulent
26 scheme of Distributors where they could receive monthly “commission” checks as leading
27 distributors – without actually distributing anything. To hide these payments, phantom distributor
28 names were entered into the PFA accounting system.

1 E. **The Defendants Engaged In Activities**

2 209. Each of the Defendants named in this Count engaged in, and/or each others' activities
3 affect, interstate commerce. The fraudulent scheme has operated in the United States, and originated
4 domestic business contracts with people living outside of the United States.

5 F. **The Defendants Participated In The Conduct of the Enterprise's Affairs**

6 210. Each of the Defendants named in this Count conducted, or participated directly or
7 indirectly, in the conduct of such enterprise's affairs as set forth above.

8
9 G. **The Named Defendants Engaged In A "Pattern of Racketeering Activity" Over
 An Extended Period of Time With A Threat of Repetition Into The Future**

10 211. RICO requires a "pattern of racketeering activity." A "pattern of racketeering
11 activity" is one that is performed by at least two acts of racketeering activity, or violations of a
12 "predicate" offense (an act "indictable under any of" certain provisions of" 18. U.S.C. §
13 1961(1)(D)). *See* 18 U.S.C. § 1961(5). A "pattern of racketeering activity" can be a past conduct
14 that by its nature projects into the future with a threat of repetition. It can also be conduct over a
15 closed period through a series of related predicates extending over a substantial period. Both of
16 these apply here.

17 212. The Insurance Defendants and Insurance Company Agent Defendants' pattern of
18 racketeering activity is well-established and has continued from 2012 to the present and intends to
19 continue into the future. The Defendants have taken every imaginable step to sell the insurance
20 policies to Distributors and potential Distributors who do not need the policies. They also make
21 false representations of financial wealth. This particular claim has nothing to do with pyramid
22 conduct, but just the inappropriate sale of policies. They each also expect to continue to receive
23 income from the scheme. With each new person a policy is sold, the Insurance Defendants and the
24 Insurance Company Agent Defendants increase the value of their control over the scheme. The
25 Insurance Company Agent Defendants have stated their intentions to continue to grow the pyramid
26 throughout the United States, and have expanded. It is certain that their conduct is a continuing
27 threat due to their racketeering activities.

28

1 H. **The Named Defendants Have Used And Caused To Be Used Fraudulent Mail**
2 **and Wire Communications In Interstate Commerce, 18 U.S.C. § 1341 and 18**
3 **U.S.C. § 1343**

4 213. Mail and wire fraud are enumerated predicate acts that can constitute RICO
5 “racketeering activity” under Section 1961(1)(D).

6 214. Mail fraud occurs when an individual devises a plot to defraud and subsequently uses
7 the mail in furtherance of it. 18 U.S.C. § 1341.

8 215. The Defendants named in this Count have transmitted, caused to be transmitted or
9 invited others to transmit marketing material and income disclosure materials, by mail or private or
10 commercial carriers, such as UPS, for the purpose of executing their scheme or artifice to defraud
11 in violation of RICO. Likewise, they have distributed the actual policy materials, promotional
12 literature, statements, checks, and other mailings all between 2012 and the present by mail.² Without
13 limitation, each statement sent monthly to an Distributor is a mailing and an act of mail fraud, and
14 each promotional literature sent by U.S. Mail is a mailing and an act of mail fraud.

15 216. Wire fraud occurs when an individual devises a plot to defraud and subsequently
16 uses wire means in furtherance of it. 18 U.S.C. § 1343. The defendants have used the Internet since
17 2011 to disseminate, publish and spread the fraudulent scheme throughout the United States and to
18 China, Sweden, and other Countries for the purpose of executing their scheme or artifice to defraud
19 in violation of RICO. Thus, the Defendants have transmitted, caused to be transmitted and invited
20 others to transmit, by means of wire in interstate commerce, writings, signs, signals, pictures, or
21 sounds for the purpose of executing their scheme or artifice to defraud in violation of 18 U.S.C.
22 §1343.

23 217. Without limitation, for example, each transmission of a video to be posted on
24 YouTube, Vimeo, Facebook, Wechat, Google, Pinterest, Instagram, LinkedIn, or through Twitter,
25 or establishment of a website to disseminate information about the fraudulent scheme or
26 transmission of signals, pictures or information to such website is a separate act of wire fraud.

27 _____
28 ² While the Insurance Defendants did not necessarily send some of the promotional materials
 directly, they knew or should have known that the Insurance Company Agent Defendants were
 sending such materials to all Distributors.

1 218. Named Defendants committed at least two predicate acts of mail and/or wire fraud
2 relevant to this Court. These, along with factual allegations against other Defendants, are described
3 throughout this Complaint.

4 219. Each of the Defendants named in this Count acted with requisite intent to establish,
5 perpetuate and/or carry out the scheme to defraud. Each Defendant named in this Count acted with
6 either specific intent to defraud or with such recklessness with respect to the false or misleading
7 information mailed or wired in furtherance of the scheme as to constitute requisite scienter to
8 commit mail and wire fraud.

9 220. That scienter can be inferred from, among other things at least the following: (a)
10 various third parties, Countries, and Distributors of PFA have asserted publicly and in litigation,
11 that Insurance Company Agent Defendants are improperly selling policies that people don't need;
12 (b) that the Non-PFA Defendants are engaged in unlawful wire transfers; (c) that Defendants
13 Insurance Company Agent Defendants and the Insurance Defendants was directly involved in the
14 financing and active management of the scheme about vast earnings and individually knew and/or
15 recklessly disregarded that that the operation of that entity was a fraudulent scheme.

16 **I. Plaintiff and the Classes Have Proximately Suffered RICO Injury To Business**

17 221. A "violation" of RICO is committed if "individuals and entities," use the mails or
18 interstate wire facilities in the execution of "any scheme to defraud." 18 U.S.C. §§ 1341, 1343,
19 Sections 1961(1) (B), 1962. Sections 1964 (a), (c) and (d) authorize persons "injured" in their
20 "business or property," by reason of RICO's "violation" to sue for appropriate redress, including
21 equity relief, treble damages and attorneys' fees.

22 222. The Plaintiff (and the class sought to be certified) suffered a loss of money composed
23 of the cost they paid to become a distributor, together with the website fees, administrative fees, and
24 the cost of merchandise purchased as samples and for purposes of operating the alleged "business
25 opportunity," and the amount they recovered as commissions or other payments. The losses are
26 stated in the fact section. The losses were proximately caused by the actions described in this Count,
27 and may be presumed from, among other things, the presumption that no one would knowingly join
28 an illegal fraudulent scheme.

1 223. The precise amount lost by the class sought to be certified has not yet been
2 determined, but is believed to be significant. It is believed that each of the unwitting participants in
3 the fraudulent scheme sought to be certified as a class has lost from \$150 to well over \$30,000 as a
4 result of purchasing their Distributor distribution rights. Upon information and belief, the precise
5 amounts that each and every participant in the fraudulent scheme has spent on (1) costs associated
6 with the Distributor “business opportunity” and (2) has received in commissions or bonuses or other
7 payments from PFA as a result has been tracked, maintained and accounted for by PFA through a
8 proprietary software database. Thus, the precise loss of every class member is easily capable of
9 being ascertained in this litigation, and the total business injury capable of being computed for the
10 class.

11 224. The predicate acts set forth in this Count each were mailings and/or wire transmission
12 of material in furtherance of the promotion of the fraudulent scheme. Each of these predicate acts
13 was intended to falsely convey the impression to people like Plaintiffs that participation as a PFA
14 Distributors was legal; that they had a reasonable opportunity to make money; that people just like
15 them were able to make generous income; and that the commissions or bonuses they would receive
16 would come from the sale of desirable product. The loss suffered by the Plaintiff and the Class was
17 foreseeable and a direct result of the establishment, promotion, and expansion of the fraudulent
18 scheme by the Defendants named in this Count. In reality, like all fraudulent schemes, the
19 Compensation Plan and all aspects of the promotion of the scheme did not live up to the hype.

20 225. The predicate acts attributed to the Insurance Company Agent Defendants and the
21 Insurance Company Defendants also include the creation and dissemination of the Compensation
22 Plan. Under the PFA Compensation Plan, as set forth above, innocent participants could only make
23 money by selling policies in a fraudulent and deceptive manner. This was a necessary feature of the
24 Plan, understood as such by all of the Defendants named in this Count. It was the goal of each of
25 these Defendants that Plaintiffs subscribe, by the payment of money to the Defendants, to the
26 Compensation Plan.

27 226. Each of the Insurance Company Agent Defendants: (1) serving as an operator of the
28 fraudulent scheme, (2) creating and disseminating countless promotional materials, videos, and

1 public appearances designed to further and expand the fraudulent scheme in the United States and
2 abroad, (3) making contractual arrangements with third persons to provide capital to expand the
3 fraudulent scheme and to lend the scheme an air of legitimacy.

4 227. Insurance Company Defendants: (1) provided the Policies; (2) paid or improperly
5 shared premiums with the Insurance Agent Defendants, their cohorts, and others; (3) assisted the
6 Insurance Company Agent Defendants in promoting their fraudulent scheme; (4) knew that the
7 policies sold did not comport with typical business policies and selling practices.

8 228. The Defendants named in this Count used false and fraudulent means and conducted
9 their affairs unlawfully, intentionally, willfully and with the intent to defraud, for their own financial
10 gain and benefit and for the financial gain and benefit of others, all to the detriment of Plaintiffs and
11 others that purchased the Distributor program and integrated policy.

12 229. Each of the Defendants named in this Count has violated Section 1962(c) and is
13 liable, jointly and severally, for the business injury caused to the Plaintiff and the Class by his or
14 her actions.

15 **COUNT IX**

16 **(RICO 18 U.S.C. § 1962(c) AND ARE IN VIOLATION OF 18 U.S.C. §§ 1961(5), 1962(d))**

17 (Plaintiffs on behalf of themselves and the Class Against All Defendants excluding only
18 Defendant PFA)

19 230. Section 1962(d) makes it “unlawful for any person to conspire to violate any of the
20 provisions of subsection (a), (b), or (c) of this section.”

21 231. Each of the Defendants named in this Count have participated in a conspiracy to
22 violate Count VI of the Complaint.

23 232. Each of the Defendants named in this Count has participated in the fraudulent scheme
24 and their participation is necessarily a combination of more than two individuals.

25 233. The roles of all of the Defendants named in this Count are set forth in Count VIII.

26 234. Defendants’ and nonparty entities’ creation, support or maintenance of the fraudulent
27 insurance sale scam.

28

1 235. The Defendants named in this Count had a meeting of the minds on the object or
2 course of action, specifically to create, support and maintain the fraudulent scheme for their financial
3 benefit as evidenced by each Defendant’s voluntary and knowing participation in the fraudulent
4 scheme. These agreements and understandings are described in Count VIII.

5 236. Each of the Defendants named in this Count and others have committed one or more
6 overt acts to achieve or further the unlawful objects and purposes of the fraudulent scheme detailed
7 herein. They include the following:

8 237. Each of the Defendants named in this Count: (1) creating materials that falsely
9 advertising income and wealth to be gained, (2) creating and disseminating countless promotional
10 materials, videos, and public appearances designed to further and expand the fraudulent scheme in
11 the United States and abroad, (3) making contractual arrangements with third persons to provide
12 capital to expand the fraudulent scheme and to lend the scheme an air of legitimacy.

13 238. The Defendants named in this Count used false and fraudulent means and conducted
14 their affairs unlawfully, intentionally, willfully and with the intent to defraud, for their own financial
15 gain and benefit and for the financial gain and benefit of others, all to the detriment of Plaintiffs,
16 and others that purchased the Distributors. These acts, intent and losses are set forth in Count VIII.

17 239. Each of the Defendants named in this Count has violated Section 1962(c) and is
18 liable, jointly and severally, for the business injury caused to the Plaintiffs and the Class by his or
19 her actions.

20 **PRAYER FOR RELIEF**

21 The named Plaintiffs and the Plaintiffs’ class and subclasses request the following relief:

- 22 a. Preliminary and permanent public injunctive relief;
- 23 b. Certification of the class and subclasses;
- 24 c. A jury trial and judgment against Defendants;
- 25 d. Rescission of any writings upon which the scheme is based, and recovery of all
26 consideration paid pursuant to the scheme, less any amounts paid or consideration provided to the
27 participant pursuant to the scheme;

1 e. Restitution and/or damages for the financial losses incurred by Plaintiffs and by the
2 class and subclasses because of the PFA and Carroll's conduct and for injury to their business and
3 property;

4 f. Restitution and disgorgement of monies;

5 g. Temporary and permanent injunctive relief enjoining Defendants from paying their
6 Associates recruiting rewards that are unrelated to retail sales to ultimate users and from further
7 unfair, unlawful, fraudulent and/or deceptive acts;

8 h. The cost of suit including reasonable attorneys' fees under California Code of Civil
9 Procedure § 1021.5, Civil Code §1689.2, pursuant to the statute's sued hereunder, and otherwise by
10 law;

11 i. Punitive damages;

12 j. Treble damages pursuant to RICO;

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

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

16 Respectfully submitted,

17 Dated: October 15, 2018

By: /s/ Blake J. Lindemann

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22 Attorneys For Plaintiffs
23 RUI CHEN, WENJIAN GONZALES, AND ALL THOSE
SIMILARLY SITUATED

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DEMAND FOR JURY TRIAL

Plaintiffs Rui Chen and Wenjian Gonzales, on behalf of themselves, and those similarly situated, hereby request a jury trial on all matters so triable.

Respectfully submitted,

Dated: October 15, 2018

By: /s/ Blake J. Lindemann

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11 AND THOSE SIMILARLY SITUATED

12 **UNITED STATES DISTRICT COURT**
13 **NORTHERN DISTRICT OF CALIFORNIA**

14 RUI CHEN, an individual, WENJIAN
15 GONZALES, an individual; and all those
16 similarly situated,

17 Plaintiffs,

18 v.

19 PREMIER FINANCIAL ALLIANCE, INC., a
20 suspended California Corporation, or as may be
21 organized under Georgia Law; DAVID
22 CARROLL, an individual; JACK WU, an
23 individual; LAN ZHANG, an individual; BILL
24 HONG, an individual, REX WU, an individual;
25 LIFE INSURANCE COMPANY OF THE
26 SOUTHWEST, a Texas Corporation;
27 NATIONAL LIFE INSURANCE COMPANY,
28 a Texas Corporation; NLV FINANCIAL
CORPORATION, a Texas Corporation;
NATIONAL LIFE HOLDING COMPANY, a
Texas Corporation; AJWPRODUCTION, LLC,
a California Limited Liability Company, THE
CONSORTIUM GROUP, LLC, a Nevada
Limited Liability Company, trustee of NEW
WORLD TRUST, a trust operating under
unknown laws, trustee of EARLY BIRD
TRUST, a trust operating under unknown laws,
DOES 7-10,

Defendants.

Case No. 4:18-cv-03771-YGR

CERTIFICATE OF SERVICE

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I, Blake J. Lindemann, declare:

I am over the age of eighteen years and not a party to the within action; my business address is 433 N. Camden Drive, 4th Floor, Beverly Hills, CA 90210.

On October 15, 2018 I served true copies of the following documents:

FIRST AMENDED COMPLAINT

BY ELECTRONIC SERVICE: The foregoing documents were filed with the Court CM/ECF Filing system in accordance with Fed. R. Civ. P. 5(b).

Blake Joseph Lindemann Blake@lawbl.com

Collin L. Grant collin@liebergalperin.com

Jason A. Lieber jason@liebergalperin.com

Thomas A. Evans tom.evans@alston.com, robert.chang@alston.com

I declare under penalty of perjury under the laws of the State of California and the United States that the foregoing is true and correct.

Executed on October 15, 2018 at Beverly Hills, California.

/s/ Blake J. Lindemann
Blake J. Lindemann