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UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA

STELLA LEMBERG, JENI LAURENCE, AMANDRA BLUDER, CARISSA STUCKART, DANA APANA, KAREN MOSS BROWN, SHANNON CARRILLO, SAMANTHA HALL, NATALIE LIEN, MELISSA ATKINSON, AKI BERRY, CHERYL HAYTON, TIFFANY SCHEFFER, LORA HASKETT, ASHLEY HEALY,	Case No.: 5:17-cv-02102-AB-SHK CLASS ACTION **FIRST AMENDED CLASS ACTION COMPLAINT & DEMAND FOR JURY TRIAL**

JOCELYN BURKE-CRAIG, BRITTANY BIANCHI, KERRY TIGHE-SCHWEGLER, JINI PATTON, LAURA ROCKE, STEPHENIE MCGURN, AND PEGGY JOHNSON, ON BEHALF OF THEMSELVES AND ALL OTHERS SIMILARLY SITUATED,

Plaintiffs,

vs.

LULAROE, LLC D/B/A LULAROE, A CALIFORNIA LIMITED LIABILITY COMPANY; LLR, INC., A WYOMING CORPORATION; MARK STIDHAM; DEANNE BRADY A/K/A DEANNE STIDHAM; AND DOES 1-10, INCLUSIVE,

Defendants.

CLASS ACTION COMPLAINT

Plaintiffs, Stella Lemberg, Jeni Laurence, Amandra Bluder, Carissa Stuckart, Dana Apana, Karen Moss Brown, Shannon Carrillo, Samantha Hall, Natalie Lien, Melissa Atkinson, Aki Berry, Cheryl Hayton, Tiffany Scheffer, Lora Haskett, Ashley Healy, Jocelyn Burke-Craig, Brittany Bianchi, Kerry Tighe-Schwegler, Jini Patton, Laura Rocke, Stephenie McGurn, and Peggy Johnson ("Plaintiffs"), by and through their attorneys, bring this action on behalf of themselves and a proposed class of all others similarly situation (the "Class") against LuLaRoe, LLC d/b/a LuLaRoe, LLR, Inc., Mark Stidham, Deanne Brady a/k/a Deanne Stidham, and DOES 1-10, inclusive (collectively, the "Defendants") for their operation of the LuLaRoe enterprise ("LuLaRoe"). Plaintiffs make the following allegations upon information and belief (except those allegations as to the Plaintiffs or their attorneys, which are based on personal knowledge) based upon an investigation that is

reasonable under the circumstances, which allegations are likely to have evidentiary support after a reasonable opportunity for further investigation and/or discovery.

I. NATURE OF THE CASE

1. This case arises out of an unlawful, fraudulent pyramid scheme, which has generated over $1 billion in revenue to Defendants since 2013.

2. As set forth in greater detail below, LuLaRoe markets and sells a variety of clothing items, such as leggings, shirts, and dresses, to a nationwide network of approximately 80,000 individuals known as "Consultants" who then attempt to sell LuLaRoe products to end-user consumers.

3. In a pyramid scheme, participants pay money into the enterprise for the right to receive compensation from the enterprise running the scheme which is primarily based on bringing new participants into the scheme. Each participant's money is used to pay others in the scheme, as well as the promoter of the scheme. Thus, the more recruits a participant has under her, the closer to the top of the pyramid she is, which increases her ability to make more money. Because there is little or no money flowing into the scheme from non-participants (*i.e.*, actual end-user retail customers), and since payments by lower level participants ("downlines") are shared up the line with sponsoring participants ("uplines"), those at the top of the pyramid get a disproportionate share of the money and those at the bottom of the pyramid are doomed to lose most, if not all, of their money.

4. In this case, to make matters worse for Consultants on the losing end of the pyramid (the bottom of the structure), and to ensure that the Defendants financially benefit at the expense of the "downline" participants, Defendants failed to honor their numerous promises to refund Consultants their inventory expenditures. Defendants' deceptive practices with respect to their inventory buy-back policy and reimbursements, as explained further below, have left and continue to leave Consultants in grave financial situations.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28

5. To redress the harms suffered, Plaintiffs, on behalf of themselves and the Class, bring claims for: (1) violation of California's Unfair Competition Law ("UCL"), Business & Professions Code §§ 17200, *et seq.*; (2) violation of California's Unfair Advertising Law, Business & Professions Code §§ 17500, *et seq.*; (3) quasi-contract (a/k/a unjust enrichment); (4) breach of contract; (5) breach of the covenant of good faith and fair dealing; (6) conversion; (7) violations of California's Seller Assisted Marketing Plan Act §§ 1812.200, *et seq.*; and (8) violations of California Penal Code § 327 and California Civil Code § 1689.2.

II. JURISDICTION AND VENUE

6. The Court has jurisdiction under the Class Action Fairness Act of 2005, 28 U.S.C. § 1332(d)(2), because the suit is a class action, the parties are minimally diverse, and the amount in controversy exceeds $5,000,000, excluding interest and costs. The Court has supplemental jurisdiction over Plaintiffs' state law claims pursuant to 28 U.S.C. § 1367(a).

7. This Court has personal jurisdiction over Defendants because they had sufficient minimum contacts with California and within this District because: (i) Defendant Lularoe, LLC is headquartered in this District; (ii) Defendants Mark Stidham and DeAnne Brady both reside in this District; (iii) Defendants transact a substantial amount of business in California, including within this District; (iv) Defendants LLR, Inc. and Lularoe, LLC are authorized to transact business in California; and (v) Defendants have each purposefully availed themselves of the laws and markets of this District through the promotion, sale, and distribution of their products and seller assisted marketing plans from within California and within this District.

8. Venue is proper in this District under 28 U.S.C. § 1391(b) and (c) because a substantial number of the acts, omissions, and transactions that established the claims of Plaintiffs and the Class occurred within this District. Defendants

conducted business and solicited business relating to the endless chain scheme and unregistered seller assisted marketing plan from this District. Defendants transacted their affairs, resided within California and this District, and Defendants' wrongful acts occurred in this District.

III. PARTIES

9. Plaintiff Stella Lemberg resides in Fair Lawn, New Jersey. Defendants recruited Lemberg into the pyramid scheme. Lemberg became a Consultant on or about February 28, 2016. Lemberg has suffered damages as a direct and proximate result of the Defendants' misconduct described herein.

10. Plaintiff Amandra Bluder resides in Oceanside, California. Defendant recruited Bluder into the pyramid scheme. Bluder became a Consultant on or about October 1, 2016. Bluder has suffered damages as a direct and proximate result of the Defendants' misconduct described herein.

11. Plaintiff Jeni Laurence resides in Eastvale, California. Defendants recruited Laurence into the pyramid scheme. Laurence became a Consultant on or about January 31, 2016. Laurence has suffered damages as a direct and proximate result of the Defendants' misconduct described herein.

12. Plaintiff Carissa Stuckart resides in Keizer, Oregon. Defendants recruited Stuckart into the pyramid scheme. Stuckart became a Consultant on or about January 26, 2017. Stuckart has suffered damages as a direct and proximate result of the Defendants' misconduct described herein. Stuckart has exercised her right to void her agreement with LuLaRoe.

13. Dana Apana resides in Pearl City, Hawaii. Defendants recruited Apana into the pyramid scheme. Apana became a Consultant on or about June 28, 2016. Apana has suffered actual damages as a direct and proximate result of the Defendants' misconduct described herein.

14. Karen Moss Brown resides in Dewey, Arizona. Defendants recruited Brown into the pyramid scheme. Brown became a Consultant on or about July 8, 2016. Brown has suffered damages as a direct and proximate result of the Defendants' misconduct described herein.

15. Shannon Carrillo resides in Fort Sill, Oklahoma. Defendants recruited Carrillo into the pyramid scheme. Carrillo became a Consultant on or about May 11, 2016. Carrillo has suffered damages as a direct and proximate result of the Defendants' misconduct described herein.

16. Samantha Hall resides in Gainesville, Florida. Defendants recruited Hall into the pyramid scheme. Hall became a Consultant on or about April 17, 2017. Hall has suffered damages as a direct and proximate result of the Defendants' misconduct described herein. Hall has exercised her right to void her agreement with LuLaRoe.

17. Natalie Lien resides in Cody, Wyoming. Defendants recruited Lien into the pyramid scheme. Lien became a Consultant on or about November 8, 2016. Lien has suffered damages as a direct and proximate result of the Defendants' misconduct described herein.

18. Melissa Atkinson resides in San Diego County, California. Defendants recruited Atkinson into the pyramid scheme. Atkinson became a Consultant on or about December 28, 2016. Atkinson has suffered damages as a direct and proximate result of the Defendants' misconduct described herein.

19. Aki Berry resides in Sacramento County, California. Defendant recruited Berry into the pyramid scheme. Berry became a Consultant on or about October 2015. Berry has suffered damages as a direct and proximate result of the Defendants' misconduct described herein.

20. Cheryl Hayton resides in Sacramento County, California. Defendants recruited Hayton into the pyramid scheme. Hayton became a Consultant on or about

April 2016. Hayton has suffered damages as a direct and proximate result of the Defendants' misconduct described herein.

21. Tiffany Scheffer resides in Sacramento County, California. Defendants recruited Scheffer into the pyramid scheme. Scheffer became a Consultant on or about April 2016. Scheffer has suffered damages as a direct and proximate result of the Defendants' misconduct described herein.

22. Lora Haskett resides in Florida. Defendants recruited Haskett into the pyramid scheme. Haskett became a Consultant on or about May 2016. Haskett has suffered damages as a direct and proximate result of the Defendants' misconduct described herein.

23. Ashley Healy resides in Florida. Defendants recruited Healy into the pyramid scheme. Healy became a Consultant on or about January 2016. Healy has suffered damages as a direct and proximate result of the misconduct described herein.

24. Jocelyn Burke-Craig resides in Florida. Defendants recruited Burke-Craig into the pyramid scheme. Burke-Craig became a Consultant on or about November 2015. Burke-Craig has suffered damages as a direct and proximate result of the Defendants' misconduct described herein.

25. Brittany Bianchi resides in California. Defendants recruited Bianchi into the pyramid scheme. Bianchi became a Consultant on or about July 2016. Bianchi has suffered damages as a direct and proximate result of the Defendants' misconduct described herein.

26. Kerry Tighe-Schwegler resides in New York. Defendants recruited Tighe-Schwegler into the pyramid scheme. Tighe-Schwegler became a Consultant on or about July 2016. Tighe-Schwegler has suffered damages as a direct and proximate result of the Defendants' misconduct described herein.

27. Jini Patton resides in Bensalem Township, Pennsylvania. Defendants recruited Patton into the pyramid scheme. Patton became a Consultant on or about May 5, 2016. Patton has suffered damages as a direct and proximate result of the Defendants' misconduct described herein.

28. Laura Rocke resides in Reno, Nevada. Defendants recruited Rock into the pyramid scheme. Rocke became a Consultant on or about July 2, 2016. Rocke has suffered damages as a direct and proximate result of the Defendants 'misconduct described herein.

29. Stephenie McGurn resides in Morton, Pennsylvania. Defendants recruited McGurn into the pyramid scheme. McGurn became a Consultant on or about June 29, 2015. McGurn has suffered damages as a direct and proximate result of the Defendants 'misconduct described herein.

30. Peggy Johnson resides in Boulder City, Nevada. Defendants recruited Johnson into the pyramid scheme. Johnson became a Consultant on or about November 30, 2016. Johnson has suffered damages as a direct and proximate result of the Defendants' misconduct described herein. Johnson has exercised her right to void her agreement with LuLaRoe.

31. Defendant LuLaRoe, LLC d/b/a LuLaRoe is a California corporation with its principal place of business located at 1375 Sampson Avenue, Corona, California 92879.

32. Defendant LLR, Inc. is a Wyoming corporation with its principal place of business located at 416 Double Eagle Ranch Road, Thayne, Wyoming 83127.

33. Defendant LLR, Inc. is a clothing manufacturer, selling clothing nationwide through an unregistered seller assisted marketing plan which has evolved into a pyramid scheme, as described below.

34. Defendant LuLaRoe, LLC, is related to Defendant LLR, Inc. and provides it with management services, included but not limited to, consulting, employment services, staffing services, and maintenance of business records.

35. Defendant Mark Stidham is an individual that at all relevant times lived in and around Corona, California. He is the co-founder of LuLaRoe, LLC and is currently acting CEO of LLR, Inc. He is married to Defendant DeAnne Brady a/k/a DeAnne Stidham. Upon information and belief, Mark Stidham is one of the masterminds behind the LuLaRoe endless chain scheme described herein.

36. Defendant DeAnne Brady a/k/a DeAnne Stidham ("DeAnne Brady") is an individual that at all relevant times lived in and around Corona, California. She is the co-founder of LuLaRoe, LLC and is currently acting CEO of LuLaroe, LLC. She is married to Defendant Mark Stidham. Upon information and belief, DeAnne Brady is one of the masterminds behind the LuLaRoe endless chain scheme described herein.

37. The true names and capacities of Defendants sued herein as DOES 1 through 100, inclusive, are currently unknown to Plaintiffs, who therefore sue such Defendants by such fictitious names. Each of the defendants designated herein as a DOE is legally responsible in some manner for the unlawful acts referred to herein, or are entities used as an alter ego for LuLaRoe and/or Mark Stidham and DeAnne Brady. Plaintiffs will seek leave of Court to amend this Complaint to reflect the true names and capacities of the defendants designated herein as DOES when such identities become known. DOES 1 through 100 were at all relevant times, primary beneficiaries and promoters of the LuLaRoe endless chain scheme.

IV. FACTUAL ALLEGATIONS

A. Brief History and Rapid Growth of LuLaRoe

38. LuLaRoe was founded in 2013 by DeAnne Brady and her husband, Mark Stidham. It is based in Corona, California. LuLaRoe manufactures and sells to its nationwide network of Consultants approximately 33 varieties of knit shirts, skirts, dresses, and leggings.

39. According to its website www.lularoe.com, DeAnne Brady tells an inspiring tale about how LuLaRoe was conceived after she made a "maxi skirt" for her daughter, who promoted it to her friends and thereafter received some "orders" for the skirt. As the story goes, Brady began manufacturing these skirts and sold 300 to social acquaintances.

40. After this success and due to the purported demand for LuLaRoe products, DeAnne Brady claims that her husband, Mark Stidham, suggested they come up with a business plan to help "other women make money" by selling LuLaRoe products, which include a variety of clothing items such as knit shirts, skirts, dresses, and leggings. Various videos on the Internet depict DeAnne Brady and Mark Stidham telling the same story, *see*, *e.g.*, www.lularoe.com.

41. LuLaRoe's stated mission is as follows:

> "LuLaRoe exists to provide an opportunity for people to create freedom by selling comfortable, affordable, stylish clothing, and offering its Retailers the independence to set their own pace and schedule. This creates the time to spend with those closest to them, the very thing DeAnne had once desired for herself!"[1]

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[1] http://www.lularoe.com/our-story-home/ (last visited 1/10/18).

42. Defendants have had remarkable success in selling this unregistered seller assisted marketing plan and endless chain scheme since 2013. The siren call told by DeAnne Brady and Mark Stidham attracted an estimated 80,000 Consultants.

43. Upon information and belief, this incredible growth allowed the Defendants and their agents hundreds of millions of dollars in profits since 2013.

44. Defendants have lavished themselves with millions of dollars in luxuries such as expensive international vacations and exotic supercars. In fact, Mark Stidham is credited as owning the car that recently set the land speed record for a production car – a Koenigsegg Agera RS - which is estimated to cost over $2 million.[2]

45. Both Mark Stidham and DeAnne Brady have enjoyed the "high life," which was built on the backs of hard-working women who sought a legitimate business opportunity. Unfortunately for the vast majority of Consultants, including Plaintiffs and the Class, they have or will suffer losses by virtue of their participation in this enterprise.

46. Although Defendants portray themselves as empowering women to start their own businesses and earn additional income for their households, it is really only an illusion.

47. LuLaRoe is and was nothing more than a calculated endless chain scheme specifically designed by Defendants to unjustly enrich those at the top of the pyramid at the expense of unsuspecting, lower-level Consultants.

48. As a key component of LuLaRoe's scheme, each one of LuLaRoe's 80,000 Consultants were required by LuLaRoe to purchase a minimum of 33 items of inventory from LuLaRoe every month to remain "active" (at an average wholesale cost ranging from $8.50 to $31 per item), regardless of whether they had sold any

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[2] https://www.bloomberg.com/news/articles/2017-11-17/exactly-how-did-koenigsegg-break-the-land-speed-record-with-its-agera-rs (last visited 1/11/18).

product that month, or whether they were accumulating stockpiles of unsold inventory. Indeed, this monthly purchase requirement increased for every person in the Consultant's downline. For example, Consultants with 10 Consultants under them (called "Trainers") were required to purchase as many as 250 inventory items every month while their downline Consultants were required to purchase at least 1,750 pieces per month.

49. Early on in their business, Defendants engaged the services of Terrel Transtrum – a renowned strategic consultant with more than 25 years of experience in the direct sales and multi-level marketing industry – to help guide them in building a successful organization. Upon information and belief, the relationship with Mr. Transtrum ended as Mark Stidham sought to grow LuLaRoe as quickly as possible without regard to applicable laws and regulations governing the operation of multi-level marketing organizations and seller assisted marketing plans like LuLaRoe.

50. Looking at the LuLaRoe enterprise in its totality, Defendants' primary goal was not to sell fashionable women's leggings or other similar products to end-user retail customers, but to profit from the promotion and sale of an unregistered seller assisted marketing plan and endless chain scheme to scores of unsuspecting women who would be forced to purchase thousands of dollars of inventory without any regard for whether or not the Consultants would be able to make any sales to end-user retail customers.

51. It was the Consultants – not end-user retail purchasers – that were Defendants' actual target customers.

52. What's worse, when Consultants realized they were stuck in an oversaturated market without the ability to sell Defendants' inventory, truly at the bottom of the pyramid, Defendants failed and refused to refund Consultants, including Plaintiffs and the Class, their inventory expenses as promised. This left

the unsuspecting Consultants, Plaintiffs, and the Class, holding the bag on thousands of dollars of Defendants' clothing.

B. The LuLaRoe Enterprise

53. Defendants represented to Consultants, including Plaintiffs and the Class, in a LuLaRoe document titled "How Long to Pay Back My Initial Investment" that LuLaRoe is a "simple business" in which Consultants can "earn full-time income for part-time work." Defendants claim that "[w]ith LulaRoe, in a matter of a few months, you can completely repay your initial investment and have money in the bank."

54. The LuLaRoe's enterprise requires Consultants to pay Defendants anywhere between $5,000-$8,000 for a Start Up Kit which includes initial inventory. Defendants refer to this process as "onboarding."

55. LuLaRoe represented to Plaintiffs, and the Class, that they could earn money in several ways: (i) by selling LuLaRoe products directly to end-user retail customers; (ii) by building a team of "downline" Consultants underneath them who would purchase LuLaRoe products as inventory, for which the "upline" Consultants would earn bonuses or commissions from such "downline" inventory purchases; or (iii) a combination of direct sales and team building. LuLaRoe described its business opportunity to Plaintiffs and the Class prior to them becoming Consultants in a document titled "Lularoe Fashion Consultant Business Overview" as follows:

LuLaRoe Fashion Consultant Business Overview

The business opportunity for each LuLaRoe Fashion Consultant is quite simple; sell LuLaRoe clothing at Pop-Up Boutiques or Open Houses and make between 35-60% profit on every item you sell based on the suggested retail price. Additionally, if you choose to build a team, you can earn additional income from your team's sales.

HOW IT WORKS

LuLaRoe clothing is sold by Fashion Consultants, on the spot, at Pop-Up Boutiques and Open Houses. Think of them as mobile dress-up parties where your friends and neighbors can just come and shop. Based on the number of attendees at a Pop-Up Boutique we see an average sales volume of around 20 items, with an average profit of $15 per item. The more parties you have and the more products you sell, the more money you will earn. As a company, we recommend rewarding the hostess of a boutique with one free item for every 10 items that are sold. This is a guideline, and we encourage you to be generous in your hostess rewards as you seek to build your business through strong partnerships within your individual network.

Wholesale prices range from $8.50 to $31 per item, and suggested retail prices range from $18 to $65. Because products come in a wide array of colors, patterns, prints and fabrics, you will receive an assortment of clothing in the sizes and body styles you choose. Adult sizes run from XXS to 3XL (0-26), and girls' sizes run from 2-14. LuLaRoe pays for all costs to ship your product to you. All orders ship from the warehouse within 3 business days from the time that we receive your payment.

Many Consultants choose to share the LuLaRoe opportunity. Helping others build their own LuLaRoe businesses can increase your personal income. By building your team, you have opportunities to become a leader, earn extra income and to help others succeed.

56. Consultants were contractually obligated to purchase inventory directly from LuLaRoe at wholesale prices, and were authorized by LuLaRoe to resell them at retail prices (typically a 35-60% markup over wholesale pricing) to individual, end-user retail customers. Typically, these sales were made by Consultants through hosted home parties called "pop-up boutiques" that were promoted by the Consultant. As indicated in above, Defendants represented to Plaintiffs and the Class that the average per item profit was $15 per item and the average sales volume was 20 items at each pop-up event.

57. LuLaRoe also solicited Plaintiffs and the Class to become Consultants by providing them with claims that Consultants can recoup their initial investment and become profitable quickly. For example, the LuLaRoe document Defendants provided to Consultants, including Plaintiffs and the Class , titled "How Long To Pay Back My Initial Investment?," LLR claims that Consultants can do so in as little as 1-4 months:

Repay yourself in	4 months	2 months	1 month
Number of pieces sold each week	20	40	75
Gross Sales (per month)	$2,640*	$5,280*	$9,900*
Net Profit (per month)	$1,440*	$2,880*	$5,400*

* This is an approximate amount assuming you are selling in the middle of the low and high suggested retail.

** Other startup expenses may include - Business Cards, Brochures, Hangers, Clothing Racks

58. The document emphasizes that these figures are conservative:

A few things to consider:

- The chart above does not include the sale of the Lindsay Kimonos. Selling all of the Lindsay Kimonos would be an additional profit of $1,200.
- The average number of pieces sold at a pop-up boutique is 25. By doing one in-person or online pop-up per week (5-6 hours total per week) you can pay yourself back in 4 months. By doing 3 pop-ups per week (or 1-2 large online events) you can pay yourself back in approx 1 month.
- How many businesses can you invest in where you can pay off your initial investment within a matter of months and be profitable?
- $1,440/month is $17,280 per year, $2,880/month is 34,560, and $5,400/month is $64,800 per year!
- The above scenario is considering you are doing your business part-time (but working it as a business).
- You can also build a team and increase your income.

59. Defendants' sales, income, and profit representations are misleading and without basis. In reality, Consultants, including Plaintiffs and the Class, cannot sell the majority of the merchandise they receive from LuLaRoe (for reasons described in more detail below) and they wind up taking significant losses.

60. Defendants sell Consultants on the idea that they can "build a team" of other Consultants to earn significant bonuses. Defendants provide testimonials from leaders who have done so and take photos of them displaying bonus checks with large sums.

61. In order to become a Consultant, individuals needed a current Consultant to sponsor them into LuLaRoe. The sponsoring Consultant would in turn become the applicant's "upline" Consultant in the "team," and the sponsoring Consultant would receive bonus payments or commissions for inventory purchases

made by themselves and their "downline" Consultant(s), as opposed to bonuses for inventory sold to end-users (see example in ¶ 48 above).

62. To further entice Plaintiffs and the Class to participate in LuLaRoe's inventory loading scheme, LuLaRoe promised current and prospective Consultants that they could return their inventory if they decide to stop selling and receive a refund from Defendants, as discussed below.

63. Upon information and belief, Defendants sought unlimited recruitment of an endless chain of new Consultants, and had no curbs or mechanisms in place to limit the number of new Consultants that would join LuLaRoe at the lowest level, had no mechanism in place to avoid oversaturation of the market, and failed to guard against excessive inventory loading on Consultants by ignoring actual sales to end-users completely.

64. Defendants' focus was on recruiting more and more Consultants, who once processed or "on boarded," were required to make an initial purchase of LuLaRoe inventory of approximately $5,000 to $9,000.

65. In most instances, the funds for this initial purchase were placed on credit cards, or taken from loans, savings, and/or retirement accounts. Many Consultants were told by "upline" Consultants, at the urging of Defendants, to take out multiple credit cards to purchase the initial inventory, and to conceal the large initial inventory purchases from their spouses.

66. In addition to the large initial inventory purchase, Consultants would also need to incur out-of-pocket expenses of upwards of $1,000 to purchase basic startup materials, such as racks, hangers, bags, marketing materials, storage units, and other supplies and materials necessary to start selling LuLaRoe products.

67. When ordering inventory from LuLaRoe, Consultants were not able to choose the colors or patterns of items they would receive. As a result, Consultants often receive patterns that are unpopular (and therefore unsellable), and would have

to repeatedly place more inventory orders to ensure that they had an inventory of saleable merchandise that was in demand.

68. As discussed above, Consultants, including Plaintiffs and the Class, were required to make minimum monthly inventory purchases just to stay "active" with LuLaRoe, without regard for whether or not the Consultants would be able to sell the inventory to end-user retail customers.

C. The Defendants' Inventory Loading on Consultants

69. "Part of LuLaRoe's appeal is built-in product scarcity. The company produces no more than 2,500 pieces in any one fabric print. So no two fashion Consultants receive the same mix of garments and prints. That drives prices up online for the rarer or more desirable prints by creating a treasure hunt atmosphere."[3] According to Defendants' website:

> LuLaRoe exists to provide an opportunity for people to create freedom by selling comfortable, affordable, stylish LuLaRoe clothing, and offering its Retailers the independence to set their own pace and schedule.[4]
>
> . . .
>
> Currently there are approximately 70,000 LuLaRoe Consultants nationwide. LuLaRoe is still a very young company compared to other direct sale companies. The potential for growth is truly astounding. It is a great time to join this amazing company![5]

70. Defendants practice is to require monthly minimum purchases by Consultants to stay active. Consultants were required by the Defendants to

[3] https://www.forbes.com/sites/marciaturner/2016/10/18/lularoes-secret-tobecoming-a-direct-sales-powerhouse-facebook-live/#833a16336df4 (last visited 10/11/17).
[4] http://www.lularoe.com/#/our-story-home/ (last visited 10/11/17).
[5] http://lulateamfabulous.com/lularoe_faq/ (last visited 10/11/17).

continually purchase at least 33 units of LuLaRoe product per month to continue receiving the right to sell inventory for LuLaRoe.

71. As discussed above, "upline" Consultants with a "downline" team had additional team monthly purchase minimums that were required to maintain their position in the LuLaRoe pyramid, and the bonuses and commission that they received for "downline" purchases. Beyond monthly minimum requirements, in most cases LuLaRoe also required Consultants to place minimum orders of 33 units whenever making inventory purchases (*e.g.*, if Consultants only needed 5 items of inventory, they would be forced to order 33).[6]

72. LuLaRoe's minimum purchase requirements is part of the system Defendants created that forces Consultants, including Plaintiffs and the Class, to load up on inventory without any compliance mechanism to ensure Consultants actually made retail sales of the inventory to individual end-user retail customers. This pattern and practice of "inventory loading" by Consultants was what the Defendants intended, and was constantly reinforced by the Defendants relentless communication of phrases such as "Buy More, Sell More" to the Consultants.

73. Inventory loading is the hallmark of an illegal endless chain scheme.

74. To be sure, Plaintiffs and the Class were instructed by Defendants to consistently purchase new inventory and were pressured by Defendants and their representatives to use any money they obtained from selling the products to purchase more inventory. These communications were made in LuLaRoe documents, including "How Long to Pay Back My Initial Inventory" and by Defendants DeAnne

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[6] While LuLaRoe purported to implement a "sales" requirement in July 2017, LuLaRoe does not enforce it. Instead, LuLaRoe continues to accept inventory orders from Consultants without confirming that Consultants are making sales to end-users. This "sales" requirement is illusory, as evidenced by LuLaRoe's bonus structure – which is based on Consultants' and their downlines' monthly *purchases* of inventory.

Brady and Mark Stidham, on weekly live video calls and reiterated by LuLaRoe representatives.

75. Additionally, by constantly changing their patterns, Defendants justified this inventory loading by stressing the importance of having "fresh inventory" to sell to customers, and the importance of possessing limited-run pieces (referred to as "unicorns") in their inventory.

76. Unbeknownst to the Consultants, however, "Buy More, Sell More" was really a policy and practice that Defendants institutionalized to encourage inventory loading by inducing Consultants to purchase as much inventory as they possibly could each month. "Buy More, Sell More" ultimately became the marching order that the Defendants expected Consultants to run their "businesses" by. The more LuLaRoe inventory that the Consultants purchased, the more profitable LuLaRoe was for the Defendants.

77. Defendants' calculated design of the LuLaRoe enterprise also aligned the interests of "upline" Consultants to pressure "downline" Consultants to inventory load through the structure of the LuLaRoe Leadership Bonus Plan (the "Bonus Plan"). Although Consultants could (theoretically) make money selling to end-user retail customers, the easier and better way for Consultants to grow their "business" and maximize their earning potential was to build a team of "downline" Consultants for which they would receive bonus and commission payments under the Bonus Plan. Building a team of "downline" Consultants and hitting the various bonus and sales volume milestones was the only way a Consultant could advance within LuLaRoe.

78. The Bonus Plan consisted of bonus payments to "upline" Consultants for inventory ordered and purchased by "downline" Consultants. Defendants implemented different levels of bonus compensation payments depending on how many "downline" Consultants were on a particular "upline" Consultant's "team."

LuLaRoe compensated "upline" Consultants on a sliding scale depending on their level (which ranged from 3-5%), and participation in LuLaRoe's leadership bonus pool program once a Consultant reached a certain level in the pyramid.

79. The Bonus Plan made it clear that "upline" Consultant compensation is not in any way tied to retail sales, but rather to the value of the inventory orders purchased by "downline" Consultants.

80. Upline Consultants could also reduce their individual monthly inventory purchase requirements by having more purchases made by their downline "team."

81. Therefore, "upline" Consultants were incentivized to encourage "downline" Consultants to purchase as much inventory as possible without any regard to whether they were making, or were likely to make, any bona fide sales to end-user retail customers.

82. The Bonus Plan compensated those at the top of the pyramid for recruiting others into the scheme. This allowed Defendants to offload massive amounts LuLaRoe inventory onto unsuspecting "downline" Consultants that would have difficulty breaking even on their initial inventory purchase, let alone subsequent monthly minimum inventory purchases.

83. By aggressively pushing recruitment of new Consultants over end-user retail sales, Defendants completely oversaturated the marketplace with Consultants and damaged the market for bona fide end-user retail customers. Social media networks are filled with LuLaRoe Consultants shamelessly promoting products that can be purchased just about anywhere by any of the more than 80,000 LuLaRoe Consultants that form the building blocks of Defendants' pyramid.

D. LuLaRoe Announces 100% Refund Policy

84. By April 2017, LuLaRoe had experienced tremendous success in recruiting new Consultants. In less than four years, the Defendants had recruited

nearly 80,000 Consultants nationwide. However, due to this aggressive recruitment and lack of bona fide retail sales, sometime in early 2017 the market and demand for LuLaRoe products started to quickly diminish. Complaints about LuLaRoe's inventory and an uptick in Consultant resignations started to have a significant impact on Defendants.

85. Initially Defendants tried to shift the blame to Consultants by telling them they had to continue to "Buy More, Sell More" and encouraged them to find new customers. In fact, in an online rant, Mark Stidham aggressively accused Consultants that they were stale, by ranting: "No, you're stale. Your customers are stale. Get out and find new customers. If you bring a new customer in, then your inventory isn't stale. The problem is, you try to sell to the same group of people day after day after day, then eventually they have a closet full of product."

86. But, as the Defendants knew, their inventory loading was finally catching up with them as it oversaturated the market with Consultants, and LuLaRoe inventory. In order to stop the bleeding, Defendants implemented their new plan to keep making money off of Consultants, including Plaintiffs and the Class.

87. LuLaRoe decided to revise its buy-back policy to be "risk free" for the Consultants. LuLaRoe's buy-back policy had been a refund of 90% of the net cost of inventory. Under the revised policy, announced in April 2017, any Consultant (including Plaintiffs and the Class) who wished to cancel their business with Defendants could return all of their LuLaRoe inventory for a **100%** refund and LuLaRoe would pay the shipping costs.

88. Consultants, including Plaintiffs and the Class, were assured through a variety of written and oral communications that this policy had no restrictions and was never going to expire. *See*, *e.g.*, "LuLaRoe isn't going anywhere and neither is the Contract Cancelation 100% buy-back program."[7]

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[7] https://twitter.com/lularoedisaster, post dated August 31, 2017 (last viewed

89. LuLaRoe repeatedly promised the Consultants, including Plaintiffs and the Class, that they could, at any time, cancel their Consultant status and return unsold inventory for a full refund, with LuLaRoe to pay the associated shipping costs. Specifically, LuLaRoe made these representations in direct communications with Consultants, including Plaintiffs, during Consultant training seminars, online, in emails, in brochures, and in advertisements to Consultants and the public. For example, in June of 2017, LuLaRoe sent at least two emails to Consultants, including Plaintiffs, stating:

> INDEPENDENT FASHION RETAILERS, WHO WISH TO CANCEL THEIR RETAILER AGREEMENT, WILL BE REFUNDED 100% OF THE WHOLESALE AMOUNT. How AWESOME is that? On top of that, LuLaRoe will also cover your shipping by sending you shipping labels! (Emphasis in original.)

90. As another example, on or about June 30, 2017, LuLaRoe posted the following notice on its website:

> Today, we would like to provide clarity regarding the 100% Buy Back on Inventory policy. This policy does not have an expiration date, nor does it have a required timeframe in which the product should have been purchased in [sic]. The only qualification for this policy, is that products returned are required to be LuLaRoe products and must have been purchased through LuLaRoe. Click here to find more information on the 100% Buy Back on Inventory policy![8]

91. Defendants encouraged Consultants to use the 100% buyback and free shipping policy to recruit more Consultants for LuLaRoe. The no risk sales approach was used to both entice current Consultants to continue buying inventory and lure

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10/12/17).

[8] https://build.mylularoe.com/news/1/27/105, page 2 (last visited 9/14/17) (emphasis added).

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28

prospective Consultants to sign up and order as much inventory as possible. It worked. Many Consultants, such as Plaintiffs Bluder and Laurence, recruited new Consultants to LuLaRoe based upon this policy.

92. Consultants were also encouraged to max-out their credit cards with inventory purchases, all of which would be refunded at 100%, plus free shipping, should the Consultants decide to stop selling for LuLaRoe.

93. Despite LuLaRoe's uniform and repeated promises in its communications, e-mail correspondence, marketing materials, advertisements, seminars, and contracts with Plaintiffs and other Consultants, LuLaRoe's return and shipping policy differs materially from what is represented. A Consultant who decides that he or she is no longer interested in being a Consultant for LuLaRoe is, in reality, unable to return LuLaRoe inventory for a full refund and is actually required to pay for shipping, an expense that can easily be thousands of dollars.

94. In many cases, Consultants are unable to return clothes at all and/or receive no refund whatsoever from LuLaRoe. For example, Plaintiffs Lemberg, Laurence, Bluder, Stuckart, Hall, Brown, Lien, along with other Plaintiffs and the Class, are stuck with thousands of dollars (in some cases nearly $20,000) worth of inventory that LuLaRoe refuses to buyback.

95. What is worse, Consultants seeking the 100% refund, or any refund at all, must first "cancel" their business with LuLaRoe can no longer sell their inventory as a "Consultant."

96. Once "un-boarded," Consultants typically receive an e-mail confirming and they are no longer Consultants and therefore cannot access the Consultant information on LuLaRoe's website nor receive communications from LuLaRoe to active Consultants.

97. The canceled Consultants typically receive a confirmation that their cancelation has been processed and are instructed to wait for a Return Authorization

Number ("RA Number"), which is needed to return inventory to LuLaRoe, and receive return shipping labels.

98. However, as was the case for Plaintiffs Lemberg, Bluder, Apana, Brown, and Hall, LuLaRoe does not provide RA Numbers, and/or refuses to send the shipping labels, and the canceled Consultants are left with thousands of dollars of inventory they cannot return and cannot sell.

99. The few Consultants who did receive an RA Number and sent back their inventory had LuLaRoe either: (1) claim that the inventory was never received; (2) "reject" some or all the inventory for refund (and donate the rejected items to a charity); and/or (3) provide only a partial refund for select items of inventory.

100. Consultants are virtually unable to communicate with LuLaRoe when they discover this bait-and-switch has occurred, many remaining on hold for up to five hours only to be disconnected, as was the case for Plaintiff Lemberg.

E. LuLaRoe Changes Its 100% Refund Policy Overnight, Retroactively

101. Although Defendants were failing to buyback inventory from Consultants all along, on or about September 13, 2017, LuLaRoe publically admitted that is was breaking its never-ending "risk free" guarantee to Consultants, including Plaintiffs and the Class. Without warning, Defendants went back on their promises and announced a new buyback policy, which it claimed to apply retroactively, thereby cheating Consultants out of millions of dollars.

102. LuLaRoe's deceptive practices are uniform among the Plaintiffs and the Class, as evidenced in the following publications:

(a) "LuLaRoe Changes Return Policy, Costing Consultants Thousands. The change from a 100

percent guarantee to a 90 percent guarantee was announced Wednesday, effective immediately."[9]

(b) "LuLaRoe abruptly changes return policy; Consultants say they are out thousands."[10]

(c) "LuLaRoe Just Changed Its Return Policy And People Are Pissed."[11]

103. Across the board, Consultants are being prevented from returning inventory and/or after they have returned their inventory, LuLaRoe unilaterally determines that some items are non-refundable, with no appeal process or other recourse for the Consultants. Once LuLaRoe decides that an item is non-fundable, whether it is because of the new one-year return policy or for some other reason, LuLaRoe refuses to return the items to the Consultants. Rather, LuLaRoe donates the item of clothing, and the Consultants are deprived of both the product and any compensation for it.

104. LuLaRoe also wrongfully reduces the amount of inventory refund Consultants receive by deducting bonuses or other additional compensation the Consultant received from LuLaRoe. For example, Plaintiff Apana had approximately $16,000 in inventory on hand prior to "resigning" from LuLaRoe. After submitting for her inventory buy-back refund, she was informed that her final refund amount would only be a little more than $10,000 – which was reduced by certain bonuses she received throughout the year.

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[9] https://www.inc.com/suzanne-lucas/lularoe-changes-return-policy-costing-Consultants-.html, published September 15, 2017.
[10] http://allthemoms.com/2017/09/14/lularoe-return-policy-changes-outrage/, published on September 14, 2017.
[11] https://www.buzzfeed.com/juliegerstein/lularoe-just-changed-its-return-policy-and-people-are-pissed?utm_term=.jxNjPPpBj#.qf6R77PrR, published on September 15, 2017.

105. Ultimately, the false representations made by Defendants induced Consultants, including Plaintiffs Brown and Carrillo, to delay terminating their relationship and to continue to purchase more inventory from LuLaRoe. And to make matters worse, it shortened the return window by five months for those Consultants that held inventory that would have been otherwise been returned earlier. This illusory 100% return policy was yet another device that the Defendants employed to line their own pockets at the Consultants' expense.

F. LuLaRoe is Nothing More than an Illegal, Endless Chain Scheme

106. LuLaRoe's enterprise and compensation structure as described above are nothing more than an endless chain scheme.

107. In legitimate direct sales organizations and illegal chain schemes, individuals buy wholesale products from the manufacturer and resell them at retail prices directly to the public – often by word of mouth and other in-person direct sales. Typically, distributors earn commissions, not only for their own retail sales, but also for retail sales made by the people they recruit.

108. According to the Federal Trade Commission ("FTC"), if the money made by the distributors is based on retail sales to the public, it may be a legitimate direct sales organization. Conversely, if the money made by distributors is based on the number of people a distributor recruits and wholesale value of inventory purchased by the recruits, is an endless chain scheme (also known as a pyramid scheme). Endless chain schemes are illegal, and the vast majority of participants in them lose money.

109. Pyramid schemes come in many forms, but the FTC flags two tell-tale signs of these illegal enterprises: (i) inventory loading; and (ii) a lack of retail sales.

110. As described above, inventory loading occurs when a company's incentive program forces recruits to buy more products than they could ever sell, often at inflated prices. If this occurs throughout the company's distribution system,

the people at the top of the pyramid reap substantial profits, even though little or no product moves to market. The people at the bottom make excessive payments for inventory that simply accumulates in their basements. A lack of retail sales is also a red flag that a pyramid exists.

111. Endless chain schemes and pyramid schemes are illegal at both the state and federal level. In *Webster v. Omnitrition Int'l, Inc.*, the Ninth Circuit adopted the "Koscot test" for determining what constitutes a pyramid scheme:

> "Pyramid schemes are '[s]uch contrivances. . . characterized by the payment by participants of money to the company in return for which they receive (1) the right to sell a product and (2) the right to receive in return for recruiting other participants into the program rewards which are unrelated to sale of the product to ultimate users.'"

79 F.3d 776, 781 (9th Cir. 1996) ("*Omnitrition*") (quoting *In re Koscot Interplanetary, Inc.*, 86 F.T.C. 1106, 1181 (1975), *aff'd mem. sub nom.* ("*Koscot*").).

112. In the seminal case *In re Amway Corp.*, 93 F.T.C. 618 (1979), the FTC recognized three rules that served as a guide for direct marketing or multi-level marketing organizations to avoid designation as a pyramid scheme:

> (1) Upline distributors are required to buy back from any person they recruited any saleable, unsold inventory upon the recruit's leaving Amway (the "Buy-Back Rule");
>
> (2) Every participant's required to sell at wholesale or retail at least 70% of the products bought in a given month in order to receive a bonus for that month (the "70% Rule"); and
>
> (3) In order to receive a bonus in a month, each participant was required to submit proof of retail sales made to ten different consumers (the "10 Customer Rule").

113. These rules are designed to deter inventory loading and encourage retail sales. In *Omnitrition*, the Ninth Circuit explained that where a distribution program appears to meet the *Koscot* definition of a pyramid scheme but has elements of the

Amway safeguards, "there must be evidence that the program's safeguards are enforced and actually serve to deter inventory loading and encourage retail sales." *Omnitrition*, 79 F.3d at 776.

114. Here, Defendants cannot find refuge under *Amway* as the LuLaRoe enterprise did not have adequate safeguards to deter inventory loading and encourage retail sales.

115. LuLaRoe did not comply with the Buy-Back Rule. LuLaRoe did not provide 100% refund, and in many case such as with Plaintiffs and the Class no inventory refund at all, to persons leaving the program. Moreover, Consultants seeking a refund would also have to bear their own return shipping costs (which can be substantial).

116. LuLaRoe "buy-back policy," both as it existed before the 100% buy back policy was announced in April of 2017 and as it currently exists, also places significant additional restrictions on product refunds, including certain stipulations such as only applying to inventory purchased by Consultants within one year prior to the date of cancellation of their agreement, only inventory packaged and returned and packaged and labeled in a certain way, and only to inventory in "resalable condition" – which appears to be determined in LuLaRoe's sole discretion. As a result, LuLaRoe's buy-back policy, at any of its prior or current stages, does not reduce or eliminate the possibility of Consultants being saddled with thousands of dollars of products with unsaleable patterns – especially for those Consultants, like Plaintiffs, that purchased and accumulated inventory over a multi-year period.

117. LuLaRoe does not comply with the 70% Rule. Indeed, it failed to adopt, implement, or enforce a 70% Rule. Indeed, until July 2017, LLR did not even pay lip-service to this rule.

118. LuLaRoe failed to adopt, implement, or enforce a 10 Customer Rule. Although in July 2017, LLR claims to have implemented a minimal sales requirement for a Consultants to qualify for bonuses, notably, Consultants must still meet their minimum purchase requirement to remain active and thus be eligible for bonuses. Moreover, Defendants do not enforce this supposed requirement and will still sell inventory to Consultants who do not meet the purported sales requirement.

119. Defendants were/are obligated to comply with regulations that apply to LuLaRoe. Earning over a billion dollars, LuLaRoe and the Defendants have the resources to hire top experts in the direct sales industry (like Terrel Transtrum), and some of the top law firms in the United States.

120. In addition to their lack of *Amway* protections, Defendants' policy of inventory loading by lower level "downline" Consultants without regard to retail sales is *prima facie* evidence of an endless chain scheme.

121. Consultants were the real target customers for Defendants' inventory, not end-user retail customers. Defendants pressured Plaintiffs and the Class to purchase more inventory, notwithstanding their lack of retail sales. By pressuring Plaintiffs and other Consultants to reinvest any profits they may have generated from their "business" back into LuLaRoe inventory, Defendants were essentially converting otherwise meaningful profits that belonged to the Consultants. Defendants operated an endless chain scheme, which has directly and proximately damaged Plaintiffs and the Class, consisting of tens of thousands of Consultants nationwide.

G. Defendants Willfully Violate California's Seller Assisted Marketing Plan Act

122. Not only did Defendants operate the LuLaRoe enterprise as an illegal endless chain scheme as described above, but they have engaged in the promotion

and sale of an unregistered seller assisted marketing plan. Under the California Seller Assisted Marketing Plan Act, ("California SAMP Act"), California requires that seller assisted marketing plans that operate from within California that offer business opportunities to the general public to: (1) register with the California Attorney General's Office; (2) to provide significant disclosure statements to potential buyers of the marketing plan being sold prior to signing any contracts; and (3) to provide the buyers of the marketing plan specific contractual rights after a purchase has been made. See, Cal. Civ. Code §§ 1812.200 *et seq*.

123. In this case, despite the fact that the Defendants were domiciled in California, maintained their principal place of business in California, and offered and sold the LuLaRoe business opportunity from California, Defendants chose to willfully violate the California SAMP Act by: (1) failing to register with the California Attorney General's Office; (2) failing to provide the significant disclosures to prospective Consultants as required by the California SAMP Act; and (3) by failing to provide the Consultants with the buyer-specific contractual rights required by the California SAMP Act.

124. As stated above, as a billion-dollar enterprise that hired industry experts to, Defendants cannot claim ignorance of the law. In fact, Defendants have recently taken steps to try to disclaim its legal and regulatory obligations in in its Independent Consultant Program Application and Agreement (the "Application and Agreement") by specifically addressing business opportunities and seller assisted marketing plans. A recent version of the Application and Agreement reads as follows:

8. Consultant shall establish Consultant's own goals, inventory levels, working hours and methods of sale, so long as Consultant complies with the terms of this Agreement, including the Policies and Procedures and Leadership Bonus Plan, and all applicable laws. LLR does not maintain or enforce exclusive sales areas or territories for the benefit of Consultant. Consultant expressly acknowledges that neither this Agreement, nor any compensation, bonuses, commissions or incentive plans or programs pertaining to the Product, business, consultants, Policies and Procedures, Leadership Bonus Plan or Price List of LLR constitutes a franchise, business opportunity, or seller assisted marketing plan or other regulated sales relationship. Specifically, LLR does not represent that Consultant can earn any amount hereunder, whether or not in excess of any initial purchase of Product made by Consultant, or that there is a market for the Product.

125. Drafting language into the Application and Agreement attempting to disclaim its legal obligations is proof that Defendants indeed identified their need to register under the California SAMP Act and comply with its obligations, but chose not to do so. As set forth below, this purported disclaimer regarding seller assisted marketing plans is a false statement of material fact, as LuLaRoe's business opportunity is the exact type of seller assisted marketing plan that the California Legislature sought regulate and protect the public from.

126. Further, Defendants cannot take the position that LuLaRoe is not a business opportunity or seller assisted marketing plan, as Mark Stidham has already characterized it was such in an online webinar. In the same webinar where he compares those expressing negative opinions about LuLaRoe to "pigs," Stidham describes LuLaRoe as follows:

> "It is one of the best business opportunities that you can use to leverage that hard work, time and effort to get a return on your investment. We have built this business - we have designed the compensation plan, we designed the product, we designed the sales method, all of it designed to create an opportunity for you to make extra money."

This statement is an admission by Defendants that LuLaRoe is indeed, a business opportunity, which is a regulated sales relationship under the California SAMP Act.

127. From California, over the past four years or more, Defendants have sold the LuLaRoe marketing plan to over 80,000 Consultants nationwide, including Plaintiffs and the Class. Plaintiffs and the Class purchased the marketing plan in connection with starting their own LuLaRoe "business."

128. The total initial payment Consultants paid for their initial product order exceeds $500, but is less than $50,000. Defendants, individually and through its agents: (1) represented that the Consultants were likely to earn an amount in excess of the initial payment; (2) represented that there is a market for LuLaRoe products that were purchased by the Consultants; and (3) represented that LuLaRoe would, in whole or in part, buy back or is likely to buy back the LuLaRoe product initially sold to the Consultants. Defendants also represented or implied that they have sold the LuLaRoe seller assisted marketing plan to at least five other Consultants in the previous 24 months, and intend to sell the LuLaRoe seller assisted marketing plan to at least five Consultants in the next 12 months.

129. Defendants each resided in California when it offered and sold the LuLaRoe seller assisted marketing plan to prospective Consultants. Defendants were required to comply with the California SAMP Act and they knowingly failed to do so.

H. Defendants Fail to Provide Prospective Consultants with Any Meaningful Information about the LuLaRoe Business Opportunity or the Defendants

130. Defendants also failed, and continue failing, to provide Plaintiffs and the Class, with: (i) a detailed explanation of the business opportunity; (ii) the current state of the retail market for LuLaRoe products; (iii) the general market conditions for women's fashion and clothing products; (iv) the current market for additional LuLaRoe Consultants; (v) any information regarding retail sales statistics for LuLaRoe Consultants; (vi) any information regarding the financials of LuLaRoe; (vii) any information of the owners of and investors in LuLaRoe; (viii) any

information on the profitability of LuLaRoe; or (ix) any of the investors in or owners of LuLaRoe or its related entities. This information was/is material to help Plaintiffs, the Class, and prospective Consultants make an informed decision as to whether to purchase or otherwise invest in the LuLaRoe seller assisted marketing plan.

131. Consultants were left in a vulnerable position by virtue of the seller assisted marketing plan that they purchased from LuLaRoe. The marketing plan promoted and sold by Defendants and their agents required monthly minimum purchases to stay active with LuLaRoe. The marketing plan promoted and sold by the Defendants and their agents pressured Plaintiffs and the Class into reinvesting their profits into more inventory, and purchasing more inventory. This served as a device to deceive the Plaintiffs and the Class in order to further the endless chain nature of this scheme.

132. Defendants failed to control market saturation or prevent excessive inventory loading upon Plaintiffs and the Class. Defendants' true intent was to sell a seller assisted marketing plan to Consultants, like Plaintiffs and the Class, who would in turn purchase large volumes of high-margin inventory from Defendants – thereby enriching Defendants through this process.

133. Defendants made no genuine effort to retain and nurture existing Consultants, and made little effort to help drive end-user retail sales of their inventory. This is because it was much more lucrative for the Defendants to create a system to "churn" through new Consultants who would purchase thousands of dollars in initial inventory, along with early inventory loading sales, before they would fail in the LuLaRoe scheme. By focusing their efforts and resources on recruitment rather than driving bona fide retail sales, Defendants were looking out for their own best interest to the detriment of Plaintiffs and the Class. As a direct and proximate result of this misconduct, Plaintiffs and the Class has suffered damages.

PLAINTIFFS' INDIVIDUAL ALLEGATIONS

134. Each of the Plaintiffs similar narrative regarding their experience with LuLaRoe and the Defendants – which also applies to the Class.

135. **The Lure**: Having seen Defendants' advertisements about LuLaRoe and heard about LuLaRoe promises and mission, each Plaintiff – like the Class – were induced to become a Consultant for LuLaRoe in part to achieve financial freedom through a business opportunity to earn extra income that exceeded their initial investment, and to benefit from LuLaRoe's "Happiness Policy."

136. **The Required Inventory**: Each Plaintiff placed an initial inventory order exceeding $5,000 once they were "on boarded" as Consultants, and also made substantial additional expenditures on supplies for their respective "businesses."

137. **The Pyramid Scheme**: Each Plaintiff attempted to sell LuLaRoe products following their respective initial inventory purchase, purchased more inventory from LuLaRoe at Defendants' encouragement, and was encouraged to recruit additional Consultants to LuLaRoe in order to increase their respective business profitability.

138. **The 100% Buyback Promise**: Each Plaintiff was assured by LuLaRoe that he or she could "resign" as a Consultant and receive back "100% of the price [she] purchased [her inventory] at – with no restocking fee!"

139. **The Truth Revealed**: None of the Plaintiffs were able to resign and receive 100% back on their inventory, plus shipping, from the Defendants.

140. **The Misrepresentations:** On the date each Plaintiff and the Class was induced to become a Consultant, Defendants misrepresented to each Plaintiff that: (a) LuLaRoe was a legitimate business opportunity through statements such as: "LLR is a direct sales company that markets its products through Independent Fashion Consultants" when in reality its enterprise structure was not a legitimate direct sales company as it met the definition of an illegal endless chain scheme, and

(b) facts about the amount of money that a Consultant would earn, including false statements about Defendants' consultants' historic sales volume and profitability and the amount of time in which Consultants recoup their investment and become profitable.

141. **The Omissions**: On the date each Plaintiff and the Class was induced to become a Consultant, in the location where each Plaintiff lived as described above, Defendants and their agents, omitted the following material facts in connection with their offer to sell the LuLaRoe seller assisted marketing plan, including but not limited to the following:

- that because "upline" bonus revenue was not calculated on retail sales, there was a pattern and practice within the LuLaRoe organization of encouraging "downline" Consultants to continue to purchase LuLaRoe inventory regardless of if they were making any retail sales (*i.e.*, inventory loading);
- that incentivizing inventory loading was a mechanism for Defendants and "upline" Consultants to earn profits at the expense of "downline" Consultants;
- that Defendants had not implemented or enforced a 70% Rule or 10 Customer Rule to prevent inventory loading by Consultants, or otherwise protect "downline" Consultants from inventory loading;
- that there was a minimum monthly *purchase* requirement of 33 units;
- that LuLaRoe when emphasized "leadership" as a virtue, Defendants true intent was to encourage existing Consultants to recruit new Consultants to build their

"teams" so that Defendants could sell more wholesale inventory to new Consultants;

- that it was generally more lucrative for Consultants to focus on recruiting other Consultants and to receive monthly bonus payments under then Bonus Plan than it was focusing on making bona fide retail sales to end-user customers;
- that by aggressively recruiting new Consultants, Defendants were oversaturating the market with LuLaRoe Consultants across the United States;
- that by oversaturating the market with LuLaRoe Consultants, end-user interest in purchasing LuLaRoe products would decrease;
- that wholesale sales by the Defendants to Consultants greatly exceeded bona fide retail sales by Consultants to end-user retail customers;
- that Defendants were operating LuLaRoe as an illegal endless chain scheme created and operated by the Defendants to enrich themselves at Consultants' expense;
- that Defendants failed to register the LuLaRoe seller assisted marketing plan with the California Attorney General's office;
- Plaintiffs were never provided with any disclosures or any disclosure document containing the information required by California Civil Code §§ 1812.200 *et seq*., nor did they receive the contractual terms required by California Civil Code §§ 1812.200 *et seq*.

142. **The Result:** Plaintiffs have each been harmed, as a direct and proximate result of Defendants' actions and inactions as described herein.

CLASS ACTION ALLEGATIONS

143. Plaintiffs reallege and incorporate herein by reference each allegation in the preceding and subsequent paragraphs.

144. Plaintiffs bring this action on behalf of themselves individually and all other similarly situated persons as a class action pursuant to Federal Rule of Civil Procedure 23.

145. Plaintiffs seek to represent the following class & sub-classes (referred to, collectively, as the "Class"):

The Class: All persons residing in the United States who were contracted with any of the Defendants as Consultants at any time during the period of January 1, 2013 to present (the "Class").

(a) Sub-Class A: All members of the Class who have not been provided with the inventory refund they were entitled from Defendants.

(b) Sub-Class B: All members of the Class who can exercise or have exercised their right to void their agreements with Defendants under the SAMP Act.

146. Excluded from the Class is any Consultant that reached the rank of Mentor or Leader, each Defendant and their officers and directors, families, legal representatives, heirs, successors or assigns, any entity in which any Defendant has a controlling interest, and any Judge assigned to this case, and their immediate families.

147. Plaintiffs are all members of the Class.

148. Certain Plaintiffs, including (but not limited to) Plaintiffs Lemberg, Laurence, Bluder, Stuckart, Apana, Brown, Carrillo, Hall, Lien, and Patton are also members Sub-Class A.

149. Certain Plaintiffs, including (but not limited to) Plaintiffs Stuckart, Hall, and Johnson, are also members of Sub-Class B.

150. Plaintiffs reserve the right to amend or modify the class definition in connection with their motion for class certification, as a result of discovery, at trial, or as otherwise allowed by law.

Numerosity

151. The potential members of the Class are so numerous, joinder of all the members is impracticable. While the precise number of members of the Class has not been determined, Plaintiffs are informed and believe the Class consists of thousands of Consultants.

152. Defendants maintain databases that contain the exact number and location of the Class.

Ascertainability

153. The Class is ascertainable by virtue of, but not limited to, the following:

(a) The Class is ascertainable, is cohesive, and maintains a sufficient community of interest, since the rights of the Class were violated in a similar fashion based upon, among other things, LuLaRoe's publicly and privately disseminated misrepresentations, omissions, and breaches of contract terms common to the Class. Further, the equitable relief sought will be common to the Class.

(b) The Class can be identified in the databases maintained by LuLaRoe. More specifically, LuLaRoe maintains databases that contain the following information: (1) the name of each Consultant; (2) the address of each Consultant; (3) the business cancelation requests of each Consultant; and (4) the inventory refund requests of each Consultant.

(c) Thus, the Class can be located and notified with specificity of the pendency of this action using techniques and a form of notice customarily used in class action litigation.

Commonality and Predominance

154. Common questions of law and fact exist as to all members of the Class and these common issues predominate over any questions which are unique to any individual member of the Class. Among such common questions of law and fact are the following:

(a) Whether there is a valid contract between Defendants and the Class;

(b) If a contract exists, whether Defendants' conduct constitutes a breach of that contract;

(c) Whether the written notices, advertisements, and contracts contain material misrepresentations or omissions;

(d) Whether Defendants have a right to withhold full refunds and shipping costs from the Class;

(e) Whether Defendants' have a right to refuse to provide a refund and refuse to provide the inventory back to the Class;

(f) Whether Defendants' conduct constitutes a breach of the covenant of good faith and fair dealing;

(g) Whether Defendants' conduct constitutes an unconscionable commercial practice;

(h) Whether Defendants' conduct violates the business practices laws alleged herein;

(i) Whether Defendants' conduct constitutes an unjust enrichment;

(j) Whether Defendants' conduct constitutes conversion;

(k) Whether Defendants violated the UCL;

(l) Whether Defendants violated California's Unfair Advertising Law;

(m) Whether Defendants violated Section 327 of California's Penal Code;

(n) Whether Defendants violated Section 1812.200 *et seq.* of California's Civil Code; and

(o) Whether injunctive or declaratory relief is appropriate.

155. Common questions predominate over any questions which may affect individual members of the Class.

Adequacy of Representation

156. Plaintiffs will fairly and adequately represent and protect the interests of the Class as Plaintiffs' claims are not antagonistic to the claims of the other members of the Class.

157. Plaintiffs have retained competent counsel who are experienced in federal and state class action claims such as those asserted in this case.

Superiority of Class Action

158. A class action is superior to other available means for the fair and efficient adjudication of this controversy. Individual joinder of the Class is not practicable, and questions of law and fact common to the Class predominate over any questions affecting only individual members of the Class. Each member of the Class has been damaged and is entitled to recovery because of Defendants' uniform unlawful practices described herein. There are no individualized factual or legal issues for the court to resolve that would prevent this case from proceeding as a class action. Class action treatment will allow those similarly situated persons to litigate their claims in the manner that is most efficient and economical for the parties and the judicial system. Plaintiffs are unaware of any difficulties that are likely to be

encountered in the management of this action that would preclude its maintenance as a class action.

159. In addition, Defendants have acted or refused to act on grounds that apply generally to the Class, so that final injunctive relief or corresponding declaratory relief is appropriate respecting the Class as a whole.

COUNT I:
Unlawful, Fraudulent, and Unfair Business Acts and Practices in Violation of California's Business and Professions Code §§ 17200, *et seq*.

160. Plaintiffs reallege and incorporate all the preceding paragraphs herein by reference.

161. California Business and Professions Code §§ 17200, *et seq.*, prohibits acts of unfair competition which means and includes any "unlawful ... business act or practice." An "unlawful" business practice is one that violates California law. As described above, Defendants' business practices are unlawful because they involve the creation and promotion of an illegal pyramid scheme or endless chain scheme as defined under California law, and the promotion of an unregistered seller assisted marketing plan under California law.

162. As more fully described above, Defendants' business practices are also fraudulent in that they employed an artifice to defraud Plaintiffs and the Class into purchasing inventory based upon unrealistic expectations, and in reliance upon the promise of a full refund at cancellation for that inventory, and then Defendants' refusal to provide the inventory refunds and shipping fees according to the representations and promises made by LuLaRoe, as set forth above, constitute unfair business acts or practices within the meaning of Bus. & Prof. Code §§ 17200, *et seq.*, in that the justification for Defendants' conduct is outweighed by the gravity of the consequences to Plaintiffs and the Class. Moreover, Defendants misrepresented facts about the amount of money that a Consultant would earn, including false statements about Defendants' consultants' historic sales volume and profitability

and the amount of time in which Consultants recoup their investment and become profitable.

163. California Business and Professions Code §§ 17200 also prohibits "unfair" business practices, which include practices that offend an established public policy, or a practice that is immoral, unethical, oppressive, unscrupulous or substantially injurious to consumers. Defendants' promotion and operation of an illegal pyramid scheme is unethical, oppressive and unscrupulous in that defendants are duping Consultants nationwide, including Plaintiffs and the Class, out of millions of dollars through their illegal pyramid scheme.

164. Defendants have failed to inform the public that they are operating an illegal pyramid scheme, and promoting an unregistered seller assisted marketing plan. Plaintiffs and the Class have relied, and continue to rely on defendants' misrepresentations and omissions to their detriment.

165. Defendants' acts as described above had (and have) a tendency to deceive Plaintiffs and the Class, and did in fact deceive Plaintiffs, constituting a fraudulent business act or practice. Such conduct is ongoing and continues to this date.

166. Because of the conduct described above, Defendants have been (and will be) unjustly enriched. Specifically, Defendants have been unjustly enriched by the receipt of its ill-gotten gains from the money Plaintiffs and the Class paid to Defendants for the inventory it now refuses to provide 100% refunds for, as well as shipping costs.

167. Plaintiffs reserve the right to allege other violations of law which constitute unlawful business acts or practices. Such conduct is ongoing and continues to this date.

168. Plaintiffs and the Class are, therefore, entitled to the relief available under Bus. & Prof. Code §§ 17200, *et seq.*, as detailed below.

COUNT II:
Untrue or Misleading Advertising in Violation of California Business and Professions Code §§17500, *et seq*.

169. Plaintiffs reallege and incorporate all of the preceding paragraphs herein by reference.

170. Business & Professions Code §§ 17500, *et seq.* prohibits dissemination of materials and representations which are untrue or misleading or likely to deceive members of the public to purchase their products.

171. Defendants' business acts, false advertisements and materially misleading omissions constitute unfair trade practices and false advertising, in violation of the California Business and Professions Code §§ 17500, *et seq.*

172. Defendants engaged in false, unfair and misleading business practices, consisting of false advertising and materially misleading omissions likely to deceive the public and include, but are not limited to:

a) Defendants failed to disclose to consumers that they were entering into an illegal endless chain scheme and purchased an unregistered seller assisted marketing plan;

b) Defendants misrepresented the money that a Consultant could earn with LuLaRoe. Defendants' marketing and promotion of the illegal endless chain scheme and unregistered seller assisted marketing plan constitutes misleading, unfair, and fraudulent advertising in connection with their false advertising to induce consumers to purchase products and join the illegal endless scheme. Defendants knew or should have known, in exercising reasonable care, that the statements they were making were untrue or misleading and deceived members of the public. Defendants knew or should have known, in exercising

reasonable care that Consultants, including Plaintiffs and the Class, would rely, and relied on Defendants' misrepresentations and omissions.

c) Defendants disseminated untrue or misleading statements through its common advertising, marketing, e-mails, and promotional materials. Defendants either knew or by the exercise of reasonable care should have known that the statements were not true or accurate. Defendants intended its Consultants, Plaintiffs and the Class, to rely upon these advertisements and material misrepresentations. Plaintiffs and the Class relied upon the advertisements and misrepresentations to their detriment.

173. Because of the foregoing, Plaintiffs and the Class are entitled to injunctive and equitable relief and damages in an amount to be proven at trial.

COUNT III:
Quasi-Contract (Unjust Enrichment)

174. Plaintiffs hereby reallege and incorporate all of the preceding paragraphs herein by reference.

175. Where a defendant has been unjustly conferred a benefit "'through mistake, fraud, coercion, or request' […] '[t]he return of that benefit is a remedy sought in 'a quasi-contract cause of action.'" *Astiana v. Hain Celestial Grp., Inc.*, 783 F.3d 753, 762 (9th Cir. 2015) (internal citations omitted). "When a plaintiff alleges unjust enrichment, a court may construe the cause of action as a quasi-contract claim seeking restitution." *Id.* (Internal quotations and citations omitted.)

176. Defendants have received, and continue to receive, a benefit at the expense of Plaintiffs and the Class.

177. Defendants have fraudulently and/or deceptively charged and collected money from Plaintiffs and the Class for inventory which it did not reasonably expect it would reimburse to Consultants and which it did not reimburse as promised. Accordingly, Defendants have received benefits which it has unjustly retained at the expense of Plaintiffs and the Class.

178. As a direct and proximate result of Defendants' unlawful acts and conduct, Plaintiffs and the Class were deprived of the use of their money that was unlawfully charged and collected by Defendants, and are therefore entitled to restoration of their monies.

179. Because of Defendants' unlawful conduct, Plaintiffs and the Class have suffered injury and, thus, they are entitled to restitution of the money they conferred on Defendants.

COUNT IV:
Breach of Contract

180. Plaintiffs hereby reallege and incorporate all the preceding paragraphs herein by reference.

181. Plaintiffs and the Class entered into contractual agreements with Defendants to become Consultants and Defendants -- either at that time or at a later date -- contractually agreed to refund at least 90% of inventory costs, and -- beginning April 2017 -- 100% of inventory costs, along with shipping expenses, to Plaintiffs and the Class.

182. Plaintiffs and Sub-Class A performed their obligations under these contractual agreements, *i.e.*, purchased and/or sold inventory under the terms of the buyback promises.

183. Defendants breached a duty imposed by its agreements with Plaintiffs and Sub-Class A by, among other things, refusing to provide the promised refunds

on inventory and shipping costs when Plaintiffs and Sub-Class A terminated their Consultant status.

184. Defendants' breach of its contracts with Plaintiffs and Sub-Class A caused and will cause Plaintiffs and Sub-Class A to suffer damages.

Count V:
Breach of the Covenant of Good Faith and Fair Dealing

185. Plaintiffs hereby reallege and incorporate all the preceding paragraphs herein by reference.

186. Plaintiffs and Sub-Class A entered into contractual agreements with Defendants to become Consultants and Defendants had a contractual obligation to refund at least 90% of inventory costs up until April 2017, and thereafter 100% of inventory costs, along with shipping expenses, to Plaintiffs and the Class.

187. Plaintiffs and the Class performed their obligations under these agreements.

188. The contracts between Defendants and Plaintiffs and the Class impose duties of good faith and fair dealing on the parties.

189. Defendants breached its duties of good faith and fair dealing to the Plaintiffs and Sub-Class A by, among other things, failing and refusing to provide the promised refunds, without time limitations or expiration, and shipping costs, when Defendants had repeatedly agreed to do so.

190. Defendants also breached its duties of good faith and fair dealing by failing to inform Plaintiffs and the Sub-Class A of Defendants' intentions to dishonor their obligations with respect to inventory refunds prior to, at the time of, and/or following each Consultants' cancelation.

191. Defendants' breach of its duties of good faith and fair dealing with Plaintiffs and the Class caused and will cause Plaintiffs and the Sub-Class A to suffer damages.

Count VI:
Conversion

192. Plaintiffs hereby reallege and incorporate all the preceding paragraphs herein by reference.

193. Plaintiffs and the Class became Consultants for Defendants and purchased inventory at wholesale from Defendants with the purpose of reselling those items to direct customers.

194. Plaintiffs and Sub-Class A returned, or attempted to return inventory, when closing out their businesses and/or otherwise required replacement or refund of their respective inventories.

195. Upon receipt of the Consultants inventory sent to Defendants for a refund, Defendants unilaterally determine if a refund will be issued to Plaintiffs and the Class.

196. When Defendants determine that no refund will be issued, Defendants do not return the non-refundable inventory to Plaintiffs and Sub-Class A. Rather, Defendants donate or dispose of the clothing items as it deems appropriate.

197. Defendants' actions are not subject to any type of appeal process. Rather, Plaintiffs and Sub-Class A are simply deprived of their investment without recourse.

198. In addition to being deprived the promised 100% refund policy and shipping costs, Plaintiffs and Sub-Class A have been and continue to be deprived of their investment and inventory when Defendants failed to either refund the wholesale purchase price to Plaintiffs and Sub-Class A and/or failed and refused to give Plaintiffs and the Class back the items they attempt/attempted to return.

199. Defendants' actions and inactions constitute conversion of Plaintiffs' and the Sub-Class A's financial investment, *i.e.*, the inventory they purchased.

200. Defendants continue to retain Plaintiffs' and Sub-Class A's investment and exercise control over that inventory for their own use and to Plaintiffs' and Sub-Class A's detriment.

201. Defendants' continued retention of Plaintiffs' and Sub-Class A's inventory constitutes an unjust benefit to Defendants at Plaintiffs' and the Class' expense.

COUNT VII:
Endless Chain Scheme: California Penal Code §327 and Section 1689.2 of the California Civil Code

202. Plaintiffs reallege and incorporate by reference all of the other allegations as if set forth herein.

203. 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.

204. Defendants are operating LuLaRoe as an illegal endless chain scheme in violation of California law.

205. Plaintiffs and the Class have suffered an injury in fact and have lost money or property because of Defendants' operation of LuLaRoe as an endless chain, business acts, omissions, and practices.

206. Plaintiffs and the Class are entitled to:

(a) Rescind the contract upon which the scheme is based and recover all consideration paid under the scheme, less any amounts paid or consideration provided to the participant under the scheme;

(b) Restitution, compensatory and consequential damages (where not inconsistent with their request for rescission or restitution); and

(c) Attorneys' fees, costs, and pre- and post-judgment interest.

COUNT VIII:
The California Seller Assisted Marketing Plan Act §§ 1812.200, *et seq.*

207. Plaintiffs reallege and incorporate by reference all of the other allegations as if set forth herein.

208. The LuLaRoe seller assisted marketing plan meets the definitions of a "seller assisted marketing plan" under the California Seller Assisted Marketing Plan Act, Cal. Civ. Code §§ 1812.200, *et seq.* and did not qualify for any exemptions thereunder. Specifically, the LuLaRoe seller assisted marketing plan involved Defendants' sale or lease of product, equipment, supplies, and services for initial payment exceeding $500 to the Plaintiffs and the Class in connection with or incidental to beginning, maintaining, or operating their respective LuLaRoe businesses.

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

210. Defendants, individually and through its/their agents represented that: (1) Plaintiffs and the Class were likely to earn an amount in excess of the initial payment; (2) there is a market for LuLaRoe products that were purchased by the Plaintiffs and the Class; and (3) LuLaRoe would, in whole or in part, buy back or is likely to buy back the LuLaRoe product initially sold to the Plaintiffs and the Class.

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

212. Defendants are sellers of "Seller Assisted Marketing Plans", as defined in Cal. Civ. Code § 1812.201(d).

213. The Defendants did not provide the Plaintiffs or the Class a "Disclosure Document or an Information Sheet" as required by Cal. Civ. Code §§ 1812.205 and 1812.206. Furthermore, the LuLaRoe business opportunity contracts did not meet the substantive requirements of Cal. Civ. Code § 1812.209. Nor was the LuLaRoe seller assisted marketing plan registered as required by Cal. Civ. Code § 1812.203.

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

215. Defendants' sale of an unregistered "Seller Assisted Marketing Plan" from the state of California entitles the Plaintiffs and the Class to their actual damages, attorneys' fees, rescission of the agreements at issue, and punitive damages pursuant to Cal. Civ. Code §§ 1812.215 and 1812.218.

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

217. Defendants' anti-fraud violations entitle the Plaintiffs and the Class to recover their damages pursuant to Cal. Civ. Code §§ 1812.215 and 1812.218.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs, individually and on behalf of the Class, pray for judgment against Defendants as follows:

(a) That the Court determine that this action may be maintained as a class action with the named Plaintiffs appointed as the Class Representatives;

(b) For the attorneys appearing on the above-caption to be named Class counsel;

(c) For nominal, actual, and compensatory damages, according to proof at trial;

(d) For restitution of all monies, expenses, and costs due to Plaintiffs and the Class;

(e) For disgorged profits from the unlawful and unfair business practices in violation of Business & Professions Code §§ 17200, *et seq.*, §§ 17500, *et seq.*, and California's Seller Assisted Marketing Plan Act §§ 1812.200, *et seq.*

(f) Reasonable attorneys' fees and costs under California Code of Civil Procedure § 1021.5, Civil Code § 1689.2, Civil Code § 1812.218, California's Seller Assisted Marketing Plan Act §§ 1812.200, *et seq.* and as otherwise by law.

(g) For equitable relief pursuant to Business & Prof Code §§ 17500, *et seq.*, and as otherwise allowed by law;

(h) A declaration invalidating the agreements the Plaintiffs and the Class entered into with the Defendants found to be unconscionable, illegal, and void as a matter of public policy;

(i) For punitive damages against each Defendant;

(j) For declaratory relief as deemed proper;

(k) For pre-judgment and post-judgment interest to the extent allowable by law; and

(l) For such other and further relief as the Court deems just and proper.

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DEMAND FOR JURY TRIAL

Plaintiffs, on behalf of themselves and the Class, demand trial by jury on all issues so triable.

RESPECTFULLY SUBMITTED,

By: */s/ Kelly M. Purcaro*

Date: January 12, 2018

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