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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
OAKLAND DIVISION

YOUXIANG EILEEN WANG and DALTON
CHEN, on behalf of themselves and all others
similarly situated,

Plaintiffs,

v.

LIFE INSURANCE COMPANY OF THE
SOUTHWEST AND PREMIER FINANCIAL
ALLIANCE, INC.,

Defendants.

Case No. 4:19-CV-01150-YGR

**FIRST AMENDED CLASS ACTION
COMPLAINT**

DEMAND FOR JURY TRIAL

1 **I. INTRODUCTION**

2 1. Plaintiffs were induced by Premier Financial Alliance (“Premier”) to join a
3 pyramid scheme to sell universal life insurance policies. The scheme targets recent Chinese,
4 Vietnamese, Filipino, and other immigrants and their families with promises of riches derived
5 from recruiting people to buy—and sell—the Living Life Indexed Universal Life Insurance
6 (“Living Life”) policy, issued by Life Insurance Company of the Southwest (“Southwest”)
7 under the trade name National Life Group (“NLG”). Premier instructed Plaintiffs and
8 continues to instruct other “associates” to sell the Living Life policy to other people who, in
9 turn, are instructed to sign up more associates, and so on and so on, *ad infinitum*. Although
10 prospective associates are told they will be able to maintain their own insurance business, they
11 are not told the truth about Premier, their prospects for success selling the Living Life policy,
12 or the economics of the Living Life policy itself.

13 2. Defendants recruit participants using rags-to-riches testimonials replete with
14 false and misleading statements, omissions and half-truths. At “financial opportunity”
15 seminars and during junkets in Mexico, Las Vegas, and various exotic locations, Premier
16 falsely portrays its insurance product as superior to products offered by competitors and
17 impresses upon potential recruits that joining the group will lead to financial success and
18 independence in their new lives in the United States. Premier does not disclose that money
19 from new recruits will be used to enrich those at the top of the chain, that there is a risk the
20 enterprise will collapse if the supply of new recruits dries up, or that associates will receive
21 lower commission payments than those available to agents selling other NLG insurance
22 products outside the pyramid. Southwest has close ties to Premier, participates in the scheme
23 by issuing the underlying policies, and benefits from the increased volume of sales of Living
24 Life policies and the collection of insurance premiums and surrender charges.

25 3. Plaintiffs bring this action seeking injunctive relief prohibiting continued sales of
26 Living Life policies in violation of law and for compensation for their investments in Living
27 Life policies and other relief.
28

1 **II. JURISDICTION AND VENUE**

2 4. This Court has jurisdiction over this lawsuit under the Class Action Fairness Act,
3 28 U.S.C. § 1332, because this is a proposed class action in which: (1) there are at least 100
4 class members; (2) the combined claims of class members exceed \$5,000,000, exclusive of
5 interest, attorney's fees, and costs; and (3) Plaintiffs and Defendants are domiciled in different
6 states.

7 5. This Court has personal jurisdiction over Premier, which has sufficient minimum
8 contacts with California to render the exercise of jurisdiction by this Court proper and fair.
9 Premier has locations throughout this district, including in Brisbane and San Ramon, and it
10 promotes itself and the sale of Southwest policies in this District. Premier also hosts Financial
11 Opportunity Seminars, Leadership Training Boot Camps, and speaking engagements at these
12 and other locations throughout the greater Bay Area. Senior level sales operatives, including
13 Lan Zhang, Rex Wu, and Hermie Bacus, reside in and conduct their business from California.
14 According to Premier's LinkedIn presence, close to half of its associates are based in
15 California.

16 6. The Court has personal jurisdiction over Southwest because it used Premier as an
17 agent and instrumentality to sell thousands of insurance policies to Premier associates in
18 California (including the sale to Plaintiff Chen, which Premier solicited in this District).
19 Southwest issued the Premier-branded policies that were sold to Premier associates, and
20 Premier associates—including Plaintiffs—became NLG agents through their purchase of the
21 policies and participation in the Premier pyramid scheme. Plaintiffs' claims against Southwest
22 are meaningfully connected to California: these Defendants partnered with Premier—a
23 pyramid scheme predominantly promoted from California—to sell life insurance pursuant to
24 the misrepresentations and omissions set forth in this complaint.

25 7. Venue is proper in this District under 28 U.S.C. § 1391(b) because a substantial
26 part of the events or omissions giving rise to the claims occurred in this District.
27
28

1 **III. INTRADISTRICT ASSIGNMENT**

2 8. Assignment to the San Francisco or Oakland Division is appropriate under Local
3 Rule 3-2(c) and (d) because a substantial part of the events or omissions giving rise to
4 Plaintiffs' claims occurred in San Mateo County.

5 **IV. PARTIES AND RELEVANT NONPARTIES**

6 **A. Plaintiffs**

7 9. Plaintiff Youxiang Eileen Wang ("Wang") is and at all relevant times was a
8 citizen and resident of New Jersey.

9 10. Ms. Wang paid \$125 to become a Premier associate on November 8, 2017. She
10 purchased a Living Life policy through Premier on December 13, 2017. She purchased a
11 Living Life policy for her husband on November 9, 2017.

12 11. Prior to the purchase of her membership and policy, Premier, at times through its
13 high-level distributors (identified at paragraphs 21-26) who hold titles such as "Senior
14 Executive Field Director" or "Executive Field Director" made representations directed at Ms.
15 Wang. These representations included claims that, by paying \$125, purchasing the policy, and
16 moving up through the ranks, she would become an independent insurance agent and sell
17 quality life insurance policies to the public, and that once she became an insurance agent she
18 would realize personal financial success.

19 12. Ms. Wang attended Leadership Training Boot Camps in San Francisco, Los
20 Angeles, and San Diego. At the Leadership Training Boot Camps, Defendants made
21 representations and omissions similar to those set forth in paragraphs 104-107 below.
22 Defendants never advised Ms. Wang of the prospects for success with Premier, that the Living
23 Life policy was overpriced as compared to competing products, that she would receive lower
24 commission payments than those available to agents selling other Southwest insurance products
25 outside the pyramid, or of the implications of the Premier scheme's emphasis on recruitment.
26 Had Defendants disclosed the true nature of the Living Life policy and policies and procedures
27 through which it was marketed, Ms. Wang would not have purchased the policy or joined the
28 Premier network. Had Ms. Wang known that Premier, in conjunction with Southwest, was

1 running an illegal pyramid scheme, she would not have purchased a Living Life policy or joined
2 the Premier network.

3 13. Plaintiff Dalton Chen (“Chen”) is and at all relevant times was a citizen and
4 resident of California.

5 14. Dalton Chen paid \$125 to become a Premier associate on or about April 2017. He
6 purchased a Living Life policy through Premier on or about May 2017 in Brisbane, California.
7 Premier solicited Plaintiff Chen’s business in this District. Mr. Chen attended an Informational
8 Seminar at Premier’s Brisbane Office.

9 15. Prior to the purchase of his membership and policy, Premier made
10 representations to Mr. Chen, including that, by paying \$125, purchasing the policy, and moving
11 up through the ranks, he would become an independent insurance agent and sell quality life
12 insurance policies to the public, and that once he became an insurance agent, he would realize
13 personal financial success.

14 16. Defendants never advised Mr. Chen that the Living Life policy is overpriced as
15 compared to competing products, that he would receive lower commission payments than those
16 available to agents selling other Southwest insurance products outside the pyramid, or that the
17 only way to succeed in Premier is by recruiting new members and convincing them to in turn
18 recruit others. Had Defendants disclosed the true nature of the Living Life policy, Mr. Chen
19 would not have purchased this policy or joined the Premier network. Had Mr. Chen known that
20 Premier, in conjunction with Southwest, was running a pyramid scheme, he would not have
21 purchased a Living Life policy or joined the Premier network.

22 **B. Life Insurance Company of the Southwest**

23 17. Defendant Southwest is a Texas corporation registered with the California
24 Secretary of State. Southwest—a wholly owned subsidiary of Relevant Nonparty National
25 Life Insurance Company—maintains its principal executive offices at One National Life Drive
26 in Montpelier, Vermont.
27
28

1 18. Southwest and National Life Insurance Company operate under the trade name
2 National Life Group. Premier associates are told that, if they meet their sales targets and
3 become a licensed insurance agent, they will be acting as agents of NLG.

4 **C. Premier Financial Alliance, Inc.**

5 19. Premier was formed as a California corporation and maintained its principal
6 executive offices at 25115 Avenue Stanford in Valencia, California. Premier was also formed
7 as a Georgia corporation and maintains its principal executive offices at 4411 Suwanee Dam
8 Road in Suwanee, Georgia. Premier has at all relevant times conducted a majority of its
9 business from its California offices, including from its offices in Brisbane.

10 **D. Relevant Nonparties**

11 20. National Life Insurance Company is a Vermont corporation registered with the
12 California Secretary of State and also maintains its principal executive offices at One National
13 Life Drive in Montpelier, Vermont.

14 21. Jack Wu is Premier's Executive Chairman. Jack Wu resides in California.

15 22. Hermie Bacus is a Senior Executive Field Director at Premier—the highest level
16 a Premier member can attain. Bacus resides in California. Like Rex Wu and Lan Zhang, Bacus
17 is also at the top of one of Premier's three main recruiting lines.

18 23. Bill Hong is an Executive Field Director at Premier—the second-highest level a
19 Premier member can attain. Hong resides in California.

20 24. Aggie Wu is an Executive Field Director at Premier. Aggie Wu resides in
21 California.

22 25. Rex Wu is an Executive Field Director at Premier. Rex Wu resides in California.
23 Like Hermie Bacus and Lan Zhang, Rex Wu is also at the top of one of Premier's three main
24 recruiting lines.

25 26. Lan Zhang is a Senior Executive Director at Premier. Zhang resides in
26 California and conducts business in California, including from Premier's Brisbane office.
27 Zhang is at the top of one of Premier's three main recruiting lines. The recruitment of and the
28 sales to Plaintiffs are traceable to Zhang. Members of Zhang's recruiting line solicited

1 Plaintiffs Wang and Chen. (Nonparties Jack Wu, Bill Hong, Aggie Wu, Rex Wu, and Lan
2 Zhang are referred to herein as the “Executive Field Directors”).

3 27. Mehran Assadi is the President of Southwest. The NLG web site also describes
4 him as the Chairman, Chief Executive Officer, and President of NLG. Assadi resides in
5 Vermont.

6 28. NLV Financial Corporation is a Delaware corporation and maintains its principal
7 office business address at One National Life Drive in Montpelier, Vermont. NLV Financial
8 Corporation is the corporate parent of National Life Insurance Company. Assadi is the
9 President of NLV Financial Corporation.

10 **V. OVERVIEW OF PYRAMID SCHEMES**

11 29. Defendants operate under a “multilevel marketing,” or MLM business model. In
12 an MLM, distributors earn money primarily through direct sales of products to customers.
13 Secondly, distributors also have an incentive to recruit new distributors, as they are
14 promised a percentage of their recruits’ sales. Such recruits are known as a distributor’s
15 “downline,” and the distributor and individuals above the distributor in the marketing hierarchy
16 are known as the distributor’s “upline.”

17 30. An illegal pyramid scheme, like that perpetrated by Defendants, emphasizes
18 recruitment over the sales of products to end consumers. The Federal Trade Commission
19 explains that, with a pyramid scheme, “the money you make is based primarily on the number
20 of distributors you recruit and your sales to them, rather than on your sales to people outside
21 the plan who intend to use the products.” The FTC notes that “[i]f the money you make is
22 based on your sales to the public, it may be a legitimate multilevel marketing plan. If the
23 money you make is based on the number of people you recruit and your sales to them, it’s not.
24 It’s a pyramid scheme. Pyramid schemes are illegal, and the vast majority of participants lose
25 money.”

26 31. Dr. Peter J. Vander Nat, a Senior FTC Economist and an expert witness for the
27 agency in pyramid cases, defined a pyramid scheme as follows:

28 If an organization sells goods or services to the public and the
participants in the organization obtain monetary benefits from

(1) recruiting new members and (2) selling the organization's goods and services to consumers, the organization is deemed a pyramid scheme if the participants obtain their monetary benefits primarily from recruitment rather than the sale of goods and services to consumers.

32. Another indication of a pyramid scheme, according to the FTC, is that "[t]he recruitment pitch says you'll be living in the lap of luxury. It fails to tell you most people in a pyramid scheme lose money."

33. Further, the products offered as part of a pyramid scheme typically "are overpriced, have questionable merits, or are downright unsafe to use."

34. The FTC asks three questions to determine whether an MLM is an unlawful pyramid scheme:

- Do distributors sell more product to other distributors than they do to the public?
- Does the amount of money distributors make depend more on recruiting (that is, getting new distributors to pay for the right to participate in the plan)?
- Does the money made depend mostly on selling to other distributors than on sales of the product to the public?

As to Defendants' business model, the answer to each of these questions is "yes." Distributors sell primarily to new recruits or immediate family members. The focus of the Living Life scheme, as promoted by Premier, is on recruiting at the expense of sales to non-recruits. And to succeed in the Premier pyramid, distributors must devote their efforts to bringing in new recruits rather than selling to the public.

VI. FACTS

A. Defendants' Business Model

1. Defendant Southwest, Under the National Life Group Trade Name, Sells a Complex Life Insurance Product Through Premier.

35. Southwest issues universal life insurance policies. It relies on Premier to market and sell a universal life insurance policy branded as "Living Life Indexed Universal Life."

36. Southwest specially designed the Living Life policies for sale through the Premier channel. The policies are co-branded by NLG and Premier. The below image appears at the top of Living Life policy illustrations provided to prospective purchasers, including Plaintiffs.



Living Life
Indexed Universal Life

37. The Living Life policies state that Premier is an “agency of Life Insurance Company of the Southwest.”

38. A universal life insurance policy differs from a whole or term life insurance policy in that, in addition to a death benefit, it provides an investment, savings, or interest-bearing component. The investment component typically accumulates over time. Because, however, the cost of insurance (based on actuarial factors) increases as an insured ages, the accumulated cash value may be applied to cover increased premiums during the insured’s later years. The cost of insurance charge is a monthly charge assessed for mortality and other costs associated with the Living Life policy.

39. Each Living Life policy provides for a “Monthly Deduction” that is taken from the savings component (or “Accumulated Value”) of an insured’s policy on the specified “Monthly Policy Date.” The Monthly Deduction includes a “Monthly Cost of Insurance” and other expense charges. The cost of insurance charge constitutes the largest portion of the Monthly Deduction, and because the cost of insurance charge is deducted from a policyholder’s Accumulated Value, every dollar subtracted from the Accumulated Value is one less dollar available in the policyholder’s account.

40. Southwest offers universal life insurance policies through traditional marketing and sales channels as well as through the Premier pyramid.

41. The Living Life policy that Southwest issues to Premier associates is offered only through the Premier network, and Premier associates who become licensed insurance agents are only allowed to sell the Living Life policy.

42. Southwest does not offer the Living Life policy through traditional insurance marketing and sales channels. Premier and Southwest's co-branded marketing materials make clear that the Living Life policies are "exclusively distributed by Premier Financial Alliance, Inc."

43. The Living Life policy that Southwest issues to Premier associates is designed with a view to securing maximum profitability from purchasers who buy the policy in an effort to succeed in the Premier sales scheme but eventually become disillusioned and allow the policy to lapse. The policy imposes substantially higher "cost of insurance" charges than other competing products in the first few policy years. In other words, because Southwest recognizes that buyers of the Living Life policy are buying with a view to joining a pyramid scheme, Southwest has structured the policy terms to extract its profits from its insureds before they abandon their sales efforts and allow their policy to lapse.

2. The Premier-Southwest Enterprise Is a Pyramid Scheme.

44. Defendants' representations—made directly and through high-level participants in the scheme, including the Executive Field Directors—demonstrate that it is a pyramid scheme.

45. That some of the representations provided as examples in this complaint were made by Premier executives or high-level associates does not insulate Premier from liability for its fraudulent messaging. Premier's Associate Marketing Agreement states that Premier dictates the terms of all outward-facing content:

- **Advertising:** "All content an associate has produced/created for advertising and sales promotion materials in whatever format whether printed, electronic, photographic, or video, must be pre-approved before first use by PFA's Compliance Officer [E]ach piece of advertising or marketing material must be approved for its intended use, each time, PIOR to use."

- **Social Media:** “Associates are not allowed to post on their own web pages on any URL, social media website or blog using the name of PFA, its principles, or the name of PFA’s preferred product providers or their products without prior approval.”
- **Presentations, Seminars, and Meetings:** “Any presentation, seminar or meeting held by a PFA associate for the purposes of: (1) recruiting new PFA associates; (2) for training PFA associates; or for selling an insurance product offered by of [sic] PFA’s preferred product providers, shall be subject to Paragraph VII [granting PFA pre-approval authority].”

a. How the Pyramid Works

46. Premier attracts associates by telling people they can earn millions of dollars by selling Southwest (NLG-branded) insurance policies.

47. After paying an initial membership fee of \$125, but before becoming licensed insurance agents, Premier associates are advised that they cannot progress in the Premier organization without buying the Living Life policy.



48. Premier associates are given only one route for progressing up the pyramid: buy the Living Life policy and recruit more associates who in turn must do the same. The following graphic—taken from a Premier presentation to Premier associates—depicts the path that associates must take to progress up this pyramid:

49. Once they pay the \$125 membership fee and buy the Living Life policy, Premier associates are pressured to recruit and sell the policy within their network of friends and family members, typically from the same immigrant group.

50. In a key focus for new recruits called “5-5-30,” each new Premier associate is directed within 30 days to enroll five people to become Premier associates and sell five Living Life policies. For purposes of the latter requirement—the sales quota—the associate’s own purchase of a Living Life policy counts, as do such purchases for the benefit of immediate family members. If, for example, an associate has a wife and three children, his purchase of policies for his family meets the initial sales quota.

51. Once an associate reaches the 5-5-30 objective, the associate is permitted to apply for a license to sell insurance. Once the associate completes three more supervised sales, he or she is then permitted to progress up the pyramid based on how many additional sales of the Living Life policy the associate makes. Prospective associates are not told that, because the Living Life policy is expensive in comparison to competing universal life insurance products, they will be pressured to satisfy their sales targets by recruiting more Premier associates who will in turn purchase (and sell) the Living Life policy in order to participate in the multilevel marketing scheme.

PFA REVOLUTIONARY BUILDERS COMPENSATION

BASE SHOP LEVELS	PERSONAL COMMISSION	BUILDER'S TRACK	PERSONAL TRACK
CA Career Associate	30%	3 Training Sales of minimum 9,000 target points and 3 Personal Recruits	
FA Field Associate	45%	25,000 cumulative team points ¹ plus 3 team LFTRs ²	3/3/30 ³
SA Senior Associate	55%	50,000 cumulative team points plus 5 team LFTRs	5/5/30 ⁴
PFD Provisional Field Director	60%	75,000 cumulative team points plus 7 team LFTRs	100,000 personal points (min 15 sales & PR ⁵ 78%) in 12 rolling months
DIRECTOR LEVELS	PERSONAL COMMISSION	BUILDER'S TRACK	PERSONAL TRACK
QFD⁸ Qualified Field Director	70%	125,000 AV ⁶ Team Points and 3 Direct Producing Legs ⁷ in 3 Rolling Calendar Months.	180,000 personal points (min 30 sales & PR 78%) in 12 rolling months
SFD Senior Field Director	75%	200,000 AV Team Points and 4 Direct Producing Legs in 3 Rolling Calendar Months.	250,000 personal points (min 40 sales & PR 78%) in 12 rolling months
RFD Regional Field Director	77%	325,000 AV Team Points and 5 Direct Producing Legs in 3 Rolling Calendar Months.	320,000 personal points (min 50 sales & PR 78%) in 12 rolling months
AFD Area Field Director	79%	450,000 AV Team Points and 6 Direct Producing Legs in 3 Rolling Calendar Months.	
NFD National Field Director	81%	600,000 AV Team Points and 7 Direct Producing Legs in 3 Rolling Calendar Months.	
EFD Executive Field Director	83%	1,000,000 AV Team Points and 8 Direct Producing Legs in 3 Rolling Calendar Months.	
SEFD Senior Executive Field Director	83%	3,500,000 AV Team Points and 9 Direct Producing Legs ⁷ in 3 Rolling Calendar Months.	

52. As shown in the Premier image above, as an associate makes his or her way up the pyramid, he or she receives greater commissions.¹

b. Each of the Hallmarks of a Pyramid Scheme Is Present.

53. The Securities and Exchange Commission characterizes the practice of targeting discrete communities, as Defendants do in targeting recent Chinese, Vietnamese and Filipino immigrants, as “affinity fraud”—a recurring form of fraud that “prey[s] upon members of identifiable groups, such as religious or ethnic communities.” The “scams exploit the trust and friendship that exist in groups of people who have something in common,” the SEC notes.

54. **Premier associates earn money by recruiting, not based on their sales to the public.** Because participants in the Premier marketing scheme are pressured to buy universal life insurance policies in order to rise in the Premier sales hierarchy, and most become disillusioned and eventually drop out, the Living Life policy is designed to “frontload” high cost of insurance charges in the policy’s initial policy years, anticipating most recruits will drop out after the first few years. The Living Life policy is not readily saleable in a competitive insurance market, and recruits are prohibited from selling any policy other than the Living Life policy.

55. Premier devotes the overwhelming majority of its training efforts to extolling the merits of moving up the pyramid as quickly as possible to generate a “downline” organization from which profit will flow upward. In training existing associates, Premier seeks to enlist them to convince other prospects of the virtues of selling still other people on the Premier program, in an endless recruitment chain. Thus, as explicitly stated in a training presentation that Senior Executive Director Lan Zhang delivered to Premier associates, “Recruiting is the game”—96% of sales derive from selling the Living Life policy downline.

¹ The acronym “LFTR” used in the image below stands for “Licensed Field Trained Recruit.”



56. Premier’s emphasis on recruiting pervades its training materials for associates.

Those materials include the following statements:

- “Recruiting is your daily job! You Get Paid By RECRUIT! You Must have Recruiter’s Mindset[.] Recruit Where you go! Recruiting is a process, not an event. If you are not rejected on daily basis, your dream is not big enough.”
- “No Recruit, No Team, No Residual Income[.] More Recruit, Bigger Team, More Income. . . . Recruit / Team building makes you wealthy.”
- “You are in the relationship business[.] You must recruit warm market[.] Recruit your family and get support. Recruit Your friends, your friends’ friends.”
- “When you recruit someone do two things: First share your goals. Let them know they are dealing with a leader who’s going someplace. Second, help them set their goals – then help them accomplish them.”
- “Recruiting...never stops!”
- “You must commit to running a system whereby recruiting never stops.”

57. **The Living Life Policy Is Overpriced.** The cost of insurance for Southwest’s Living Life policies sold through the Premier pyramid substantially exceeds the cost of insurance for comparable policies.

58. The table below compares illustrative cost of insurance rates (COI) for the Living Life policy to the corresponding rates for NLG’s FlexLife II Indexed Universal Life

Insurance policy, which provides the same death benefit, for a 44-year-old female insured over time.

Age	Living Life COI	FlexLife II COI
44	\$954	\$231
48	\$1,291	\$625
53	\$2,005	\$1,300
58	\$2,883	\$1,883
63	\$4,113	\$2,659
68	\$6,100	\$4,851
73	\$8,883	\$7,749

Even though the two policies provide the same \$1 million death benefit, the cost of insurance for the Premier policy exceeds the cost of insurance for the non-Premier policy at each age, most dramatically in early policy years, and minor variations in policy terms do not offset the differences in cost of insurance charges.

59. An associate's ability to recruit new associates, as opposed to selling these policies to non-associates, drives success in the Premier-Southwest scheme.

60. **Premier Falsely Claims That Participation Is Low Risk and Will Lead to Wealth.** On Premier's website, on the social media pages of the Executive Field Directors, and in YouTube videos, Premier represents that becoming an agent and progressing up through the pyramid leads to personal wealth and success.

61. Premier states on its website that it provides people "from all walks of life the opportunity to start their own business and gain the financial freedom to live their dreams." Participating in Premier's program, its website represents, enables a person to: (1) "Become Your Own Boss"; (2) "Control Your Own Destiny"; (3) "Build Your Own Business Without Risk"; (4) "Become a Leader in Your Community"; (5) "Get Paid What You Are Worth"; (6) "Achieve Profitable Results Right Away"; and (7) "Build Financial Independence."

62. In presentation materials and throughout its online and social media presence, Premier also advertises that participation enables associates to afford luxury living. For example, Premier represents or has represented:

- “At PFA, we are delivering on your dreams. Our top producers travel the World on us.”
- “From a humble beginning . . . to a successful entrepreneur and a leader today, Executive Chairman Jack Wu is helping thousands of people. . . .”
- “I [Bill Hong] made \$130,000 the first year I was licensed at the age of 25. At the age of 26, my annual income was \$250,000 and at the age of 27 – \$650,000. Now, at the age of 28 years old, my annual income is \$1,000,000.00 the last 12 months. I am also the youngest Executive Field Director in the company and the youngest millionaire in the company.”
- “AGGIE WU was close to graduating when the PFA opportunity came knocking. She knew that as soon as she graduated, she had 2 choices – either join the corporate world of 8 am to 5 pm OR become entrepreneur where you work hard now and make time to live life to the fullest.”
- “Today we CONGRATULATE HERMIE BACUS on EARNING his NINTH (9th) DIAMOND on the MILLION DOLLAR RING! That’s right . . . in the last 12 months, Hermie made \$900,000 in income! Congratulations Hermie!”

63. Similarly, Premier represents that those who master the principle of leadership in Premier “hold the keys to unlock the secrets of wealth.”

64. The luxuries made available to associates are a consistent and pervasive theme in Premier presentations:



65. In a Premier video entitled “How to Win the Money Game,” Defendant Rex Wu specifies the steps through which associates will progress to realize personal wealth. According to Wu, “[o]nce you get licensed and start building your business,” associates will earn between \$1,650 (for one sale a month) and \$6,600 (for four sales a month). Advertising “Revolutionary Compensation,” Wu states that growing one’s business will lead to earnings of *\$100,000 or more a month*. “Your income is unlimited because the size of the team is unlimited,” Wu explains.

66. In a video entitled “Premier: Millionaires Journey,” Jack Wu and Lan Zhang describe the personal wealth they amassed through Premier; Zhang earned “\$2 million in commission over the last rolling 12 months.”

67. Premier lures in associates with images of glamour, opulent travel to exotic locations, fancy cars, and ostentatious attire, even people wearing crowns. With these and other images, and rags-to-riches tales, the Premier message is clear: pay the membership fee, buy the policy, recruit five associates, become an agent, recruit more associates—and you’ll get rich.



Leadership Edge - Special Edition | Lan Zhang

c. Defendants' Representations Are Fraudulent.

68. Premier is a quintessential pyramid scheme—each associate pays money to the company and in turn receives the rights to (1) sell the Living Life policy, (2) gain rewards for recruiting other participants into the scheme, and (3) earn commissions when persons introduced into the scheme recruit yet more new participants. Insurance sales are of secondary importance to recruitment efforts in this endless chain fraud. The profits Premier associates hope to earn by buying the membership and Living Life policy—and by recruiting others to do the same—depend on a continuing supply of new recruits who in turn bring on yet more new recruits.

69. The statements, representations, images, and omissions that Premier and Executive Field Directors use to recruit new members into their scheme are false and misleading in that they contain untrue statements of material fact, omissions of material fact, and half-truths.

70. Prospective associates are not informed at sign-up that the Living Life policy is priced above comparable universal life insurance products and that they will earn a smaller commission by selling the Living Life policy in comparison to other universal life insurance policies, including competing NLG policies. Premier tells its potential recruits that “[a]s a PFA associate you will be in business for yourself” selling a competitive financial services product. Defendants stress publicly that the company is in the life insurance business and “on a crusade, a mission to educate Americans about life insurance with living benefits. What separates us from the competition? A relatively unknown set of insurance products that are the greatest financial products in the market today.” These representations are false because Premier and NLG are not on a mission to educate the American public about life insurance with living benefits, life insurance is not a relatively unknown product, and the Living Life policy is not one of the greatest financial products in the market today.

71. Images of personal wealth pervade Premier’s marketing. Yet the luxuries flaunted by the Executive Field Directors are earned at the expense of those lower down in the pyramid. Premier does not inform its prospective associates of the fact that nearly all of the

profit from their sales of insurance policies will go to the individuals at the pyramid's apex. Nor does Premier disclose that when recruiting dries up—which is inevitable given the absence of a retail market for the policy—the entire pyramid will crumble. By the time an associate realizes that he or she stands no meaningful chance of profiting in Defendants' enterprise, that associate will have paid thousands of dollars in premiums for their Living Life policy.

72. Premier's scheme has succeeded. Within the first six months of selling the Living Life policy, over \$1.3 billion in face value of the policies were issued. Tens of thousands of associates have been recruited into Premier. Though all are sold on the likelihood of making a large amount of money, only the few at the top see substantial profits.

B. Southwest Is Party to the Fraud.

73. Defendant Southwest is the driving force behind the Premier pyramid scheme. The scheme exists for two reasons: (1) to enrich the operators of the Premier pyramid scheme; and (2) to generate sales of Living Life policies, which would not and could not be sold without the false promise of achieving an entrepreneurial dream, for the financial benefit of Southwest.

74. The Living Life policy is co-branded by Southwest (under the trade name National Life Group) and Premier.

75. The Living Life policy explicitly refers to Premier as an agent of NLG. Premier is Southwest's top-selling agent.

76. Assadi is a regular attendee and presenter at Premier's conferences. He has attended and spoken at its conventions in Las Vegas, New Orleans, Orlando, and San Antonio for years.



77. During Premier’s 2019 conference in San Antonio, Assadi, alone onstage, led Premier Financial associates in chants of “we are number 1!” The above images show Assadi at this recent convention, at which the Premier-Southwest partnership was described as “A Winning Team.”

78. In the second image above, entitled “A Winning Team,” Assadi stands on the viewer’s right with a Premier executive to his immediate left.

79. Premier, for its part, makes clear that Southwest prepared certain of its training materials and that all presentation materials—including those provided by Assadi—“are pre-approved by PFA Compliance.”

80. When Premier associates become insurance agents, they “get appointed with NLG/LSW” to sell insurance, and they receive online product training from Southwest.

81. Assadi—like the Executive Field Directors—evangelizes about the benefits of the Premier-Southwest partnership online, including on Premier-affiliated Facebook pages. Assadi’s promotional pitches are intended to and do contribute to and support the promotional efforts of Premier and its operatives.

82. Like the Executive Field Directors, Assadi’s promotional pitches focus on financial opportunity and the need to recruit and retain “producers,” far more than on the merits of the life insurance his company offers. Assadi’s promotional pitches to Premier associates have included the statements below. Each is false and misleading.

- “Our field organization, 25,000 producers strong, have bought into the concept of educating and serving middle America.”
- “Products can get copied, but the service and the way we care about our clients and our producers is something that is the secret sauce that belongs to this company.”

In fact, Southwest’s field organization exists to sell universal life insurance, and their service does not constitute a “secret sauce” or confer any other form of competitive advantage.

83. Southwest has experienced explosive growth since initiating its relationship with Premier, doubling annuity and life insurance sales from 2012 to 2017. According to Assadi,

“National Life’s growth is staggering: In the past decade our life and annuity sales have grown over 90 percent; our core earnings have grown over 80 percent, and the number of policies in force has increased 60 percent. The face value of our insurance in force is more than \$120 billion. In 2017 one life or annuity policy came through our door each and every minute, 88 per hour and 707 per day.”

84. Southwest issued every Living Life policy sold through the Premier network.

85. Southwest is the chief beneficiary of Premier’s sales scheme. Southwest derives revenues from payments of premiums on policies sold through the pyramid scheme. Absent the scheme, Southwest would sell fewer of these policies, as they are not competitively priced.

86. When these policies lapse because insureds stop paying premiums, Southwest retains all premiums paid on the policies, as well as surrender charges, without paying out any benefits, thereby gaining a windfall.

VII. AGENCY, ALTER EGO, AND CO-CONSPIRATOR ALLEGATIONS

87. At all relevant times, each Defendant and each of the Relevant Nonparties was a principal, agent, alter ego, joint venturer, partner, or affiliate of each other Defendant and Relevant Nonparty, and in doing the acts alleged herein, was acting within the course and scope of that principal, agent, alter ego, joint venture, partnership, or affiliate relationship. Each Defendant and Relevant Nonparty had actual knowledge of the wrongful acts of each other Defendant and Relevant Nonparty; ratified, approved, joined in, acquiesced, or authorized the wrongful acts of each other Defendant and Relevant Nonparty; and retained the benefits of those wrongful acts.

88. Each Defendant and each of the Relevant Nonparties aided and abetted, encouraged, and rendered substantial assistance to each other Defendant and Relevant Nonparty in perpetrating their fraudulent scheme on Plaintiffs and the class. In taking action, as alleged herein, to aid, abet, encourage, and substantially assist the commissions of the wrongful acts and other misconduct set forth herein, Defendants and Relevant Nonparties acted with an awareness of its primary wrongdoing and realized that its conduct would substantially aid the accomplishment of the wrongful acts and purposes set forth herein.

VIII. TOLLING OF THE STATUTES OF LIMITATION

89. At all relevant times, Defendants Premier and Southwest knew that their scheme was an unlawful pyramid scheme and that Plaintiffs and the class did not have that knowledge. Despite reasonable diligence on their part, Plaintiffs and class members were kept ignorant by Defendants of the factual bases for these claims for relief.

90. Defendants Premier and Southwest fraudulently concealed their pyramid scheme by touting it as a promising financial opportunity while failing to divulge its true nature. Defendants' fraudulent misrepresentations set forth above had the effect of concealing that Defendants were operating an unlawful pyramid scheme.

91. Plaintiffs and class members reasonably relied to their detriment on Defendants' fraudulent concealment of their violations. As a result of this concealment, Plaintiffs and class members did not believe that it was necessary to file a lawsuit.

92. Plaintiffs and class members did not discover, and exercising reasonable diligence could not have discovered, the facts establishing Defendants' violations or the harm caused thereby until suit was brought on June 25, 2018. Thus, because Plaintiffs could not have reasonably discovered the facts constituting Defendants' violations until June 25, 2018, all applicable statutes of limitation were tolled until then.

IX. CLASS ACTION ALLEGATIONS

93. Plaintiffs bring this suit as a class action on behalf of themselves and all other persons similarly situated, pursuant to Federal Rules of Civil Procedure 23(a), (b)(2), and (b)(3), on behalf of a class of all persons in the United States who purchased a Living Life policy between January 1, 2014 and the present.

94. Excluded from the class are Defendants Premier and Southwest, their parents, affiliates, subsidiaries, agents, legal representatives, predecessors, successors, assigns, employees, any entity in which one of these Defendants has a controlling interest or which has a controlling interest in one of these Defendants, and the Relevant Nonparties listed above. Also excluded from this class are the agents, legal representatives, successors, assigns, and immediate family members of Defendants and the Relevant Nonparties and the judicial officers

1 to whom this matter is assigned and their immediate family members. Plaintiffs reserve the
2 right to modify the class definition based on discovery and further investigation.

3 95. Numerosity. The class members are too numerous to be practicably joined. The
4 class members are identifiable from information and records in Defendants' possession,
5 custody, or control. Notice of this action can be provided to all members of the class, and the
6 disposition of their claims in a single action will provide substantial benefits to all parties and
7 to the Court.

8 96. Typicality. Plaintiffs' claims are typical of the claims of other members of the
9 class. Plaintiffs and each class member enrolled in or purchased a life insurance policy from
10 Premier and were subject to the wrongful conduct alleged in this complaint.

11 97. Adequacy of Representation. Plaintiffs are members of the class and will fairly
12 and adequately represent and protect its interests. Plaintiffs have no interests contrary to or in
13 conflict with the interests of the other class members.

14 98. Plaintiffs' counsel are competent and experienced in class action and investor
15 fraud litigation, including cases involving pyramid schemes, and will pursue this action
16 vigorously.

17 99. Commonality and Predominance. Common questions of fact and law exist as to
18 all members of the class and predominate over any questions pertaining to individual class
19 members. Among the questions common to the class are:

- 20 a. Whether Premier's statements and omissions constitute fraud;
- 21 b. Whether Defendants formed an unlawful combination with a common
22 design;
- 23 c. Whether Defendants are operating an endless chain in violation of
24 California law;
- 25 d. Whether Defendants' acts, statements, and omissions violate the Unfair
26 Competition Law, Cal. Bus. & Prof. Code § 17200 *et seq.*;
- 27 e. Whether Defendants should be enjoined from continuing to engage in the
28 conduct described herein; and

f. The amount of damages or restitution owed to Plaintiffs and class members.

100. Superiority. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy. Absent a class action, most members of the class would likely find the cost of litigating their claims individually to be prohibitively high and would have no effective remedy. Class treatment of common questions of law and fact is a superior method to piecemeal litigation because class treatment will conserve judicial and party resources, promote efficiency of adjudication, and avoid inconsistent rulings.

101. Injunctive Relief. Defendants acted on grounds generally applicable to the class such that injunctive relief is warranted for the class as a whole.

X. CLAIMS FOR RELIEF

FIRST CLAIM FOR RELIEF

Fraud (Against Defendant Premier)

102. Plaintiffs reallege the foregoing allegations.

103. Premier, on its own, and by and through Premier's Executive Field Directors, made false representations and fraudulent omissions to Plaintiffs. Premier did so with the intent to deceive Plaintiffs and induce them to act in reliance on its false representations and fraudulent omissions.

104. Premier's false and misleading representations included representations that: (a) becoming an associate in Premier leads to successful work as an insurance agent; (b) once associates became agents, they gain wealth from selling a high-quality, competitive insurance product; and (c) participation in the Premiere Financial Alliance comes with no job risk. Without limitation, Premier's false and misleading representations included the following:

- a. "No job risk";
- b. "PFA's products are innovative and specially designed for anticipating the financial needs of individuals throughout their lives";

1 c. "PFA will recognize you with everything from custom watches to super
2 bowl style rings to exclusive World Class Trips. Join PFA and See the World!";

3 d. "Build your own business without risk";

4 e. "Achieve profitable results the right way";

5 f. "Build Financial Independence";

6 g. "Your income is unlimited because the size of the team is unlimited";

7 h. Premier is "on a crusade, a mission to educate Americans about life
8 insurance with living benefits. What separates us from the competition? A relatively unknown
9 set of insurance products that are the greatest financial products of all time";

10 i. "Achieve Profitable Results Right Away";

11 j. "The freedom alone you pretty much beat at least 98% of the people out
12 there because no matter how much money they make in their regular job they don't have the
13 kind of freedom you can have in their business here";

14 k. "After I sat down with Jack Wu, I made over \$17,000, second month over
15 \$30,000 and few times, several times, I made over \$50,000 in a month and I'm only about
16 eight months in the business right now";

17 l. "When PFA was introduced to me I was a full-time network engineer but
18 in less than 90 days I was able to quite my full-time job and transition myself into PFA on a
19 full-time basis";

20 m. "There are people in this company that are making 50, a hundred
21 thousand dollars a month. I don't know of any other industry where you could double your
22 income, where you could triple your income every year";

23 n. "Where do you know you can go somewhere in 30 days and get a 50%
24 raise";

25 o. "PFA has a great recognition system. You go anywhere from the awards
26 as you're moving up the ladder, to Super Bowl ring, all the way to the point where you go on
27 grandiose extravagant cruises, trips all over the world";

28 p. "The second year I was in PFA, I was able to take 8 vacations a year";

1 q. “Recognition like none other, rings, watches, lavish trips around the
2 world and more”;

3 r. “20% plus growth each and every year, 2016 with \$30 plus million to a
4 \$154.8 million in 2025. 100,000 recruits...100 million in paid target premium”;

5 s. “People are making \$100,000 in 3-6 months. They are doing it at record
6 speed because of the platform we have”; and

7 t. “[L]everage your talents and abilities so you can begin building your own
8 successful financial services business today.”

9 105. Premier and its Executive Field Directors made these and other
10 misrepresentations despite knowing that they were operating an illegal pyramid scheme
11 vulnerable to collapse when and if a continuous adequate supply of new recruits could not be
12 found.

13 106. Premier fraudulently concealed from Plaintiffs the true, illicit nature of the
14 Premier enterprise and the fact that money obtained from new recruits and policy purchases
15 would be used to enrich those at the top of the chain. Premier did not disclose to Plaintiffs that
16 its compensation program—based on payments to participants for purchases of insurance
17 policies by new participants, not for the retail sale of policies—bore the essential hallmark of a
18 pyramid scheme.

19 107. Premier fraudulently concealed, moreover, that the single universal life insurance
20 policy being sold in the pyramid was not competitively priced in relation to comparable
21 insurance products.

22 108. Plaintiffs justifiably relied on Premier’s false representations and fraudulent
23 omissions when they bought life insurance from and paid money to Premier.

24 109. Plaintiffs were deceived by, and sustained harm as a direct and proximate result
25 of, Premier’s fraud.

26 110. The fraudulent acts and omissions of Premier, and of the Premier’s Executive
27 Field Directors, showed willful misconduct, malice, wantonness, oppression, and that entire
28 want of care that raises the presumption of conscious indifference to consequences.

111. Plaintiffs are therefore entitled to damages—including punitive damages—in an amount to be determined at trial.

SECOND CLAIM FOR RELIEF

**Civil Conspiracy
(Against All Defendants)**

112. Plaintiffs reallege the foregoing allegations.

113. Defendants Premier and Southwest engaged in concert of action through a conspiracy to defraud.

114. Defendants' conspiracy had a common design. The conspiracy aimed to deceive and profit off of Plaintiffs and others who fell prey to the pyramid scheme directly perpetrated by Premier and its Executive Field Directors.

115. Southwest issued the insurance policies sold through the pyramid. Premier ran the scheme, and its Executive Field Directors promoted it with fraudulent misrepresentations. All Defendants reaped undue financial gain from their conspiracy.

116. In furtherance of the conspiracy, each Defendant took at least one overt act, including, without limitation, approving or making fraudulent statements to Plaintiffs or issuing insurance policies.

117. As a direct and proximate result of Defendants' conspiracy, Plaintiffs sustained harm in an amount to be determined at trial.

118. Defendants are jointly and severally liable for all harm caused by the conspiracy.

119. Defendants' actions in furtherance of their conspiracy showed willful misconduct, malice, fraud, wantonness, oppression, and that entire want of care that raises the presumption of conscious indifference to consequences. Defendants' reprehensible conduct in perpetrating a fraudulent pyramid scheme entitles Plaintiffs to punitive damages.

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THIRD CLAIM FOR RELIEF

**Endless Chain Scheme in Violation of California Penal Code section 327 and California Civil Code section 1689.2
(Against All Defendants)**

120. Plaintiffs reallege the foregoing allegations.

121. Section 1689.2 of the California Civil Code provides:

A participant in an endless chain scheme, as defined in Section 327 of the Penal Code, may rescind the contract upon which the scheme is based, and may recover all consideration paid pursuant to the scheme, less any amounts paid or consideration provided to the participant pursuant to the scheme.

122. Defendants, and each of them, contrived, prepared, set up, proposed, or operated an endless chain in violation of Penal Code section 327. Defendants' scheme for the distribution of property—universal life insurance policies—is an unlawful endless chain because participants pay valuable consideration for the chance to receive compensation for introducing one or more additional persons into participation in the scheme or for the chance to receive compensation when a person introduced by the participant introduces a new participant.

123. Plaintiffs have suffered injury in fact and have lost money or property because of Defendants' operation of an endless chain and their associated business acts, omissions, and practices.

124. Plaintiffs are accordingly entitled to:

a. rescind any contract upon which the scheme is based and recover all consideration paid under the scheme, less any amounts paid or consideration provided to them under the scheme;

b. appropriate restitutionary, compensatory, and consequential damages;
and

c. reasonable attorneys' fees, costs, and pre- and post-judgment interest.

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FOURTH CLAIM FOR RELIEF

**Violations of the Unfair Competition Law, Cal. Bus. & Prof. Code § 17200 *et seq.* (“UCL”)
(Against All Defendants As Specified Below)**

125. Plaintiffs reallege the foregoing allegations.

126. The UCL proscribes “any unlawful, unfair or fraudulent business act or practice and unfair, deceptive, untrue or misleading advertising.” Cal. Bus. & Prof. Code § 17200.

Unlawful

127. This claim is asserted against all Defendants.

128. Defendants’ conduct is unlawful, in violation of the UCL, because it perpetuates an endless chain scheme in violation of Penal Code section 327 and Civil Code section 1689.2.

129. Defendants’ conduct also unlawfully violates the UCL because Defendants, directly or as controlling persons, by the use of means and instrumentalities of communication in interstate commerce, knowingly made material misrepresentations and omissions in connection with the offer or sale of securities, in violation of sections 5, 12, 15, and 17 of the Securities Act of 1933, 15 U.S.C. §§ 77e, 77l, 77o, 77q, and those misrepresentations and omissions also violated analogous provisions of California law, including of the Corporate Securities Law of 1968, Cal. Corp. Code § 25000 *et seq.*

Unfair

130. This claim is asserted against all Defendants.

131. Defendants’ conduct is unfair in violation of the UCL because it violates California’s public policy, legislatively declared in Penal Code section 327 and Civil Code section 1689.2, prohibiting endless chain schemes. Defendants violated Penal Code section 326 and Civil Code section 1689.2 because, for the reasons set forth in paragraphs 120-24, Southwest’s sale of the Living Life policies through Premier constitutes an endless chain scheme.

132. Defendants acted and continue to act in an unethical, unscrupulous, oppressive and substantially injurious manner. Defendants engaged and continue to engage in unfair business practices in at least the following respects:

1 a. Southwest designed the Living Life policies—complex financial
2 products—to be sold primarily through Premier, a pyramid scheme;

3 b. Knowing the Living Life policies would be sold primarily through a
4 pyramid scheme, Southwest designed the policies to: (1) extract more money from
5 policyholders during the initial years of ownership; and (2) to pay lower commissions as
6 compared to policies they designed to be issued outside of Premier;

7 c. Premier promotes and sells the Living Life policies as high quality,
8 competitive financial products, without disclosing that they are more expensive than other,
9 comparable life insurance policies; and

10 d. Premier encourages potential recruits to buy the Living Life policies
11 through promises of financial independence and personal wealth, without disclosing: (1) only
12 those at the top of the pyramid will be able to achieve financial success; and (2) the way to
13 progress through the pyramid is through recruiting, not selling a competitive life insurance
14 product.

15 133. The gravity of the harm resulting from Defendants' unfair conduct outweighs
16 any potential utility. The practices of designing, promoting, and selling a universal life
17 insurance policy through a pyramid scheme harm the public at large and are part of a common
18 and uniform course of wrongful conduct.

19 134. The harm from Defendants' conduct was not reasonably avoidable by Plaintiffs
20 or other Living Life policy purchasers due to the policies' complexity, and the deceptive nature
21 of the Premier pyramid scheme.

22 135. There are reasonably available alternatives that would further Defendants'
23 legitimate business interests, such as designing and selling life insurance policies through
24 ordinary channels or under a multilevel marketing model that prioritizes retail sales over
25 recruitment.

26 **Fraudulent**

27 136. This claim is asserted against Premier.
28

137. Defendant Premier acts fraudulently in violation of the UCL because Premier, on its own, and by and through Premier's Executive Field Directors, made false representations and fraudulent omissions to Plaintiffs. Premier does so with the intent to deceive Plaintiffs and induce them to act in reliance on its false representations and fraudulent omissions.

138. Premier's false and misleading representations included representations that: (a) becoming an associate in Premier leads to successful work as an insurance agent; (b) once associates became agents, they gain wealth from selling a high-quality, competitive insurance product; and (c) participation in the Premier-Southwest enterprise comes with no job risk. Without limitation, Premier's false and misleading representations included the following:

- a. "No job risk";
- b. "PFA's products are innovative and specially designed for anticipating the financial needs of individuals throughout their lives";
- c. "PFA will recognize you with everything from custom watches to super bowl style rings to exclusive World Class Trips. Join PFA and See the World!";
- d. "Build your own business without risk";
- e. "Achieve profitable results the right way";
- f. "Build Financial Independence";
- g. "Your income is unlimited because the size of the team is unlimited";
- h. Premier is "on a crusade, a mission to educate Americans about life insurance with living benefits. What separates us from the competition? A relatively unknown set of insurance products that are the greatest financial products of all time";
- i. "Achieve Profitable Results Right Away";
- j. "The freedom alone you pretty much beat at least 98% of the people out there because no matter how much money they make in their regular job they don't have the kind of freedom you can have in their business here";
- k. "After I sat down with Jack Wu, I made over \$17,000, second month over \$30,000 and few times, several times, I made over \$50,000 in a month and I'm only about eight months in the business right now";

1 l. “When PFA was introduced to me I was a full-time network engineer but
2 in less than 90 days I was able to quite my full-time job and transition myself into PFA on a
3 full-time basis”;

4 m. “There are people in this company that are making 50, a hundred
5 thousand dollars a month. I don’t know of any other industry where you could double your
6 income, where you could triple your income every year”;

7 n. “Where do you know you can go somewhere in 30 days and get a 50%
8 raise”;

9 o. “PFA has a great recognition system. You go anywhere from the awards
10 as you’re moving up the ladder, to Super Bowl ring, all the way to the point where you go on
11 grandiose extravagant cruises, trips all over the world”;

12 p. “The second year I was in PFA, I was able to take 8 vacations a year”;

13 q. “Recognition like none other, rings, watches, lavish trips around the
14 world and more”;

15 r. “20% plus growth each and every year, 2016 with \$30 plus million to a
16 \$154.8 million in 2025. 100,000 recruits...100 million in paid target premium”;

17 s. “People are making \$100,000 in 3-6 months. They are doing it at record
18 speed because of the platform we have”; and

19 t. “[L]everage your talents and abilities so you can begin building your own
20 successful financial services business today.”

21 139. Premier and its Executive Field Directors made these and other
22 misrepresentations despite knowing that they were operating an illegal pyramid scheme
23 vulnerable to collapse when and if a continuous adequate supply of new recruits could not be
24 found.

25 140. Premier fraudulently concealed from Plaintiffs the true, illicit nature of the
26 Premier enterprise and the fact that money obtained from new recruits and policy purchases
27 would be used to enrich those at the top of the chain. Premier did not disclose to Plaintiffs that
28 its compensation program—based on payments to participants for purchases of insurance

1 policies by new participants, not for the retail sale of policies—bore the essential hallmark of a
2 pyramid scheme.

3 141. Premier fraudulently concealed, moreover, that the single universal life insurance
4 policy being sold in the pyramid was not competitively priced in relation to comparable
5 insurance products.

6 142. Plaintiffs justifiably relied on Premier's false representations and fraudulent
7 omissions when they bought life insurance from and paid money to Premier.

8 143. Southwest is responsible for Premier's representations concerning the purchase
9 of the Living Life policy through Premier, because Southwest knows of and intends to benefit
10 from them. Premier's representations are made with Southwest's actual and apparent
11 authority, in that Southwest has the contractual right to control the manner in which Premier
12 promotes the sale of the Living Life policy and Southwest has actual knowledge of Premier's
13 sales activities and techniques, and approves of and gives substantial assistance and
14 encouragement to Premier in the conduct of those promotional activities.

15 144. Defendants' acts or practices that violate the UCL harm the public at large and
16 form part of a common and uniform course of wrongful conduct.

17 145. Plaintiffs suffered injury in fact, and lost money or property, as a direct and
18 proximate result of Defendants' unlawful, unfair, and fraudulent conduct. Plaintiffs
19 accordingly seek restitution, a permanent injunction, and reasonable attorneys' fees and costs.

20 **FIFTH CLAIM FOR RELIEF**

21 **Violations of the New Jersey Consumer Fraud Act, New Jersey Statutes Ann. 56:8-3, *et seq.*** 22 **(Against All Defendants)**

23 146. Plaintiffs reallege the foregoing allegations.

24 147. Defendants' acts, practices, misrepresentations, and omissions constitute
25 unconscionable, unlawful, fraudulent, and deceptive commercial practices that violate New
26 Jersey Statutes Ann. 56:8-2.

27 148. As described in the First Claim for Relief, in their marketing and sale of the
28 Living Life policies and Premier memberships, Premier and its Executive Field Directors

1 employed unconscionable commercial practices, deception, fraud, misrepresentations, and the
2 knowing concealment, suppression, and omission of material facts, with the intent that others
3 rely thereon.

4 149. As is described in the Second Claim for Relief, Southwest conspired with
5 Premier to market and sell the Living Life policies, and they reaped financial benefits from
6 each such sale. Southwest actively participated in the fraud: (1) Southwest issued every one of
7 the Living Life policies sold in the pyramid; and (2) Southwest orchestrated the scheme by
8 allowing Premier associates to sell only the Living Life policy.

9 150. As a direct and proximate result of Defendants' conduct in violation of New
10 Jersey law, Plaintiffs have suffered ascertainable losses.

11 151. Under New Jersey Statutes Ann. 56:8-19, Plaintiffs are entitled to treble
12 damages, appropriate injunctive relief, and reasonable attorneys' fees.

13 **PRAYER FOR RELIEF**

14 WHEREFORE, Plaintiffs pray for relief in the form of a judgment:

15 A. Certifying this action for class treatment, appointing Plaintiffs as class
16 representatives, and appointing Plaintiffs' counsel as class counsel;

17 B. Awarding damages or restitution, including pre-judgment interest, on each
18 count in an amount to be determined at trial;

19 C. Imposing punitive damages on Defendants in an amount sufficient to
20 penalize and deter their wrongful conduct;

21 D. Enjoining Defendants from continuing to perpetrate their illicit scheme;

22 E. Awarding reasonable attorneys' fees and costs of litigation; and

23 F. Granting such other relief as the Court may deem just and proper.
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DEMAND FOR JURY TRIAL

Plaintiffs request a jury trial for any counts for which a trial by jury is permitted by law.

Dated: April 30, 2019

Respectfully submitted,

GIRARD SHARP LLP

/s/ Daniel C. Girard

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