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11 **UNITED STATES DISTRICT COURT**
12 **SOUTHERN DISTRICT OF CALIFORNIA**

13 LINDSAY PENHALL, on behalf of
14 herself and a class of all others similarly
15 situated,

16 **Plaintiff,**

17 v.

18 YOUNG LIVING ESSENTIAL OILS,
19 LC,

20 **Defendant.**

Case No.: '19CV2340 JLS RBB

CLASS ACTION COMPLAINT

DEMAND FOR JURY TRIAL

21
22 Plaintiff Lindsay Penhall, individually and on behalf of a class of persons
23 similarly situated, brings this class action against Defendant Young Living
24 Essential Oils, LC (“Young Living” or “Defendant”) seeking equitable relief and
25 damages as set forth below.

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I.

NATURE OF THIS ACTION

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3 1. Young Living purports to sell essential oils when, in reality, it sells a
4 convincing lie—the irresistible promise of financial success and “generous,
5 industry leading compensation” by joining its unlawful pyramid scheme.

6 2. Plaintiff Lindsay Penhall and hundreds of thousands of putative class
7 members just like her, paid and lost hundreds (and in many cases thousands) of
8 dollars to become Young Living distributors or “Members” based upon
9 Defendant’s false promise to “transform your financial future.”

10 3. Of course, the promise of riches was simply the hook used to grow
11 Young Living’s base of recruits, which is the true purpose of the organization and
12 the source of immense profits for Defendant—at the expense of its Members.

13 4. Young Living falsely represents to its Members that participation in
14 Young Living—which necessarily requires hefty monthly payments—will result
15 in material riches as long as they continue to solicit additional recruits to become
16 Members of the Young Living family.

17 5. But that promise is nothing more than a pipe dream for Young
18 Living’s millions of Members. In reality, Defendant has created nothing more
19 than an unlawful pyramid scheme—the cornerstone of which is Young Living’s
20 emphasis on new Member recruitment over the sale of its products.

21 6. Indeed, in 2016, the median monthly income of 94% of Members was
22 \$0 a month, and the average monthly income was a dismal \$1 a month. But these
23 amounts do not include the hundreds of dollars in costs Members incurred each
24 year just to remain eligible to earn commissions. When these costs are accounted
25 for, ***at least 97.5% of Members lost money rather than earned money working***
26 ***for Young Living in 2016.*** In fact, in 2016, the average Member ***lost \$1,175.***

27 7. And Members did not fare any better in 2018. Nearly 89% of
28 Members earned on average \$4 for the ***year.*** And, again, this does not include the

1 hundreds of dollars in costs incurred by Members to achieve that dismal \$4 annual
2 income. *Similar to 2016, at least 96.7% of Members lost money in 2018 rather*
3 *than earned money working for Young Living.*

4 8. Through this class action, Plaintiff and the putative class seek to hold
5 Defendant accountable for its illegal and deleterious conduct, which has injured
6 hundreds of thousands of unwitting consumers who put their faith in Defendant's
7 empty promises.

8 **II.**
9 **PARTIES**

10 9. Plaintiff Lindsay Penhall is a resident of San Diego, California. In
11 2018, Lindsay became a distributor (or "Member") of Young Living essential oils
12 after being recruited by another distributor. Lindsay lost nearly \$2,000 dollars
13 participating in the Young Living pyramid scheme.

14 10. Defendant Young Living Essential Oils, LC is a Utah company with
15 its principal offices and headquarters located in Lehi, Utah. Young Living claims
16 to "create abundance" for its Members. In reality, Young Living creates
17 abundance only for itself through the unlawful operation of its vast pyramid
18 scheme.

19 11. Plaintiff alleges, on information and belief, that at all times herein,
20 Defendant's agents, employees, representatives, executives, directors, partners,
21 and/or subsidiaries were acting within the course and scope of such agency,
22 employment, and representation, on behalf of Defendant.

23 **III.**
24 **JURISDICTION**

25 12. This Court has original jurisdiction over this action pursuant to the
26 Class Action Fairness Act of 2005, 28 U.S.C. § 1332(d), because the proposed
27 Class consists of 100 or more members; the amount in controversy exceeds
28 \$5,000,000, exclusive of costs and interest; and minimal diversity exists. This

1 Court also has supplemental jurisdiction over the state law claims pursuant to 28
2 U.S.C. § 1367.

3 **IV.**

4 **VENUE**

5 13. Venue is proper in this District under 28 U.S.C. § 1391 because a
6 substantial part of the events or omissions giving rise to Plaintiff’s claims occurred
7 in this District. In addition, Plaintiff worked as a Young Living Member in this
8 District. Further, Defendant has purposefully availed itself of the California
9 forum by intentionally directing its fraudulent pyramid scheme in California.
10 Among other things, Defendant has a website presence that targets California
11 residents like Lindsay; it sells and ships product to California Members like
12 Lindsay; it markets its pyramid scheme in California; and it sponsors conferences
13 and “Education Events” in California, where Members are encouraged to recruit
14 new Members in furtherance of Defendant’s illegal pyramid scheme.

15 **V.**

16 **FACTUAL ALLEGATIONS**

17 **A. Background**

18 14. Founded in 1993 by Gary D. Young, Defendant claims to be the world
19 leader in essential oils. Defendant describes its essential oils as “aromatic,
20 concentrated plant extracts that are carefully obtained through steam distillation,
21 cold pressing, or resin tapping.”

22 15. Defendant’s purported vision is to “bring Young Living Essential Oils
23 to every home in the world.” Defendant’s vision is also a lucrative one: In 2017,
24 sales of Defendant’s more than 150 essential oils exceeded over **\$1.5 billion**. In
25 addition, Defendant’s revenues have increased over 800 percent over the last 6
26 years.

27 16. Defendant also touts its purported values: “Always be honest. Young
28 Living prides itself on strict compliance policies that keep us honest and

1 transparent. Acquiring these characteristics can help us continue to progress the
2 company.” In addition, Defendant instructs its Members to “be sure to use good
3 judgment[.]”

4 17. But in practice, Defendant has fallen far short of upholding its self-
5 professed values. For example, Defendant’s founder, Gary D. Young, was
6 prosecuted for practicing medicine without a license. Mr. Young also ran a now
7 shuttered “Young Living Research Clinic” in Springville, Utah (subsequently
8 replaced by a Young Living clinic in Ecuador) where he employed a quack
9 physician convicted of manslaughter. Mr. Young is also alleged to have nearly
10 killed a patient through vitamin C infusions, which caused renal failure.

11 18. Even more, in 2014, the U.S. Food and Drug Administration sent a
12 warning letter to Defendant for falsely promoting its products as viable treatments
13 for certain viral infections, including Ebola, Parkinson’s disease, autism, diabetes,
14 hypertension, cancer, multiple sclerosis, dementia, and other serious health issues.

15 19. In 2017, Young Living pleaded guilty to federal charges and paid
16 \$760,000 for illegally trafficking certain oils in violation of the Lacey Act and the
17 Endangered Species Act. Utah’s U.S. Attorney called Young Living’s natural
18 resource violations “substantial.”

19 20. In 2018, Young Living was ordered to pay \$1.8 million for pursuing a
20 lawsuit in bad faith against a competitor.

21 21. But most pernicious of all is that Defendant’s immense wealth is
22 derived from a vast, illegal pyramid scheme that has caused countless unwitting
23 victims to lose substantial sums of money.

24 **B. How the Young Living Pyramid Scheme Works**

25 22. Defendant sells “essential oils” via a complicated multilevel
26 marketing (“MLM”) operation. The complex and intentionally hard-to-understand
27 multi-layer compensation/participation structure of Young Living is a hallmark of
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1 illegal MLM pyramid schemes.¹

2 23. While many consider every MLM company to be inherently
3 fraudulent, the Federal Trade Commission (“FTC”) has outlined guidelines it
4 considers critical to distinguishing an illegal pyramid scheme from a “legitimate”
5 MLM. For example, a legal MLM program must structure its compensation so
6 that the members are paid primarily based on sales of goods and/or services to
7 those outside of the plan. By contrast, an illegal pyramid scheme overwhelmingly
8 rewards its participants for recruiting new members rather than through product
9 sales made to persons outside the pyramid structure.

10 24. In advising consumers about how to identify a pyramid scheme, the
11 FTC stated, in relevant part:

12 The promoters of a pyramid scheme may try to recruit you with pitches
13 about what you’ll earn. They may say you can change your life – quit your
14 job and even get rich – by selling the company’s products. . . . Often in a
15 pyramid scheme, you’ll be encouraged or even required to buy a certain
16 amount of product at regular intervals, even if you already have more
17 inventory than you can use or sell. You may even have to buy products
18 before you’re eligible to be paid or get certain bonuses. . . . In addition, the
19 company may say you can earn lavish rewards, like prizes, bonuses, exotic
vacations, and luxury cars. However, it often turns out that you have to
meet certain product purchase, recruitment, training, or other goals to
qualify for the rewards, and only a handful of distributors ever qualify.²

20 25. In addition, according to the California Department of Justice,
21 “Millions of Americans have lost money in pyramid schemes. A pyramid scheme
22 can take many forms, but generally involves the promise of making money by
23 recruiting new people. Pyramid schemes are illegal, and most people lose

24
25 ¹See Exhibit A (Young Living’s compensation plan); also available at (and more
26 easily viewed given its formatting) <https://static.youngliving.com/en-US/PDFS/compensation-plan.pdf>.

27 ²[https://www.consumer.ftc.gov/articles/0065-multi-level-marketing-businesses-](https://www.consumer.ftc.gov/articles/0065-multi-level-marketing-businesses-and-pyramid-schemes)
28 [and-pyramid-schemes](https://www.consumer.ftc.gov/articles/0065-multi-level-marketing-businesses-and-pyramid-schemes).

1 money.”³

2 26. Indeed, according Jon M. Taylor, MBA, Ph.D., who has extensively
3 studied and written about MLMs:

4 [T]o promote as a ‘business opportunity’ an endless chain or pyramid
5 selling activity (MLM) that in fact leads to almost certain loss for all but the
6 founders and primary promoters (who are enriched from the purchases of
7 victims/recruits), is a misrepresentation of the facts, and can lead to the
8 defrauding of large numbers of participants. MLM is the epitome of the
9 type of business activity the FTC[] is pledged to protect against – ‘unfair
10 and deceptive acts or practices. . . . It is not just a few MLMs that are
11 conducting unfair and deceptive marketing practices, but virtually all of
12 them, as all MLMs are built on a fundamentally flawed system of endless
13 chain recruitment of participants as primary customers.’⁴

14 27. Here, Defendant operates an illegal pyramid scheme because the
15 financial success of a Young Living Member is overwhelmingly dependent on the
16 recruitment of new people into the Young Living sales force—i.e., the defining
17 characteristic of an illegal pyramid scheme versus a legitimate MLM company.

18 28. In addition, Young Living represents, either expressly or by
19 implication, that by becoming a Young Living distributor or Member, a person
20 will likely earn substantial income and/or achieve financial success—what Young
21 Living calls “abundance” or “income opportunity.” Young Living makes these
22 representations through a variety of channels, including its website,
23 “youngliving.com,” print materials, videos, social media, live presentations,
24 events and trainings, income testimonials, and other means.

25 29. Examples of the false and misleading representations Young Living

26 ³ https://oag.ca.gov/consumers/general/pyramid_schemes.

27 ⁴ Jon M. Taylor, MBA, Ph.D., Consumer Awareness Institute, *The Case (for and)*
28 *against Multi-level Marketing*, 7-20, (2011), available at
https://www.ftc.gov/sites/default/files/documents/public_comments/trade-regulation-rule-disclosure-requirements-and-prohibitions-concerning-business-opportunities-ftc.r511993-00008%C2%A0/00008-57281.pdf.

1 has made and makes to recruit new Members include the following from its
2 website:

- 3 • “Have you ever wanted to truly own your time—and your life? What if
4 going to work every day was exciting and enjoyable, and you no longer
5 had to wonder how you were going to pay the bills? Young Living’s
6 generous compensation plan gives you the power to take control of your
7 future and build a business that will change your life forever.”
- 8 • “If you’re ready to achieve your dream of independence and security,
9 our generous, industry leading compensation plan will help you get
10 there.”
- 11 • “With a Young Living business, you’re on a path to a different type of
12 lifestyle—one with the potential to earn free products, transform your
13 financial future, and bring life-changing solutions to homes around the
14 world.”
- 15 • “Every business needs a solid foundation. With our Rising Star Team
16 Bonus, you can achieve abundance as you progress from distributor all
17 the way up to executive.”
- 18 • “With dedicated support from Young Living and your team and a
19 comprehensive compensation plan, you can take control of your future
20 by building a rewarding business.”
- 21 • “Young Living offers an industry-leading compensation plan with
22 generous commissions and bonuses.”

23 30. Even more egregious, Young Living actually *requires* its Members
24 to further its deception. Specifically, Young Living requires that “[t]o qualify for
25 compensation under Young Living’s Compensation Plan [Members] have the
26 responsibility to promote Young Living products **and the Young Living income
27 opportunity.**”⁵ The effect of which is that Young Living has engaged in a long-
28 term advertising campaign that promoted—albeit misleadingly—that becoming a
distributor of Young Living products will lead to financial success and/or

⁵ See *Young Living’s U.S. Policies and Procedures*, § 3.12.2 (2018).

1 meaningful income.

2 31. Unfortunately, Young Living’s very structure ensures that nearly
3 every new Member will almost certainly lose large sums of money, chasing the
4 elusive promise of “abundance” by trying to recruit additional new Members from
5 an ever-shrinking pool of available candidates.

6 31. And Young Living’s Members’ losses are compounded by its
7 structure, which requires its Members to continuously purchase (and, as a result,
8 hold) an ever-growing inventory of unused product, in direct violation of the
9 70/30 rule established in the FTC's seminal *Amway* ruling.⁶

10 **(1) Young Living Encourages the Recruitment of Members**
11 **over Retail Sales**

12 32. The Young Living compensation plan rewards the recruitment of new
13 Members far more than the sale of product outside of the Pyramid.

14 33. In describing the structure of its “generous, industry leading
15 compensation plan,” Defendant *admits* its compensation structure is designed to
16 “help you build your business with compensation that **rewards you as you grow.**”
17 Indeed, Defendant stated on its website:

18 If you’re ready to achieve your dream of independence and security, our
19 generous, industry-leading compensation plan will help you get there. It’s all
20 about caring for our Young Living family, and another example of our
21 commitment to total body wellness. Through our three-level approach,
22 we’ve developed an efficient structure to help you build your business with
23 compensation that rewards you as you grow.

24 **1. Create a Foundation**

25 Every business needs a solid foundation. With our Rising Star Team Bonus
26 you can achieve abundance as you progress from distributor all the way up
27 to executive.

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⁶ See *Matter of Amway Corp., Inc.*, 93 F.T.C. 618 (1979).

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2. Build Your Business

Once you’ve seen the benefits of being your own business, you’re ready to share that experience with others. Build on your foundation by adding others to your team to achieve shared success.

3. Become a Leader

With an established business and a passion for inspiring wellness through Young Living, you’re ready to take the mission worldwide as you lead others to success.

34. Notably absent from Defendant’s message is any emphasis on selling product outside of the pyramid.

35. To become a distributor of Young Living products and eligible for commissions, new Members must first purchase a “starter kit.” These kits range from “basic” (\$35) to “premium” kits (\$165)—however, the price can dramatically increase depending if additional options are selected.

36. The vast majority of new Members opt for the premium kits, largely because the recruiters are actively encouraged by Young Living to push the premium kits over the basic kits and because certain bonuses are available if a new Member purchases a Premium Starter Kit.

37. Once a new Member enrolls, Young Living pays a cash bonus to the “upline” Member who recruited the new “downline” Member to incentivize its existing Members to recruit as many new downline Members as possible. And Young Living encourages recruiting new Members soon after a Member enrolls by providing certain recruiting bonuses called “Fast Start” bonuses only available during the first three months after a Member enrolls.

38. The payment of the cash enrollment bonus, however, is not the only manner in which Members are actively and repeatedly encouraged to focus their efforts on the recruitment of new Members. Indeed, Young Living’s

1 compensation structure makes crystal clear that recruiting is prioritized over the
2 sale of product in the Young Living system—to a fault.⁷

3 39. As Members attempt to earn compensation through the Young Living
4 system, their only opportunity to earn enough income to cover the cost of
5 Membership is by recruiting new Members and then encouraging their downline
6 Members to also recruit aggressively.

7 40. To move up the pyramid and to be eligible to receive commissions,
8 Young Living Members must also enroll in the Essential Rewards (“ER”) program
9 and maintain their active enrollment in ER by purchasing a minimum amount of
10 Young Living products on a monthly basis, which is referred to as personal
11 volume or “PV.”

12 41. Young Living gives each product a PV value, where each point is
13 roughly equivalent to each dollar of goods purchased. So a \$10 product would
14 typically have a PV value of 10. To earn commissions on a downline, the
15 minimum PV is 100. In Lindsay’s case, she purchased at least \$100—often
16 \$300—of Young Living product each month in order to maintain her eligibility to
17 earn commissions.

18 42. The products that comprise a Member’s PV are purchased at a 24%
19 discount and, at least theoretically, can be resold by each Member, who could
20 retain any difference between the discount and the retail price for which they
21 might sell the product.

22 43. Critically, however, is that there is no real incentive for a Member to
23 try to become a reseller of oils as opposed to recruiting more downline
24 members—for two important reasons. First, there is no real opportunity for a
25 Member to profit from becoming a reseller of oils at a mark-up because anyone
26 can buy the oils at the discounted “wholesale” price directly from Young Living.

27 _____
28 ⁷ See Exhibit A; <https://static.youngliving.com/en-US/PDFS/compensation-plan.pdf>

1 Second, Members do not earn any commissions on the PV they purchase from
2 Young Living.

3 44. Instead, Members earn compensation in the form of commissions
4 and bonuses only from (a) starter kits sold to newly recruited Young Living
5 Members, and (b) the “Organization Group Volume,” or “OGV,” purchased by
6 their downline Members either recruited personally by them or recruited by their
7 downline Members.⁸

8 45. More specifically, to qualify for commissions and/or to advance in
9 rank, a Member must recruit new Members to become “Legs” in their downline—
10 much like a branch in a family tree. Each “Leg” must generate a certain “Leg
11 Volume” through their own recruitment efforts. And, under Defendant’s
12 “Unilevel Commission” structure, each level of new Member in a Member’s
13 downline can generate additional commissions for the Member—the effect of
14 which is to further incentivize recruiting. Therefore, a Member’s compensation
15 (commissions and bonuses) are all determined based on a Member’s PV, Legs,
16 Leg Volume and OGV—all of which are based on the recruitment of new
17 Members. Importantly, no Member can earn a commission except through
18 recruitment.

19 46. Even the Membership titles are intended to falsely convey to new
20 Members the promise of wealth—such as “Gold,” “Platinum,” and potentially, the
21 elusive rank of “Royal Crown Diamond.” The problem is, these higher tiers are
22 virtually unattainable. In order to move up the pyramid and share in the
23 “abundance” of promised riches, a Member’s required minimum OGV increases
24 dramatically. For example, in order to earn the relatively low rank of “Star,” a
25 new Member must have an OGV of 500, and the Member’s minimum PV of 100
26 doesn’t count towards the 500 OGV. In other words, a Member is required to
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28 ⁸ OGV is the total volume generated within a Member’s organization.

1 recruit new Members to move up the pyramid and earn commissions. And
2 because Members are not rewarded for additional PV purchased personally, the
3 only conceivable way for a Member to move up in rank is by achieving the near
4 impossible—i.e., the creation of a downline consisting of *thousands* of recruits.

5 47. Consider, for example, Young Living’s highest rank of “Royal
6 Crown Diamond.” The required OGV is a staggering 1,500,000. In order to meet
7 an OGV of 1,500,000, a Member would need a downline of more than 15,000
8 members each purchasing the minimum PV. Because attrition and failure to order
9 minimum PV is not uncommon, it is likely a Member would actually need a
10 downline consisting of many multiples of that number. Thus, it is not surprising
11 that an infinitesimally small number of Members have ever actually achieved any
12 meaningful success. Indeed, while Young Living brazenly touts the achievement
13 of becoming a “Royal Crown Diamond” as within the grasp of all of its Members,
14 a mere 46 have ever achieved this goal. Young Living claims it has 3,000,000
15 active Members, but does not report on the number of *former* Members. Thus,
16 only .0015% of active Members have made it to the top of the pyramid, and the
17 percentage of all Members is very likely much, much smaller.

18 48. And even more shocking is that Young Living doesn’t even pay
19 monetary commissions to most of those lucky few who are able to amass a
20 downline that purchases the minimum level of OGV each month. To the contrary,
21 if a Member’s earned commission is less than \$25 in a single month, Young
22 Living will not pay that commission to the Member. Instead, Young Living issues
23 a credit, which can be used by the Member only to buy more product. So, if a
24 Member’s OGV isn’t large enough each month to trigger a commission check, his
25 or her only option is to recruit even more Members in hopes of driving up OGV.

26 49. Defendant’s singular focus on Member recruitment is further
27 exemplified by its appropriately titled “On the Grow Tour,” which is a series of
28 “Education Events” held throughout the country. As part of the tour, Members

1 can participate in a “Grow Tour Challenge” where Members must enroll two new
2 Members with a premium starter kit within a certain time period, as well as post
3 certain information on social media to “encourage others to grow with you.” By
4 doing so, a Member will “receive on-stage recognition for growing your team,” as
5 well as a gift.

6 50. In short, this is not a system designed to sell product to those outside
7 the pyramid. Rather, the entire system is designed for one purpose: to recruit new
8 Members to grow the illegal pyramid, which only benefits Defendant and those
9 very few Members at the top.

10 51. Indeed, financial success remains elusive to nearly all Members. In
11 2016, the median monthly income of 94% of Members was \$0 a month, and the
12 average monthly income was a dismal \$1 a month! But these amounts do **not**
13 include the hundreds of dollars in costs Members incur each year to remain
14 eligible to earn commissions downline. When these costs are accounted for, *at*
15 *least 97.5% of Members lost money rather than earned money working for*
16 *Young Living in 2016.*⁹ In fact, in 2016, the average Member *lost \$1,175*.

17 52. Members did not fare any better in 2018. Nearly 89% of Members
18 earned on average \$4 for the *year*. And, again, this does not include the hundreds
19 of dollars in costs incurred by Members to achieve that dismal \$4 annual income.
20 *Similar to 2016, at least 96.7% of Members lost money rather than earned*
21 *money working for Young Living.*¹⁰ See also [https://www.ftc.gov/news-](https://www.ftc.gov/news-events/press-releases/2019/10/multi-level-marketer-advocare-will-pay-150-million-settle-ftc)
22 [events/press-releases/2019/10/multi-level-marketer-advocare-will-pay-150-](https://www.ftc.gov/news-events/press-releases/2019/10/multi-level-marketer-advocare-will-pay-150-million-settle-ftc)
23 [million-settle-ftc](https://www.ftc.gov/news-events/press-releases/2019/10/multi-level-marketer-advocare-will-pay-150-million-settle-ftc) (The FTC alleged that Advocare operated an illegal pyramid
24

25 ⁹ Specifically, according to Defendant’s 2016 Income Disclosure, the average
26 yearly income of 97.5% of Members did not cover the minimum yearly costs to
remain eligible to earn commissions and bonuses.

27 ¹⁰ Specifically, according to Defendant’s 2018 Income Disclosure, the average
28 annual income of 96.7% of Members did not cover the minimum annual cost to
remain eligible to earn commissions and bonuses.

1 scheme and “AdvoCare did not offer consumers a viable path to financial
2 freedom. In 2016, 72.3 percent of distributors did not earn any compensation from
3 AdvoCare; another 18 percent earned between one cent and \$250; and another 6
4 percent earned between \$250 and \$1,000. The annual earnings distribution was
5 nearly identical for 2012 through 2015.”).

6 53. Moreover, even the smaller-than-promised potential incomes
7 described herein do not account for the significant additional outlays of time and
8 money that Members are forced to incur just to maintain their business, including
9 traveling around the country to Young Living conferences or meetings, and
10 organizing their own sales events. In addition, since Members are not classified as
11 employees but as independent contractors of Young Living, Members are
12 responsible for paying self-employment taxes and for their own health insurance or
13 other typical job-related benefits.

14 54. This is not “abundance.” Rather, this is the very definition of an
15 illegal pyramid scheme. And Defendant’s misleading and deceptive
16 representations concerning a consumer’s ability to earn income does not only
17 violate Defendant’s self-professed values—it’s unlawful.

18 55. Plaintiff and Class Members relied on Defendant’s material
19 misrepresentations concerning the income opportunity and/or financial success a
20 consumer can achieve by becoming a Young Living distributor.

21 56. And, as described herein, Defendant willfully failed to disclose and
22 continues to fail to disclose that the program’s structure ensures that most
23 Members will not earn any—much less meaningful—income.

24 57. In addition, Defendant willfully failed to and continues to fail to
25 adequately disclose its appalling—and certainly material—income statistics.

26 58. Further, Defendant willfully failed to disclose and continues to fail to
27 disclose that it operates an illegal pyramid scheme.

28 59. Had Plaintiff and reasonable consumers known that Defendant was

1 operating an illegal pyramid scheme and/or had they known that nearly all
2 Members lose money rather than make money, they would not have become
3 Members or would have acted differently.

4 60. Unfortunately, Plaintiff and Class Members have suffered an injury
5 in fact and have lost money because of Defendant's unlawful misrepresentations
6 and omissions.

7 **(2) Young Living Members are Encouraged to Violate the**
8 **70/30 Amway Rule**

9 61. Beyond Young Living's overwhelming dependence on recruitment
10 income, Young Living's status as an unlawful pyramid scheme is further
11 evidenced by its brazen violation of the so-called 70/30 rule. In the FTC's 1979
12 *Amway* ruling, it concluded that Amway did not operate as a pyramid scheme, in
13 part, because Amway required its representatives to submit proof of resale
14 demonstrating no more than 30% of purchased product was for personal use or
15 storage before permitting its representatives to purchase additional product—thus
16 the term "70/30." *See Matter of Amway Corp., Inc.*, 93 F.T.C. 618 (1979)

17 62. The 70/30 rule is designed to prevent an MLM from encouraging its
18 members to continuously order new product for sale (sometimes referred to as
19 "inventory loading") in order to be eligible to earn commissions. Here, Young
20 Living's compensation system actually requires its Members to inventory load
21 product. If a Member fails to meet his or her minimum monthly PV, he or she is
22 not eligible to earn any commissions on his or her downline's OGV no matter how
23 large that OGV may be.

24 63. Young Living is well aware of the 70/30 rule. Its policies and
25 guidelines even say that no more than 30% of ordered PV can be stored prior to
26 purchasing additional inventory. But this is mere lip-service. Young Living does
27 absolutely nothing to enforce this policy and is well-aware that it is routinely
28 violated. Young Living has no method of compliance in place, and it requires no

1 proof that its Members are actually selling their PV. Any Member can order as
2 much PV as he or she wants, whenever he or she wants. And Young Living turns
3 a blind eye, because doing so helps further its scheme.

4 64. And, unlike MLMs that sell physically large products, which impedes
5 inventory loading, the opposite is true of Young Living's products. Young
6 Living's oils are contained in small, easily stored vials, which actually facilitate
7 inventory loading. Most vials contain only 5 ML to 15 ML of product and each
8 one can sell for \$20 or more. At that size and price, a single closet shelf would be
9 enough space for a failing Young Living Member to store literally thousands of
10 dollars in unsold product, hoping against hope that his or her downline OGV will
11 grow large enough to trigger a meager commission.

12 (3) Young Living Is an Illegal Pyramid Scheme

13 65. By any measure, Young Living is unequivocally a pyramid scheme.

14 66. Numerous government agencies, legal opinions and experts have all
15 recognized that MLM companies—like Young Living—which emphasize member
16 recruitment over product sales, earn the majority of their revenue from member
17 recruitment, and make no effort to enforce the "70/30" rule, are in fact illegal
18 pyramid schemes.¹¹

19 67. Indeed, in 2015, the FTC sued Arizona-based Vemma Nutrition
20 Company in the District Court of Arizona for running an illegal pyramid scheme
21 utilizing a very similar pay structure and model utilized by Young Living.¹²

22 68. In December 2016, Vemma admitted it was running an illegal
23 pyramid scheme and agreed to a judgment that included \$238 million in monetary
24

25 ¹¹ See e.g., *Stull v. YTB Intern., Inc.*, CIV. 10-600-GPM, 2011 WL 4476419, *5
26 (S.D. Ill. Sept. 26, 2011) (noting the fact that travel-based pyramid scheme's
27 revenues were largely derived from new recruits supported allegation it was a
28 pyramid scheme).

¹² See *FTC v. Vemma Nutrition Co., et al.*, 15 CV 01578 – PHX (D. Ariz.)
(ECF No. 1).

1 damages, as well as an injunction that prohibits Vemma from, *inter alia*, engaging
2 in the very same acts which the Defendant is engaging here.¹³

3 69. According to the FTC:

4 [Vemma,] [t]he multi-level marketing (MLM) company[] which sells health
5 and wellness drinks through a network of distributors called “affiliates,” will
6 be prohibited under a federal court order from paying an affiliate unless a
7 majority of that affiliate’s revenue comes from sales to real customers rather
8 than other distributors. The order also bars Vemma from making deceptive
9 income claims and unsubstantiated health claims.

10 “Unfortunately, extravagant income claims and compensation plans that
11 reward recruiting over sales continue to plague the MLM industry,” said
12 Jessica Rich, Director of the FTC’s Bureau of Consumer Protection. “MLM
13 companies must ensure that their promotional materials aren’t misleading,
14 and that their compensation programs focus on selling goods or services to
15 customers who really want them, not on recruiting more distributors.”¹⁴

16 70. Specifically (and just like Vemma), the overwhelming majority of
17 distributors will not even recoup the money that they paid to Young Living to
18 become a Member and be part of Young Living’s sales force.

19 71. Conversely (and just like Vemma), Young Living’s enormous
20 revenue is largely based on the money it receives from its own distributors to be
21 part of the sales force, and the products its sales force are required to purchase.¹⁵

22 72. Federal and state courts across the country have recognized that the

23 ¹³ See FTC Release “Vemma Agrees to Ban on Pyramid Scheme Practices to Settle
24 FTC Charges.” [https://www.ftc.gov/news-events/press-releases/2016/12/vemma-
25 agrees-ban-pyramid-scheme-practices-settle-ftc-charges](https://www.ftc.gov/news-events/press-releases/2016/12/vemma-agrees-ban-pyramid-scheme-practices-settle-ftc-charges).

26 ¹⁴ *Id.*

27 ¹⁵ See also [https://www.ftc.gov/news-events/press-releases/2019/10/multi-level-
28 marketer-advocare-will-pay-150-million-settle-ftc](https://www.ftc.gov/news-events/press-releases/2019/10/multi-level-marketer-advocare-will-pay-150-million-settle-ftc) (On October 2, 2019, “Multi-
level marketer AdvoCare International, L.P. and its former chief executive officer
agreed to pay \$150 million and be banned from the multi-level marketing business
to resolve Federal Trade Commission charges that the company operated an illegal
pyramid scheme that deceived consumers into believing they could earn significant
income as ‘distributors’ of its health and wellness products.”);

1 operation of a pyramid scheme such as Young Living constitutes fraud. Pyramid
2 schemes make money for those at the top of the pyramid and victimize those at the
3 bottom who cannot find recruits. Accordingly, pyramid schemes are inherently
4 fraudulent. Defendant's operations are also a pyramid scheme because they are
5 based on false promises of vast financial rewards, which are impossible to achieve
6 for new Members who enter at the bottom of the pyramid and who have no
7 realistic chance of moving up the ladder.

8 73. Ultimately, the Members are financially induced by Defendant to
9 recruit new distributors to join the sales force through materially false
10 representations and omissions concerning the Young Living pyramid scheme. By
11 emphasizing recruitment over product sales, Young Living easily crosses the
12 threshold from legitimate MLM into an illegal pyramid scheme.

13 74. The rewards that Members can achieve in this case are dependent on
14 virtually endless recruitment into the scheme in which people are exploited and
15 have virtually no chance to get a return on their investment, let alone achieve the
16 high financial gains that Defendant induced these representatives to believe they
17 would achieve.

18 **C. Plaintiff's Experience Confirms Young Living Is a Pyramid**
19 **Scheme**

20 75. In May 2018, Plaintiff Lindsay Penhall joined Young Living as a
21 distributor (or Member) after learning about it from another Young Living
22 Member. Lindsay worked as a Young Living distributor from May to December
23 2018.

24 76. In deciding to become a Young Living Member, Lindsay relied on
25 Young Living's material misrepresentations concerning the financial success she
26 would likely achieve by becoming a distributor of Defendant's essential oils.
27 Specifically, Lindsay believed she would earn significant income through
28 recruiting others to become Young Living Members and part of her downline.

1 77. To join Young Living, Lindsay purchased a premium starter kit and
2 approximately \$300 worth of essential oils. Thereafter, Lindsay began making
3 monthly payments to Young Living in order to satisfy her PV requirement and to
4 ensure she could receive the potential commissions of her downline.

5 78. Of course, like the overwhelming majority of Members, Lindsay
6 found recruitment difficult, notwithstanding the fact that Lindsay expended
7 considerable time and money in her recruitment efforts. Indeed, Lindsay
8 organized classes, giveaways, and other recruiting events to which she invited
9 friends and others in an attempt to recruit new Members. Lindsay even
10 constructed a display of Young Living products at the store where she worked and
11 spoke with numerous customers about Young Living products in an effort to
12 recruit new Members. Notwithstanding her efforts, between May and December
13 of 2018, Lindsay was only able to recruit two new Members.

14 79. Yet, during that time, Lindsay bought product month after month
15 even though she didn't need it and had no hope of re-selling it to someone else.
16 Moreover, Young Living never questioned whether Lindsay was re-selling at least
17 70% of her purchases.

18 80. By the time Lindsay realized she had been victimized by Young
19 Living, she had purchased approximately \$2,150 of product, but had only
20 "earned" commissions of approximately \$300 from her downline. Accordingly,
21 Lindsay did not receive the benefit of her bargain and suffered an injury in fact.

22 81. Lindsay describes her experience working as a Young Living
23 distributor as extremely stressful. But Lindsay's experience is hardly an
24 aberration; rather, it is typical of the experience of most Young Living
25 Members.

26 82. Had Young Living disclosed to Lindsay that most Members lose
27 money rather than earn money, Lindsay would never have become a Young
28 Living distributor. Similarly, had Young Living disclosed that it was an illegal

1 pyramid scheme, Lindsay would not have become a distributor. And, had
2 Young Living not misrepresented the financial success Lindsay was likely to
3 achieve and/or the “income opportunity,” Lindsay would not have become a
4 distributor.

5 **VI.**

6 **CLASS ACTION ALLEGATIONS**

7 83. Plaintiff brings this action as a class action pursuant to Federal Rules
8 of Civil Procedure 23(b)(2) and 23(b)(3) on behalf of herself and all others
9 similarly situated, and as a member of the Classes defined as follows:

10 **All residents of the United States who, within the relevant statute of**
11 **limitations periods, were Young Living distributors (“Nationwide**
12 **Class”); and**

13 **All residents of California who, within four years prior to the filing of**
14 **this Complaint, were Young Living distributors (“California Subclass”)**

15 (“Nationwide Class” and “California Subclass,” collectively, “Class”).

16 84. Excluded from the Class are: (i) Defendant, its assigns, successors,
17 and legal representatives; (ii) any entities in which Defendant has controlling
18 interests; (iii) federal, state, and/or local governments, including, but not limited
19 to, their departments, agencies, divisions, bureaus, boards, sections, groups,
20 counsels, and/or subdivisions; (iv) all persons presently in bankruptcy proceedings
21 or who obtained a bankruptcy discharge in the last three years; and (v) any judicial
22 officer presiding over this matter and person within the third degree of
23 consanguinity to such judicial officer.

24 85. Plaintiff reserves the right to amend or otherwise alter the class
25 definitions presented to the Court at the appropriate time in response to facts
26 learned through discovery, legal arguments advanced by Defendant, or otherwise.

27 86. This action is properly maintainable as a class action pursuant to
28 Federal Rule of Civil Procedure 23 for the reasons set forth below.

1 87. **Numerosity:** Members of the Class are so numerous that joinder of
2 all members is impracticable. Upon information and belief, the Nationwide Class
3 consists of hundreds of thousands of Members (if not more) dispersed throughout
4 the United States, and the California Subclass likewise consists of tens of
5 thousands of Members (if not more) dispersed throughout the State of California.
6 Accordingly, it would be impracticable to join all members of the Class before the
7 Court.

8 88. **Common Questions Predominate:** There are numerous and
9 substantial questions of law or fact common to all members of the Class that
10 predominate over any individual issues. Included within the common questions of
11 law or fact are:

12 a. Whether Defendant engaged in unlawful, unfair or deceptive
13 business practices;

14 b. Whether Defendant violated California Bus. & Prof. Code §
15 17200, *et seq.*;

16 c. Whether Defendant violated Cal. Bus. & Prof. Code § 17500, *et*
17 *seq.*;

18 d. Whether Defendant was operating an unlawful pyramid
19 scheme;

20 e. Whether Defendant was operating an unlawful endless chain
21 under California state law.

22 f. Whether Defendant fraudulently omitted and otherwise failed
23 to inform Plaintiff and the Class that they were entering into an unlawful scheme
24 where an overwhelming number of participants lose money;

25 k. Whether Defendant negligently misrepresented the income
26 opportunity and/or financial success Class Members would achieve by becoming a
27 Young Living Member.

28 l. Whether Plaintiff and the Class are entitled to equitable and/or

1 injunctive relief;

2 m. Whether Plaintiff and the Class have sustained damages as a
3 result of Defendant's unlawful conduct;

4 n. The proper measure of damages sustained by Plaintiff and Class
5 Members; and

6 o. Whether Defendant was unjustly enriched by its unlawful
7 conduct.

8 89. **Typicality:** Plaintiff's claims are typical of the claims of the Class
9 Members they seek to represent because Plaintiff, like the Class Members,
10 participated in Defendant's misleading and deceptive practices, and Defendant's
11 unlawful, unfair and/or fraudulent actions concern the same business practices
12 described herein irrespective of where they occurred or were experienced.
13 Plaintiff and the Class sustained similar injuries arising out of Defendant's
14 conduct. Plaintiff's and Class Members' claims arise from the same practices and
15 course of conduct and are based on the same legal theories.

16 90. **Adequacy:** Plaintiff is an adequate representative of the Class she
17 seeks to represent because her interests do not conflict with the interests of the
18 Class Members Plaintiff seeks to represent. Plaintiff will fairly and adequately
19 protect Class Members' interests and has retained counsel experienced and
20 competent in the prosecution of complex class actions.

21 91. **Superiority and Substantial Benefit:** A class action is superior to
22 other methods for the fair and efficient adjudication of this controversy, since
23 individual joinder of all members of the Class is impracticable and no other group
24 method of adjudication of all claims asserted herein is more efficient and
25 manageable for at least the following reasons:

26 a. The claims presented in this case predominate over any
27 questions of law or fact, if any exist at all, affecting any individual member of the
28 Class;

1 b. Absent a Class, the members of the Class will continue to suffer
2 damage and Defendant's unlawful conduct will continue without remedy while
3 Defendant profits from and enjoys its ill-gotten gains;

4 c. Given the size of individual Class Members' claims, few, if
5 any, Class Members could afford to or would seek legal redress individually for
6 the wrongs Defendant committed against them, and absent Class Members have no
7 substantial interest in individually controlling the prosecution of individual actions;

8 d. When the liability of Defendant has been adjudicated, claims of
9 all members of the Class can be administered efficiently and/or determined
10 uniformly by the Court; and

11 e. This action presents no difficulty that would impede its
12 management by the Court as a class action, which is the best available means by
13 which Plaintiff and Class Members can seek redress for the harm caused to them
14 by Defendant.

15 92. Because Plaintiff seeks relief for all members of the Class, the
16 prosecution of separate actions by individual members would create a risk of
17 inconsistent or varying adjudications with respect to individual members of the
18 Class, which would establish incompatible standards of conduct for Defendant.

19 93. The prerequisites to maintaining a class action for injunctive or
20 equitable relief pursuant to Fed. R. Civ. P. 23(b)(2) are met as Defendant has acted
21 or refused to act on grounds generally applicable to the Class, thereby making
22 appropriate final injunctive or equitable relief with respect to the Class as a whole.

23 94. Plaintiff and Plaintiff's counsel are unaware of any difficulties that
24 are likely to be encountered in the management of this action that would preclude
25 its maintenance as a class action.

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COUNT I

Endless Chain Scheme

(California Penal Code § 327 and California Civil Code § 1689.2)

(On Behalf of the California Subclass)

95. Plaintiff repeats and re-alleges the allegations made throughout this Complaint as if fully set forth herein.

96. Plaintiff brings this claim individually and on behalf of the California Subclass.

97. California Penal Code § 327 renders endless chain schemes illegal. 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.

98. Defendant is operating an endless chain scheme, as described herein.

99. Plaintiff and the California Subclass have suffered an injury in fact and have lost money because of Defendant’s business acts, omissions, and practices.

100. Plaintiff and the California Subclass are entitled to recover all consideration paid under the scheme, less any amounts paid or consideration provided to the participant under the scheme.

101. A violation of California Penal Code § 327 can be punishable by imprisonment for up to three years in state prison.

COUNT II

Unfair and Unlawful Business Acts and Practices

(California Business and Professions Code § 17200, et seq.)

(On Behalf of the California Subclass)

102. Plaintiff repeats and re-alleges the allegations made throughout this

1 Complaint as if fully set forth herein.

2 103. Plaintiff brings this claim individually and on behalf of the California
3 Subclass.

4 104. Defendant engaged in continuous illegal, unfair, and fraudulent
5 business acts or practices, and unfair, deceptive, false and misleading advertising
6 within the meaning of the California Business and Professions Code § 17200, *et*
7 *seq.* The acts or practices alleged herein constitute a pattern of behavior, pursued
8 as a wrongful business practice, that has victimized and continues to victimize
9 thousands of consumers.

10 105. Under California Business and Professions Code § 17200, an
11 “unlawful” business practice violates California law. Defendant’s business
12 practices are illegal because they involve the creation and promotion of an illegal
13 pyramid scheme or “endless chain” under California law. Defendant is engaged in
14 an illegal pyramid scheme or “endless chain” as defined under California Penal
15 Code § 327. Defendant utilizes this illegal pyramid scheme with the intent,
16 directly or indirectly to dispose of property, in Young Living products, and to
17 convince Members to recruit others to do the same.

18 106. Under California Business and Professions Code § 17200, an “unfair”
19 business practice includes a practice that offends an established public policy, or
20 that is immoral, unethical, oppressive, unscrupulous or substantially injurious to
21 consumers. Defendant’s promotion and operation of an illegal pyramid scheme is
22 unethical, oppressive, and unscrupulous in that Defendant is duping consumers out
23 of vast sums of money through the illegal pyramid scheme.

24 107. Under California Business and Professions Code § 17200, a
25 “fraudulent” business practice is likely to deceive the public. Defendant’s business
26 practice is fraudulent in that Defendant has deceived and continued to deceive the
27 public by misrepresenting their business. Defendant has made numerous
28 misrepresentations and material omissions regarding the income a Member can

1 realize and the financial success a Member can achieve, and Defendant has failed
2 to inform consumers that they are operating an illegal pyramid scheme where
3 nearly all Members will lose money rather than make money. Plaintiff and the
4 California Subclass have relied on and continue to rely on Defendant's
5 misrepresentations and omissions to their detriment.

6 108. Because of these unlawful acts, Defendant has reaped and continues
7 to reap unfair benefits and illegal profits at the expense of Plaintiff and the
8 California Subclass. Defendant should be made to disgorge these ill-gotten gains
9 and return to Plaintiff and the California Subclass the wrongfully taken revenue.

10 109. Defendant's unlawful, unfair, and fraudulent acts and omissions will
11 not cease without injunctive relief being provided. Under California Business and
12 Professions Code § 17203, Plaintiff seeks equitable and injunctive relief to stop
13 Defendant's misconduct, as complained of herein, including, but not limited to, an
14 order declaring such misconduct to be unlawful, unfair, fraudulent, and/or
15 deceptive, and enjoining Defendant from undertaking any further unfair, unlawful,
16 fraudulent, and/or deceptive acts or omissions relate to operating the illegal
17 pyramid scheme.

18 **COUNT III**

19 **Deceptive Advertising Practices**

20 **(California Business and Professions Code § 17500, *et seq.*)**

21 ***(On Behalf of the California Subclass)***

22 110. Plaintiff repeats and re-alleges the allegations made throughout this
23 Complaint as if fully set forth herein.

24 111. Plaintiff brings this claim individually and on behalf of the California
25 Subclass.

26 112. California Business & Professions Code § 17500 prohibits "unfair,
27 deceptive, untrue or misleading advertising[.]"

28 113. Defendant's business acts, false advertisements and materially

1 misleading omissions constitute unfair trade practices and false advertising, in
2 violation of the California Business and Professions Code § 17500, *et. seq.*

3 114. Defendant engaged in and continues to engage in false, unfair, and
4 misleading business practices consisting of false advertising and materially
5 misleading omissions likely to deceive the public and include, but are not limited
6 to:

7 a. Defendant failing to disclose to Class Members that they were
8 entering into an illegal pyramid scheme;

9 b. Defendant misrepresenting the income opportunity and/or
10 financial success a Class Member would achieve; and

11 c. Defendant failing to disclose to Class Members that the vast
12 majority would lose money rather than earn money.

13 115. Defendant's marketing and promotion of the illegal pyramid scheme
14 constitutes misleading, unfair, and fraudulent advertising in connection with its
15 false advertising to induce consumers to purchase products and join the illegal
16 pyramid scheme. Defendant knew or should have known, in exercising reasonable
17 care, that the statements it was making were untrue or misleading and deceived
18 members of the public. Defendant knew or should have known, in exercising
19 reasonable care, that Members, including Plaintiff, would rely, and relied on
20 Defendant's misrepresentations and omissions.

21 116. Because of Defendant's untrue and misleading representations,
22 Defendant wrongfully acquired money from Plaintiff and the California Subclass
23 to which it was not entitled. Accordingly, the Court should order Defendant to
24 disgorge, for the benefit of Plaintiff and the Class, its profits and compensation
25 and/or make restitution to Plaintiff and the Class.

26 117. Under California Business and Professions Code § 17535, Plaintiff
27 and the California Subclass seek a judicial order directing Defendant to cease and
28 desist with all false advertising related to Defendant's illegal pyramid scheme and

1 such other injunctive relief as the Court finds just and appropriate.

2 118. Pursuant to Civil Code § 3287(a), Plaintiff and the California Subclass
3 are further entitled to pre-judgment interest as a direct and proximate result of
4 Defendant’s unfair and fraudulent business conduct. The amount on which interest
5 is to be calculated is a sum certain and capable of calculation, and Plaintiff and the
6 California Subclass are entitled to interest in an amount according to proof.

7 **COUNT IV**

8 **Fraudulent Omission**

9 **(Cal. Civ. Code §§ 1709-1710 and California Common Law)**

10 ***(On Behalf of the California Subclass)***

11 119. Plaintiff repeats and re-alleges the allegations made throughout this
12 Complaint as if fully set forth herein.

13 120. Plaintiff brings this claim individually and on behalf of the California
14 Subclass.

15 121. Plaintiff brings this claim pursuant to California Civil Code §§ 1709-
16 1710, et seq., and pursuant to California common law.

17 122. This claim is based on fraudulent omissions concerning Defendant’s
18 illegal pyramid scheme. Defendant actively concealed material facts, in whole or
19 in part, with the intent to induce Plaintiff and the Class to join Defendant’s illegal
20 pyramid scheme.

21 123. As discussed herein, and among other things, Defendant failed to
22 disclose to Class Members that they were entering into an illegal pyramid scheme,
23 and that the vast majority of Class Members would lose money rather than earn
24 money. Moreover, Defendant failed to adequately disclose its appalling—and
25 certainly material—income statistics to Class Members.

26 124. The false and misleading omissions were made with knowledge of
27 their falsehood.

28 125. Defendant knew the omitted information was material and was

1 information Class Members would have wanted to know in making a decision to
2 become a Young Living distributor.

3 126. In addition, Defendant could easily have disclosed the omitted
4 information through the many different channels Defendant uses to disseminate
5 information, as described herein, including on the various pages of Defendant's
6 website through which consumers enroll to become Members.

7 127. Nonetheless, Defendant continued to encourage consumers to become
8 Members of the illegal pyramid scheme without disclosing and actively concealing
9 this material information.

10 128. The false and misleading omissions were made by Defendant, upon
11 which Plaintiff and Class Members reasonably and justifiably relied, and were
12 intended to induce and actually induced Plaintiff and Class Members to become
13 Young Living Members.

14 129. Plaintiffs and the Class were unaware of these omitted material facts
15 and would not have become Young Living distributors had they known them.

16 130. Plaintiff and the Class suffered injuries that were proximately caused
17 by Defendant's active concealments and omissions of material facts.

18 **COUNT V**

19 **Negligent Misrepresentation**

20 **(Cal. Civ. Code §§ 1709-1710 and California Common Law)**

21 ***(On Behalf of the California Subclass)***

22 131. Plaintiff repeats and re-alleges the allegations made throughout this
23 Complaint as if fully set forth herein.

24 132. Plaintiff brings this claim individually and on behalf of the California
25 Subclass.

26 133. Plaintiff brings this claim pursuant to California Civil Code §§ 1709-
27 1710, et seq. and pursuant to California common law.

28 134. As described in more detail herein, Defendant negligently

1 misrepresented material facts concerning the income opportunity and/or financial
2 success that a Class Member would achieve by becoming a Young Living
3 distributor, and/or that Young Living was a legitimate—and lawful—multilevel
4 marketing company as opposed to an illegal pyramid scheme.

5 135. Plaintiff and Class Members were unaware of the falsity of
6 Defendant’s misrepresentations and, as a result, justifiably relied on them when
7 making the decision to become Young Living distributors.

8 136. Defendant knew or should have known that Plaintiff and Class
9 Members would not have realized the truth of Defendant’s negligent
10 misrepresentations.

11 137. Defendant was in a superior position than Plaintiff and the Class such
12 that reliance by Plaintiff and the Class on Defendant’s misrepresentations was
13 justified. Defendant possessed the skills and expertise to know the type of
14 information that would influence a consumer’s decision to become a distributor.

15 **COUNT VI**

16 **Unjust Enrichment**

17 ***(On Behalf of the Nationwide Class and California Subclass)***

18 137. Plaintiff repeats and re-alleges the allegations of the preceding
19 paragraphs as if fully set forth herein.

20 138. Plaintiff brings this claim individually and on behalf of the
21 Nationwide Class and California Subclass.

22 139. By becoming a Member, Plaintiff and the Class conferred a benefit
23 on Defendant in the form of monetary payments made to Defendant.

24 140. Defendant had knowledge of such benefits.

25 141. Defendant appreciated the benefit because, were consumers not to
26 become Members, Defendant would not generate substantial revenues and profits.

27 142. Defendant’s acceptance and retention of the benefit is inequitable and
28 unjust because the benefit was obtained by Defendant’s fraudulent conduct.

1 143. Equity cannot in good conscience permit Defendant to be
2 economically enriched for such actions at the expense of Plaintiff and the Class,
3 and therefore restitution and/or disgorgement of such economic enrichment is
4 required.

5 **PRAYER FOR RELIEF**

6 WHEREFORE, Plaintiff and the putative Class pray for judgment against
7 Defendant as follows:

8 1. For an order certifying the Nationwide Class and the California
9 Subclass under Rule 23 of the Federal Rules of Civil Procedure; naming Plaintiff
10 as representatives of the Nationwide Class and California Subclass; and naming
11 Plaintiff's attorneys as Class Counsel to represent the Nationwide Class and
12 California Subclass;

13 2. A judgment against Defendant;

14 3. For an order declaring that Defendant's conduct violates the statutes
15 and laws referenced herein;

16 4. Rescission of the agreements upon which the scheme is based, and
17 recovery of all consideration paid pursuant to the scheme, less any amounts paid or
18 consideration provided to the participant pursuant to the scheme;

19 5. For an order awarding, as appropriate, compensatory and monetary
20 damages, restitution or disgorgement to Plaintiff and the Class for all causes of
21 action;

22 6. Temporary and permanent injunctive relief enjoining Defendant
23 from further unfair, unlawful, fraudulent and/or deceptive acts, including but not
24 limited to supporting the pyramid scheme;

25 7. The costs of investigation and litigation reasonably incurred, as well
26 as attorneys' fees;

27 8. For such other damages, relief and pre- and post-judgment interest as
28 the Court may deem just and proper.

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DEMAND FOR JURY TRIAL

Plaintiff, on behalf of herself and the proposed Class, hereby demands a trial by jury as to all matters so triable.

Dated: December 6, 2019

MOON LAW APC

By:



CHRISTOPHER D. MOON
KEVIN O. MOON
Attorneys for Plaintiff

JS 44 (Rev. 08/18)

CIVIL COVER SHEET

The JS 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON NEXT PAGE OF THIS FORM.)

I. (a) PLAINTIFFS

LINDSAY PENHALL, on behalf of herself and a class of all others similarly situated

(b) County of Residence of First Listed Plaintiff **San Diego County**
(EXCEPT IN U.S. PLAINTIFF CASES)

(c) Attorneys (Firm Name, Address, and Telephone Number)
Christopher D. Moon/Kevin O. Moon
Moon Law APC
600 W. Broadway, Suite 700, San Diego, CA 92101; 619-915-9432

DEFENDANTS

YOUNG LIVING ESSENTIAL OILS, LC

County of Residence of First Listed Defendant **Utah County, Utah**
(IN U.S. PLAINTIFF CASES ONLY)

NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT OF LAND INVOLVED.

Attorneys (If Known) **'19CV2340 JLS RBB**

II. BASIS OF JURISDICTION (Place an "X" in One Box Only)

- 1 U.S. Government Plaintiff
- 2 U.S. Government Defendant
- 3 Federal Question (U.S. Government Not a Party)
- 4 Diversity (Indicate Citizenship of Parties in Item III)

III. CITIZENSHIP OF PRINCIPAL PARTIES (Place an "X" in One Box for Plaintiff and One Box for Defendant)

	PTF	DEF		PTF	DEF
Citizen of This State	<input checked="" type="checkbox"/> 1	<input type="checkbox"/> 1	Incorporated or Principal Place of Business In This State	<input type="checkbox"/> 4	<input type="checkbox"/> 4
Citizen of Another State	<input type="checkbox"/> 2	<input type="checkbox"/> 2	Incorporated and Principal Place of Business In Another State	<input type="checkbox"/> 5	<input checked="" type="checkbox"/> 5
Citizen or Subject of a Foreign Country	<input type="checkbox"/> 3	<input type="checkbox"/> 3	Foreign Nation	<input type="checkbox"/> 6	<input type="checkbox"/> 6

IV. NATURE OF SUIT (Place an "X" in One Box Only)

CONTRACT	TORTS	FORFEITURE/PENALTY	BANKRUPTCY	OTHER STATUTES	
<input type="checkbox"/> 110 Insurance <input type="checkbox"/> 120 Marine <input type="checkbox"/> 130 Miller Act <input type="checkbox"/> 140 Negotiable Instrument <input type="checkbox"/> 150 Recovery of Overpayment & Enforcement of Judgment <input type="checkbox"/> 151 Medicare Act <input type="checkbox"/> 152 Recovery of Defaulted Student Loans (Excludes Veterans) <input type="checkbox"/> 153 Recovery of Overpayment of Veteran's Benefits <input type="checkbox"/> 160 Stockholders' Suits <input type="checkbox"/> 190 Other Contract <input type="checkbox"/> 195 Contract Product Liability <input type="checkbox"/> 196 Franchise	PERSONAL INJURY <input type="checkbox"/> 310 Airplane <input type="checkbox"/> 315 Airplane Product Liability <input type="checkbox"/> 320 Assault, Libel & Slander <input type="checkbox"/> 330 Federal Employers' Liability <input type="checkbox"/> 340 Marine <input type="checkbox"/> 345 Marine Product Liability <input type="checkbox"/> 350 Motor Vehicle <input type="checkbox"/> 355 Motor Vehicle Product Liability <input type="checkbox"/> 360 Other Personal Injury <input type="checkbox"/> 362 Personal Injury - Medical Malpractice	<input type="checkbox"/> 365 Personal Injury - Product Liability <input type="checkbox"/> 367 Health Care/Pharmaceutical Personal Injury Product Liability <input type="checkbox"/> 368 Asbestos Personal Injury Product Liability PERSONAL PROPERTY <input type="checkbox"/> 370 Other Fraud <input type="checkbox"/> 371 Truth in Lending <input type="checkbox"/> 380 Other Personal Property Damage <input type="checkbox"/> 385 Property Damage Product Liability	<input type="checkbox"/> 625 Drug Related Seizure of Property 21 USC 881 <input type="checkbox"/> 690 Other LABOR <input type="checkbox"/> 710 Fair Labor Standards Act <input type="checkbox"/> 720 Labor/Management Relations <input type="checkbox"/> 740 Railway Labor Act <input type="checkbox"/> 751 Family and Medical Leave Act <input type="checkbox"/> 790 Other Labor Litigation <input type="checkbox"/> 791 Employee Retirement Income Security Act IMMIGRATION <input type="checkbox"/> 462 Naturalization Application <input type="checkbox"/> 465 Other Immigration Actions	<input type="checkbox"/> 422 Appeal 28 USC 158 <input type="checkbox"/> 423 Withdrawal 28 USC 157 PROPERTY RIGHTS <input type="checkbox"/> 820 Copyrights <input type="checkbox"/> 830 Patent <input type="checkbox"/> 835 Patent - Abbreviated New Drug Application <input type="checkbox"/> 840 Trademark SOCIAL SECURITY <input type="checkbox"/> 861 HIA (1395ff) <input type="checkbox"/> 862 Black Lung (923) <input type="checkbox"/> 863 DIWC/DIWW (405(g)) <input type="checkbox"/> 864 SSID Title XVI <input type="checkbox"/> 865 RSI (405(g)) FEDERAL TAX SUITS <input type="checkbox"/> 870 Taxes (U.S. Plaintiff or Defendant) <input type="checkbox"/> 871 IRS—Third Party 26 USC 7609	<input type="checkbox"/> 375 False Claims Act <input type="checkbox"/> 376 Qui Tam (31 USC 3729(a)) <input type="checkbox"/> 400 State Reapportionment <input type="checkbox"/> 410 Antitrust <input type="checkbox"/> 430 Banks and Banking <input type="checkbox"/> 450 Commerce <input type="checkbox"/> 460 Deportation <input type="checkbox"/> 470 Racketeer Influenced and Corrupt Organizations <input type="checkbox"/> 480 Consumer Credit <input type="checkbox"/> 485 Telephone Consumer Protection Act <input type="checkbox"/> 490 Cable/Sat TV <input type="checkbox"/> 850 Securities/Commodities/Exchange <input checked="" type="checkbox"/> 890 Other Statutory Actions <input type="checkbox"/> 891 Agricultural Acts <input type="checkbox"/> 893 Environmental Matters <input type="checkbox"/> 895 Freedom of Information Act <input type="checkbox"/> 896 Arbitration <input type="checkbox"/> 899 Administrative Procedure Act/Review or Appeal of Agency Decision <input type="checkbox"/> 950 Constitutionality of State Statutes

V. ORIGIN (Place an "X" in One Box Only)

- 1 Original Proceeding
- 2 Removed from State Court
- 3 Remanded from Appellate Court
- 4 Reinstated or Reopened
- 5 Transferred from Another District (specify)
- 6 Multidistrict Litigation - Transfer
- 8 Multidistrict Litigation - Direct File

VI. CAUSE OF ACTION

Cite the U.S. Civil Statute under which you are filing (Do not cite jurisdictional statutes unless diversity):
28 U.S.C. Section 1332

Brief description of cause:
Consumer Class Action

VII. REQUESTED IN COMPLAINT:

CHECK IF THIS IS A CLASS ACTION UNDER RULE 23, F.R.Cv.P. DEMAND \$ **Exceeds \$5 million** CHECK YES only if demanded in complaint: JURY DEMAND: Yes No

VIII. RELATED CASE(S) IF ANY

(See instructions):

JUDGE

DOCKET NUMBER

DATE 12/06/2019 SIGNATURE OF ATTORNEY OF RECORD

FOR OFFICE USE ONLY

RECEIPT # AMOUNT APPLYING IFP JUDGE MAG. JUDGE

INSTRUCTIONS FOR ATTORNEYS COMPLETING CIVIL COVER SHEET FORM JS 44

Authority For Civil Cover Sheet

The JS 44 civil cover sheet and the information contained herein neither replaces nor supplements the filings and service of pleading or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. Consequently, a civil cover sheet is submitted to the Clerk of Court for each civil complaint filed. The attorney filing a case should complete the form as follows:

- I.(a) Plaintiffs-Defendants.** Enter names (last, first, middle initial) of plaintiff and defendant. If the plaintiff or defendant is a government agency, use only the full name or standard abbreviations. If the plaintiff or defendant is an official within a government agency, identify first the agency and then the official, giving both name and title.
- (b) County of Residence.** For each civil case filed, except U.S. plaintiff cases, enter the name of the county where the first listed plaintiff resides at the time of filing. In U.S. plaintiff cases, enter the name of the county in which the first listed defendant resides at the time of filing. (NOTE: In land condemnation cases, the county of residence of the "defendant" is the location of the tract of land involved.)
- (c) Attorneys.** Enter the firm name, address, telephone number, and attorney of record. If there are several attorneys, list them on an attachment, noting in this section "(see attachment)".
- II. Jurisdiction.** The basis of jurisdiction is set forth under Rule 8(a), F.R.Cv.P., which requires that jurisdictions be shown in pleadings. Place an "X" in one of the boxes. If there is more than one basis of jurisdiction, precedence is given in the order shown below.
 United States plaintiff. (1) Jurisdiction based on 28 U.S.C. 1345 and 1348. Suits by agencies and officers of the United States are included here.
 United States defendant. (2) When the plaintiff is suing the United States, its officers or agencies, place an "X" in this box.
 Federal question. (3) This refers to suits under 28 U.S.C. 1331, where jurisdiction arises under the Constitution of the United States, an amendment to the Constitution, an act of Congress or a treaty of the United States. In cases where the U.S. is a party, the U.S. plaintiff or defendant code takes precedence, and box 1 or 2 should be marked.
 Diversity of citizenship. (4) This refers to suits under 28 U.S.C. 1332, where parties are citizens of different states. When Box 4 is checked, the citizenship of the different parties must be checked. (See Section III below; **NOTE: federal question actions take precedence over diversity cases.**)
- III. Residence (citizenship) of Principal Parties.** This section of the JS 44 is to be completed if diversity of citizenship was indicated above. Mark this section for each principal party.
- IV. Nature of Suit.** Place an "X" in the appropriate box. If there are multiple nature of suit codes associated with the case, pick the nature of suit code that is most applicable. Click here for: [Nature of Suit Code Descriptions](#).
- V. Origin.** Place an "X" in one of the seven boxes.
 Original Proceedings. (1) Cases which originate in the United States district courts.
 Removed from State Court. (2) Proceedings initiated in state courts may be removed to the district courts under Title 28 U.S.C., Section 1441. When the petition for removal is granted, check this box.
 Remanded from Appellate Court. (3) Check this box for cases remanded to the district court for further action. Use the date of remand as the filing date.
 Reinstated or Reopened. (4) Check this box for cases reinstated or reopened in the district court. Use the reopening date as the filing date.
 Transferred from Another District. (5) For cases transferred under Title 28 U.S.C. Section 1404(a). Do not use this for within district transfers or multidistrict litigation transfers.
 Multidistrict Litigation – Transfer. (6) Check this box when a multidistrict case is transferred into the district under authority of Title 28 U.S.C. Section 1407.
 Multidistrict Litigation – Direct File. (8) Check this box when a multidistrict case is filed in the same district as the Master MDL docket.
PLEASE NOTE THAT THERE IS NOT AN ORIGIN CODE 7. Origin Code 7 was used for historical records and is no longer relevant due to changes in statute.
- VI. Cause of Action.** Report the civil statute directly related to the cause of action and give a brief description of the cause. **Do not cite jurisdictional statutes unless diversity.** Example: U.S. Civil Statute: 47 USC 553 Brief Description: Unauthorized reception of cable service
- VII. Requested in Complaint.** Class Action. Place an "X" in this box if you are filing a class action under Rule 23, F.R.Cv.P.
 Demand. In this space enter the actual dollar amount being demanded or indicate other demand, such as a preliminary injunction.
 Jury Demand. Check the appropriate box to indicate whether or not a jury is being demanded.
- VIII. Related Cases.** This section of the JS 44 is used to reference related pending cases, if any. If there are related pending cases, insert the docket numbers and the corresponding judge names for such cases.
- Date and Attorney Signature.** Date and sign the civil cover sheet.

EXHIBIT A

ADDITIONAL EARNING OPPORTUNITIES

FAST START BONUS

- Earn a generous 25% bonus, up to \$200 each, on your new, personally enrolled members' orders during the first three calendar months!
- Second-level enrollers earn 10%, up to \$80 each, on the newly enrolled members' orders described above during the same time period!

STARTER KIT BONUS

- Earn a one-time \$25 cash bonus when your new, personally enrolled member orders the Premium Starter Kit! Member must purchase a Premium Starter Kit in the same month as enrolled to qualify.

ER ENROLLMENT BONUS

- Earn an additional \$15 bonus when your personally enrolled member enrolls with a PSK and an ER template of over 100 PV in the first month of enrollment.

RETAIL EARNINGS

- When you personally sponsor retail customers, you may earn the 24% difference between the retail and wholesale price for their orders.

VISIT YOUR VIRTUAL OFFICE FOR:

- Policies and Procedures
- Compensation Plan Terms and Definitions
- PowerPoint of Compensation Plan
- Training Videos

PLEASE CONTACT:



For complete details, see Terms and Definitions, which is incorporated into and made part of the Compensation Plan. Young Living cannot be responsible for commissionable income or organizational growth.

For average earnings, see Young Living's Income Disclosure Statement at youngliving.com/en_US/opportunity/income-disclosure.

Comments or Suggestions? YoungLiving.com/toolfeedback



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DEFINITIONS

Enroller: The person responsible for introducing a new member to Young Living. Enrollers are eligible to qualify for financial bonuses, including the Fast Start and Starter Kit bonuses.

Sponsor: A new member's direct upline and main support. The sponsor may also be the enroller.

PV (Personal Volume): The total monthly volume of your personal orders.

OGV (Organization Group Volume): The monthly volume of your entire organization.

PGV (Personal Group Volume): The monthly volume in an organization, excluding any Silver or higher rank volume and any qualifying leg(s) volume.

Leg: Each personally sponsored member is considered first level and a separate leg within an organization.

LV (Leg Volume) @ OGV: The number of legs and the amount of monthly OGV required for each leg to qualify for each rank.

Level: The position of a member within an organization. Members who are directly sponsored by another member are considered the sponsoring member's first level. Those members who are sponsored by a member's first level are considered that member's second level and so on.

Compression: If a member does not meet the 100 PV qualification to earn commissions, his or her volume, if any, is combined, or "compressed," with all the volume of members down to and including the next qualifying member in the organization with at least 100 PV.

Unilevel: Unilevel is a term used to define the percentage of commission earned for each level. Qualifying members with 100 PV earn 8% on the PV of each member on the first level within their organization, 5% on the second level, and 4% on the third through fifth levels depending on rank achieved that month.

Personal Generation Commissions: Additional commissions are paid to members who achieve the rank of Silver or higher on all volume within each leg of the organization, down to but excluding the next Silver or higher ranked member within the leg.

Generation: A Silver or higher ranked member and his or her entire organization.

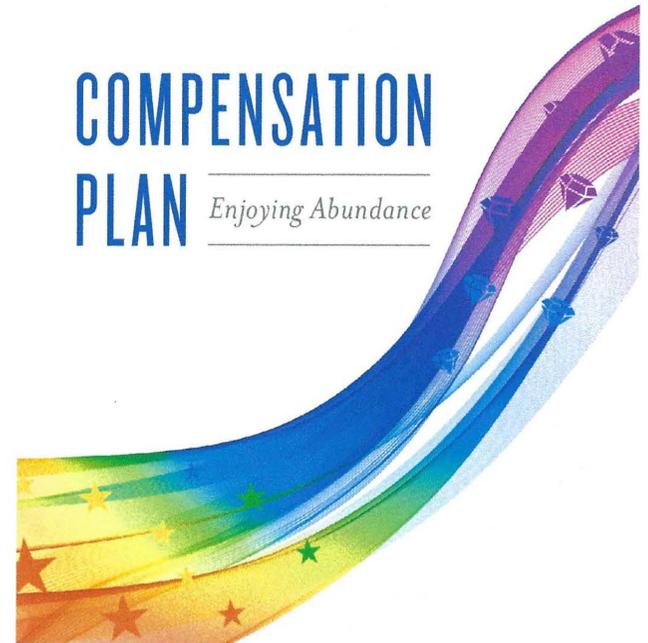
Generation Commissions: Based on a member's monthly rank of Silver or higher, an additional 3% commission is paid on the OGV of each Silver or higher in the member's organization. This commission is paid down to the next Silver or higher ranked member and down to eight generations deep in each leg.

Essential Rewards (ER): Members are encouraged to sign up for this auto ship program in which they order products that are automatically shipped to them each month. Essential Rewards purchases earn the member ER points redeemable for free product and may be changed each month. A minimum 50 PV is required, although 100 PV is required for the Rising Star Team Bonus. For more information on this program, visit YoungLiving.com/en_US/Opportunity/Essential-Rewards.



COMPENSATION PLAN

Enjoying Abundance



CREATING A FOUNDATION

Young Living's compensation plan is designed to help you achieve abundance. The Rising Star Team Bonus is the blueprint for building a solid foundation that will lead you to success.

QUALIFICATIONS	MEMBER	STAR	SENIOR STAR	EXECUTIVE
PV	50	100	100	100
OGV		500	2,000	4,000
PGV				
LEG (VOLUME PER EACH LEG) OGV				2 @ 1,000

COMPENSATION	UNILEVEL COMMISSION PERCENTAGES			
LEVEL 1	8%	8%	8%	8%
LEVEL 2	5%	5%	5%	5%
LEVEL 3	4%	4%	4%	4%
LEVEL 4	4%	4%	4%	4%
LEVEL 5	4%	4%	4%	4%

BUILDING YOUR BUSINESS

Building on your foundation, you can now focus on helping others create their success.

QUALIFICATIONS	SILVER	GOLD	PLATINUM
PV	100	100	100
OGV	10,000	35,000	100,000
PGV	1,000	1,000	1,000
LEG @ OGV	2 @ 4,000	3 @ 6,000	4 @ 8,000

COMPENSATION	UNILEVEL COMMISSION PERCENTAGES		
LEVEL 1	8%	8%	8%
LEVEL 2	5%	5%	5%
LEVEL 3	4%	4%	4%
LEVEL 4	4%	4%	4%
LEVEL 5	4%	4%	4%

DEVELOPING LEADERS

Share the joy of an abundant life by leading others to success as you share the Young Living mission throughout the world.

QUALIFICATIONS	DIAMOND	CROWN DIAMOND	ROYAL CROWN DIAMOND
PV	100	100	100
OGV	250,000	750,000	1,500,000
PGV	1,000	1,000	1,000
LEG @ OGV	5 @ 15,000	6 @ 20,000	6 @ 35,000

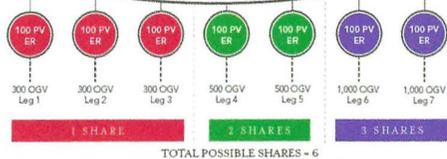
COMPENSATION	UNILEVEL COMMISSION PERCENTAGES		
LEVEL 1	8%	8%	8%
LEVEL 2	5%	5%	5%
LEVEL 3	4%	4%	4%
LEVEL 4	4%	4%	4%
LEVEL 5	4%	4%	4%

RIISING STAR TEAM BONUS POOL

Only Stars, Senior Stars, and Executives are eligible to earn shares based on 1% of all Young Living's monthly commissionable sales. The amount paid to the member is determined by the number of shares he or she earns (up to \$50 per share).

Qualifications:

1. Paid as a Star, Senior Star, or Executive
2. Have a 100 PV Essential Rewards order
3. Build three legs of at least 300 OGV each to qualify for one share. Add two legs of at least 500 OGV each and receive two more shares. To earn three additional shares for an overall total of six, add two legs of at least 1,000 OGV each.

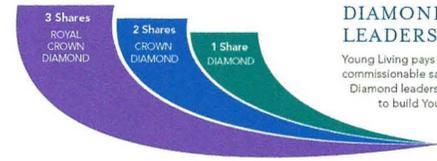


PERSONAL GENERATION	GENERATION COMMISSION PERCENTAGES		
GENERATION 1	2.5%	2.5%	2.5%
GENERATION 2	3%	3%	3%
GENERATION 3	3%	3%	3%
GENERATION 4	3%	3%	3%
GENERATION 5	3%	3%	3%
GENERATION 6	3%	3%	3%
GENERATION 7	3%	3%	3%
GENERATION 8	3%	3%	1%



GENERATION LEADERSHIP BONUS

6.25% of all Young Living's monthly commissionable sales is paid out in shares according to the rank you achieved for the month and on the leaders in your organization on which you earn generation commissions.



DIAMOND LEADERSHIP BONUS

Young Living pays 0.5% of the monthly commissionable sales in shares to Diamond leaders as a reward for helping to build Young Living worldwide.

MAXIMIZE YOUR EARNINGS. Learn more on the reverse of this flyer.

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