



John N. Scholnick  
Richard A. Schwartz  
Kim S. Zeldin  
William Floratos  
Kenneth E. McDonald

## II. INTRODUCTION

2.1 Plaintiff State of Washington (Washington), conducted an investigation and commenced this action pursuant to and the Anti-Pyramid Promotional Scheme Act (APSA), RCW 19.275, and the Consumer Protection Act (CPA), RCW 19.86. Washington has appeared by and through its attorneys, Robert Ferguson, Attorney General, and Joseph K. Kanada, Breena M. Roos, Katharine F. Barach, and Benjamin J. Brysacz, Assistant Attorneys General.

2.2 Defendants LLR, Inc.; LLR LuLaRoe, Inc.; Lennon Leasing, LLC; Mark A Stidham, Deanne S. Brady (aka Deanne Stidham); and Jordan K. Brady (collectively, “Defendants” or “LuLaRoe”) were served with the Summons and Complaint and has appeared by and through their attorneys, Anthony Todaro and Lianna Bash of DLA Piper LLP; John N. Scholnick of Browne George Ross LLP; and William Floratos of Floratos, Loll & Devine.

2.3 Washington and Defendants have agreed on a basis for the settlement of the matters alleged in the Complaint and to the entry of this Consent Decree against Defendants without the need for trial or adjudication of any issue of law or fact. In doing so, Washington and Defendants seek a compromise resolution to this action. Washington and Defendants agree this Consent Decree does not constitute evidence or an admission regarding the existence or non-existence of any issue, fact, or violation of any law alleged by Washington.

2.4 Defendants recognize and state this Consent Decree is entered into voluntarily and that no promises, representations, or threats have been made by the Attorney General’s Office or any member, officer, agent, or representative thereof to induce them to enter into this Consent Decree, except for the promises and representations provided herein.

The Court, finding no just reason for delay;

1 NOW, THEREFORE, it is hereby ORDERED, ADJUDGED, AND DECREED as  
2 follows:

3 **III. GENERAL**

4 3.1 This Court has jurisdiction of the subject matter of this action and of the parties.

5 3.2 The settlement, this Consent Decree, or the fact of its entry does not constitute  
6 evidence or an admission by any party regarding the existence or non-existence of any issue,  
7 fact, or violation of any law alleged by Washington. To the contrary, Defendants have denied  
8 and continue to deny any and all wrongdoing of any kind whatsoever and retains, and does not  
9 waive, any and all defenses Defendants may have with respect to such matters.

10 3.3 This Consent Decree fully and finally resolves and forever discharges and  
11 releases all claims and causes of action under the CPA and APSA that the State of Washington  
12 has filed or may in the future file against Defendants arising out of or relating to the facts and  
13 matters specifically described in the Complaint, except that Defendants' material failure to  
14 comply with this Consent Decree shall permit the Attorney General of Washington to take such  
15 further action against Defendants as provided for herein.

16 3.4 Defendants waive any right it may have to appeal from this Consent Decree or to  
17 otherwise contest the validity of this Consent Decree.

18 **IV. DEFINITIONS**

19 4.1 The following definitions shall be used in construing this Consent Decree:

20 A. "Accompanied By" means that the accompanying information or  
21 disclosure is difficult to miss, easily noticeable, and easily understandable  
22 by ordinary consumers, including in all of the following ways:

23 i. In any communication that is solely visual or solely audible, the  
24 disclosure must be made through the same means through which  
25 the communication is presented. In any communication made  
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1 through both visual and audible means, such as a television  
2 advertisement, the disclosure must be presented simultaneously in  
3 both the visual and audible portions of the communication even if  
4 the representation requiring the disclosure is made in only one  
5 means.

6 ii. A visual disclosure, including a disclosure using an interactive  
7 electronic medium, by its size, contrast, location, the length of  
8 time it appears, and other characteristics, must stand out from any  
9 accompanying text or other visual elements so that it is easily  
10 noticed, read, and understood.

11 iii. An audible disclosure, including by telephone or streaming video,  
12 must be delivered in a volume, speed, and cadence sufficient for  
13 ordinary consumers to easily hear and understand it.

14 iv. The disclosure must use diction and syntax understandable to  
15 ordinary consumers and must appear in each language in which  
16 the representation that requires the disclosure appears.

17 v. The disclosure must comply with these requirements in each  
18 medium through which it is received, including all electronic  
19 devices and face-to-face communications.

20 vi. The disclosure must not be contradicted or mitigated by, or  
21 inconsistent with, anything else in the communication.

22 B. “Business Opportunity” means any written or oral business arrangement  
23 that consists of providing payment, services, or other consideration for the  
24 right or means to offer, sell, or distribute a product or service.

25 C. “Washington Income Disclosure Statement” means the unmodified  
26 graphics and information contained in Appendix A.

1 **V. INJUNCTIONS**

2 5.1 The injunctive provisions of this Consent Decree shall apply to Defendants LLR,  
3 Inc., DeAnne Brady, Mark Stidham, and Jordan Brady and to their successors, assigns, and  
4 others acting in concert with them.

5 **A. PROHIBITED MARKETING**

6 5.2 Defendants are permanently restrained and enjoined from advertising, marketing,  
7 promoting, or offering a pyramid scheme to Washington residents or in the State of Washington,  
8 whether directly or through an intermediary, as defined in RCW 19.275, by implementing the  
9 following restrictions and mandated conduct as set out below.

10 **B. BAN ON CERTAIN BUSINESS PRACTICES**

11 5.3 Defendants, whether acting directly or indirectly, are permanently restrained and  
12 enjoined from advertising, marketing, promoting, or offering, or assisting in the advertising,  
13 marketing, promoting, or offering of a Business Opportunity that:

- 14 A. Calculates a participant's Compensation, or eligibility to receive  
15 Compensation, based on that participant's purchase of goods or services  
16 or other participant's purchase of goods or services; or
- 17 B. Pays a participant any Compensation calculated on the basis of the sale of  
18 goods or services by anyone not in the participant's downline, with the  
19 exception of Compensation amounts presently calculated from the  
20 Company's Leadership Pool.
- 21 C. For purposes of this Paragraph 5.3, "Compensation" means compensation  
22 to a participant who is a Washington resident or to a participant based on  
23 the retail sales of a Washington resident in a participant's downline.

24 5.4 Defendants, whether acting directly or indirectly, are permanently restrained and  
25 enjoined from advertising, marketing, promoting, or offering, or assisting in the advertising,  
26

1 marketing, promoting, or offering of a Business Opportunity to Washington residents or in the  
2 State of Washington unless such Business Opportunity has the following characteristics:

3           A.     **Collection of Sales Information.** Defendants shall use commercially  
4 reasonable efforts to collect from participants and maintain in a  
5 standardized format the following information for sales entered into any  
6 Point of Sale System:

- 7           i.     The method of payment;
- 8           ii.    The products and quantities sold;
- 9           iii.   The date of sale;
- 10          iv.   The price paid by the purchaser; and
- 11          v.    The purchaser's e-mail address.

12           B.     **Verification of Retail Sales.** The following requirements shall apply  
13 regarding retail sales:

- 14          i.     Defendants shall take commercially reasonable steps, including  
15 both random and targeted audits, to monitor retail sales in order to  
16 ensure that they are genuine sales of products, rather than an  
17 attempt to manipulate the compensation plan.
- 18          ii.    Defendants shall take commercially reasonable steps, including  
19 both random and targeted audits, to monitor retail sales in order to  
20 ensure that they in fact occurred as reported in the information  
21 collected and maintained pursuant to Paragraph 5.4.A.
- 22          iii.   In implementing 5.4.B(i) and (ii), Defendants shall monitor retail  
23 sales to identify sales to participants by (1) cross checking  
24 purchaser first and last names for matches with participant first  
25 and last names and (2) cross checking purchaser ship-to addresses  
26 with participant addresses.

1           C.     **Refund Policies.** Defendants’ policies and procedures shall include, and  
2 Defendants shall enforce, the following policies related to product refunds  
3 or buybacks to/from residents in Washington:

4           i.     A Washington resident who cancels her/his/its participation in the  
5 Business Opportunity within forty-five (45) days of the date of  
6 enrollment may return her/his/its entire initial inventory for a full  
7 refund. Defendants will pay for any shipping costs associated  
8 with such return.

9           ii.    Defendants shall repurchase, at the participant’s written request,  
10 all currently marketable inventory within one year from its date of  
11 purchase; and the refund must not be less than ninety percent of  
12 the original net cost, less any consideration received by the buyer  
13 when he or she bought the products being returned. Products shall  
14 not be considered currently marketable if returned for repurchase  
15 after the products’ commercially reasonable usable or shelf life  
16 has passed, or if it has been clearly disclosed to the buyer that the  
17 products are seasonal, discontinued, or special promotion products  
18 that are not subject to the repurchase obligation.

19          iii.   If Defendants determine a product is ineligible for a refund,  
20 Defendants shall return the product to the participant at the  
21 participant’s request and pay for any associated shipping costs.

22          iv.    Beginning in January 2021, Defendants shall not deduct from any  
23 refund amount retail sales made by the participant.

24          v.     Defendants shall not deduct from any refund amount  
25 compensation paid by Defendants to the participant, unless such  
26

1 compensation was received by the participant when he or she  
2 bought the products being returned.

- 3 vi. Prior to the completion of a purchase of product by a participant  
4 from Defendants, for any purchase that involves seasonal,  
5 discontinued, special promotion products, or any other product not  
6 subject to the Return on Cancellation of Business Policy in  
7 Defendants' Policies and Procedures or Paragraph 5.4.C.ii of this  
8 Consent Decree a "Pop-up" window must disclose that the  
9 purchase involves products not subject to repurchase and the  
10 participant must acknowledge the disclosure in order to continue  
11 with the purchasing process.

12 **C. REPRESENTATIONS AND DISCLOSURES**

13 5.5 Defendants are permanently restrained and enjoined from misrepresenting to  
14 Washington residents or making misrepresentations in the State of Washington, or assisting  
15 others in misrepresenting to Washington residents or making misrepresentations in the State of  
16 Washington, including by providing others with the means and instrumentalities with which to  
17 represent, expressly or by implication, including through discussion of lifestyle changes tied to  
18 compensation from the Business Opportunity:

- 19 A. That participants will or are likely to achieve substantial sales, income, or  
20 profit;  
21 B. Except to the extent such statements comply with Paragraph 5.6, the  
22 amount of sales, income, or profit that participants have actually earned;  
23 C. The amount of time or effort required to earn an amount of compensation  
24 or to advance in the Business Opportunity; and  
25  
26



1 D. The reason participants do not earn substantial compensation, including  
2 representations that participants fail because they do not devote  
3 substantial or sufficient effort or are not active.

4 5.6 Defendants, whether acting directly or indirectly, are permanently restrained and  
5 enjoined from making any representation to Washington residents or making any representation  
6 in the State of Washington, expressly or by implication, regarding the amount of sales, income,  
7 or profits that a participant can expect to earn unless the representation is non-misleading and,  
8 at the time such representation is made, Defendants possess and rely upon competent and reliable  
9 evidence sufficient to substantiate that the representation is true. Any representation regarding  
10 the amount of sales, income, or profits that a participant has earned or can expect to earn is made,  
11 must be Accompanied By a Washington Income Disclosure Statement or reference to a  
12 Washington Income Disclosure Statement, in the form identified in Paragraph 5.8 below. For  
13 purposes of this Paragraph, a “reference to” a Washington Income Disclosure Statement must  
14 meet the same requirements in Paragraph 4.1(A)’s definition of “Accompany By.”

15 5.7 Defendants shall include a Washington Income Disclosure Statement, in the form  
16 identified in Paragraph 5.8 below, on its publicly available website.

17 5.8 The Washington Income Disclosure Statement identified in Paragraphs 5.6 and  
18 5.7 should be in substantially the form and include the information provided in Appendix A  
19 thereto. For purposes of this disclosure, a Washington Income Disclosure Statement means that,  
20 no later than April 30 of a given year, Defendants shall update the Washington Income  
21 Disclosure Statement with data from the previous year.

## 22 VI. COMPLIANCE

23 6.1 Defendants shall consent to the following terms and conditions regarding  
24 compliance and monitoring:

25 A. Defendants confer upon Washington, its agents, all the rights and powers  
26 necessary to enforce the provisions of this Consent Decree.

1 B. Within 90-days of the date of entry of this Consent Decree, Defendants  
2 shall implement:

3 i. A RFID system that allows the company to track every item of  
4 clothing shipped to retailers;

5 ii. A written policy directing use of a wholesale transfer mechanism  
6 if product is being acquired for the purpose of resale that allows  
7 for adjustment to the wholesale price; and

8 iii. The pop-up functionality described by Paragraph 5.4.C.vi.

9 C. For the years 2021 through 2026, Defendants shall maintain for the  
10 reasonable review of Washington and, upon request, provide the  
11 following information:

12 i. Retail sales data sufficient for Washington to verify that  
13 Defendants are collecting and maintaining sales information as  
14 required by Paragraph 5.4A;

15 ii. A written report describing the steps Defendants are taking to  
16 monitor and ensure that retail sales are genuine sales of products,  
17 rather than an attempt to manipulate the compensation plan, as  
18 required by Paragraph 5.4.B;

19 iii. A written report describing the steps Defendants are taking to  
20 monitor and ensure that retail sales in fact occurred as reported in  
21 the information collected and maintained pursuant to Paragraph  
22 5.4B;

23 iv. Data sufficient for Washington to confirm that Defendants are  
24 complying with the limitations and requirements set forth in  
25 Paragraph 5.4.C;  
26

1 v. Data sufficient for Washington to confirm the accuracy of any  
2 Washington Income Disclosure Statements;

3 vi. Data sufficient for Washington to determine the percentage, on a  
4 monthly basis, of product purchased by participants that are  
5 seasonal, discontinued, special promotion products, or otherwise  
6 not subject to the Return on Cancellation of Business Policy in  
7 Defendants' Policies and Procedures or Paragraph 5.4.C.ii of this  
8 Consent Decree. For example, Defendants can provide, on a  
9 monthly basis, the total number of pieces purchased that month  
10 and the total number of pieces purchased that month that did not  
11 qualify for Defendants' Return on Cancellation of Business  
12 Policy; and

13 vii. A written report summarizing the compliance efforts that all  
14 vendors, including but not limited to FieldWatch, have performed  
15 regarding income claims as well as any reports or summaries that  
16 any such vendors has provided to Defendants.

17 D. In order to ensure that a Washington Income Disclosure Statement is  
18 prominent, clear, and conspicuous when made available in compliance  
19 with Paragraphs 5.6, 5.7, and 5.8, Defendants shall:

20 i. Within 90 days of the date of entry of this Consent Decree,  
21 implement of a prominent button labelled "Income Disclosure  
22 Statement" to the right of the "Join LuLaRoe" button on  
23 LuLaRoe's website that hyperlinks to a Current Income  
24 Disclosure Statement;

25 ii. Within 90 days of the date of entry of this Consent Decree, include  
26 a hyperlink on the page in which participants provide their

1 information as part of the sign up process along with the following  
2 language: “More financial information can be found here: Income  
3 Disclosure Statement.” The font should be at least as large as the  
4 font soliciting the participants’ information and the hyperlink must  
5 appear on the webpage above the fields soliciting the participants’  
6 information; and

7 iii. For any participant that provides a Washington home address  
8 when enrolling as an IFR, the participant must be provided with  
9 or directed to a Washington Income Disclosure Statement  
10 promptly after entering their Washington home address.

11 E. Within thirty (30) days of any change or update to the Leadership Bonus  
12 Plan, Defendants’ policies and procedures, and/or any income disclosures  
13 available on Defendants’ website, Defendants shall provide to  
14 Washington the changed or updated Leadership Bonus Plan, policies and  
15 procedures, and/or income disclosures available on Defendants’ website.

16 6.2 Upon request by Washington, Defendants shall provide Washington with contact  
17 information regarding Washington participants. Defendants will not interfere with any attempt  
18 by Washington to periodically interview participants.

19 6.3 Within thirty (30) days of the date of entry of this Consent Decree, Defendants  
20 shall provide Washington with any updated addresses or telephone numbers of participants in  
21 their possession that are not reflected in LLR-WA00088788.

22 **VII. MONETARY PAYMENT**

23 7.1 Washington shall recover and Defendants shall pay Washington the amount of  
24 \$4,750,000 for costs and reasonable attorney’s fees incurred by Washington in pursuing this  
25 matter, for monitoring and potential enforcement of this Consent Decree, for future enforcement  
26

1 of RCW 19.86, or for any lawful purpose in the discharge of the Attorney General's duties at the  
2 sole discretion of the Attorney General.

3 7.2 Payment referenced in Paragraph 7.1 shall be payment shall be made within  
4 thirty (30) days of the entry of this Consent Decree as follows: payable to the "Attorney General  
5 – State of Washington" by wire and delivered to the Office of the Attorney General, Attention:  
6 Margaret Farmer, 800 Fifth Avenue, Suite 2000, Seattle, Washington, 98104-3188.

7 7.3 Defendants' failure to timely make payments as required by this Consent Decree  
8 pursuant to Paragraphs 7.1 and 7.2, without written agreement by Washington, shall be a  
9 material breach of this Consent Decree.

#### 10 **VIII. ENFORCEMENT**

11 8.1 Defendants shall be in full compliance with all requirements and obligations this  
12 Consent Decree imposes on Defendants by the date of entry of this Consent Decree, except as  
13 otherwise indicated herein.

14 8.2 If Defendants violate a material condition of this Consent Decree, and if  
15 Defendants do not cure the violation within thirty (30) days after notice by Washington,  
16 Washington may take any such enforcement action afforded by RCW 19.86.

17 8.3 Jurisdiction is retained by this Court for the purpose of enabling any party to this  
18 Consent Decree to apply to the Court, to the extent permitted herein, for enforcement of  
19 compliance with this Consent Decree, assessment of penalties for violations thereof, or otherwise  
20 address the provisions of this Consent Decree.

21 8.4 Nothing in this Consent Decree shall grant any third-party beneficiary or other  
22 rights to any person who is not a party to this Consent Decree.

23 8.5 Nothing in this Consent Decree shall be construed to limit or bar any other  
24 governmental entity or person from pursuing other available remedies against Defendants or any  
25 other person.  
26

1           8.6     Under no circumstances shall this Consent Decree, or the name of the State of  
2 Washington, this Court, the Office of the Attorney General, the Consumer Protection Division,  
3 or any of their employees or representatives be used by Defendants or any of its respective  
4 owners, members, directors, successors, assigns, transferees, officers, agents, servants,  
5 employees, representatives, and all other persons or entities in active concert or participation  
6 with Defendants, in connection with any selling, advertising, or promotion of products or  
7 services, or as an endorsement or approval of Defendants' acts, practices, or conduct of business.

8           8.7     Washington shall be permitted, upon advance written notice of twenty (20) days  
9 to Defendants, reasonable access to inspect and/or copy relevant, non-privileged business  
10 records or documents in possession, custody, or under control of Defendants necessary to  
11 monitor compliance with this Consent Decree; provided that the inspection and copying shall  
12 avoid unreasonable disruption of Defendants' business activities. Washington shall not disclose  
13 any information described in this Paragraph 8.7 (Confidential Information) unless such  
14 disclosure is required by law. In the event that Washington receives a request under the Public  
15 Records Act, subpoena, or other demand for production that seeks the disclosure of Confidential  
16 Information, Washington shall notify Defendants as soon as practicable and in no event more  
17 than ten (10) calendar days after receiving such request and shall allow Defendants a reasonable  
18 time, not less than ten (10) calendar days, from the receipt of such notice to seek a protective  
19 order relating to the Confidential Information or to otherwise resolve any disputes relating to the  
20 production of the Confidential Information before Washington discloses any Confidential  
21 Information.

22           8.8     This Consent Decree in no way limits Washington from conducting any lawful  
23 non-public investigation to monitor Defendants' compliance with this Consent Decree or to  
24 investigate other alleged violations of the CPA and APSA, which may include but, is not limited  
25 to, interviewing IFRs or former employees of Defendants.  
26

1           8.9     This Consent Decree shall be binding upon and inure to the benefit of Defendants’  
2 successors and assigns. Defendants and its successors and assigns shall notify the Attorney  
3 General’s Office within thirty (30) days of any change in the identity of the corporate entity or  
4 entities responsible for compliance obligations arising under this Consent Decree.

5           8.10    Any notice or other communication required or permitted under this Consent  
6 Decree shall be in writing and delivered to the following persons or any person subsequently  
7 designated by the parties:

8                   a.     For the Attorney General:

9                             Office of the Attorney General  
10                            Consumer Protection Division  
11                            ATTN: Joseph Kanada, Breena Roos  
12                            Assistant Attorneys General  
13                            800 Fifth Avenue, Suite 2000  
14                            Seattle, WA 98104  
15                            Joe.Kanada@atg.wa.gov  
16                            Breena.Roos@atg.wa.gov

17                   b.     For Defendants:

18                             Anthony Todaro  
19                             DLA PIPER LLP (US)  
20                             701 Fifth Avenue, Suite 6900  
21                             Seattle, WA 98104-7029  
22                             Anthony.Todaro@dlapiper.com

23                             John N. Scholnick  
24                             Browne George Ross LLP  
25                             2121 Avenue of the Stars, Suite 2800  
26                             Los Angeles, CA 90067  
                              jscholnick@bgrfirm.com

                              William Floratos  
                              Floratos, Loll & Devine  
                              26023 Acero, Ste. 100  
                              Mission Viejo, CA 92691  
                              waf@floratosloll.com

1           8.11   Nothing in this Consent Decree or the Court’s September 27, 2019 Protective  
2 Order shall be construed to alter the Washington Attorney General’s Office’s (AGO) obligations  
3 under the Public Records Act, RCW 42.56 or any other statute, administrative rule, or court rule.  
4 However, if at any time the AGO receives a request pursuant to the Public Records Act and the  
5 AGO intends to release records designated in this action as CONFIDENTIAL or HIGHLY  
6 CONFIDENTIAL, the AGO will, in the course of responding to the request, give written notice  
7 and a copy of the request to the designating party, and also provide the designating party with  
8 ten business days from notification (i) to seek and obtain protection from the Court or (ii) to  
9 provide the AGO with notice that it intends to seek and obtain protection from the Court and  
10 request from the AGO an additional ten business days to obtain such protection.

11           8.12   The Clerk of the Court is ordered to immediately enter the foregoing Judgment  
12 and Consent Decree.



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**APPROVAL BY COURT**

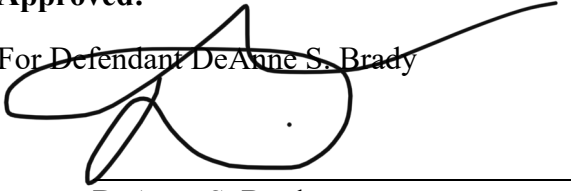
APPROVED FOR FILING and SO ORDERED this \_\_\_\_ day of \_\_\_\_, 2021.

\_\_\_\_\_  
Judge Samuel S. Chung



1 **Approved:**

2 For Defendant DeAnne S. Brady




3  
4 \_\_\_\_\_  
5 DeAnne S. Brady  
6 President and Co-Founder  
7 LLR, Inc. and LLR LuLaRoe, Inc.

February 2, 2021

\_\_\_\_\_  
Date

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**Approved:**

For Defendant Jordan K. Brady

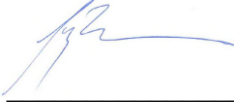


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Jordan K. Brady

02/01/2021

\_\_\_\_\_  
Date

1 **Counsel for Defendants**

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February 2, 2021

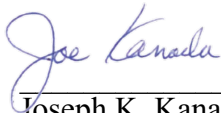
3 \_\_\_\_\_  
4 Anthony Todaro  
5 Lianna Bash  
6 DLA PIPER LLP (US)  
7 701 Fifth Avenue, Suite 6900  
8 Seattle, WA 98104-7029  
9 Tel.: 206-839-4800  
10 Fax: 206-839-4801  
11 Email: [anthony.todaro@dlapiper.com](mailto:anthony.todaro@dlapiper.com)  
12 [lianna.bash@dlapiper.com](mailto:lianna.bash@dlapiper.com)

\_\_\_\_\_ Date

9 John N. Scholnick  
10 Browne George Ross LLP  
11 2121 Avenue of the Stars, Suite 2800  
12 Los Angeles, CA 90067  
13 Tel.: 310-274-7100  
14 Fax: 310-275-5697  
15 Email: [jscholnick@bgrfirm.com](mailto:jscholnick@bgrfirm.com)

14 William Floratos  
15 Floratos, Loll & Devine  
16 26023 Acero, Ste. 100  
17 Mission Viejo, CA 92691  
18 Tel.: 714-641-1222  
19 Email: [waf@floratosloll.com](mailto:waf@floratosloll.com)

1 **For Plaintiff State of Washington**

2 

3 2/1/2021

4 Date

5 Joseph K. Kanada, WSBA #55055  
6 Breena M. Roos, WSBA #34501  
7 Katharine F. Barach, WSBA #51766  
8 Benjamin J. Brysacz, WSBA #54683  
9 Assistant Attorneys General  
10 State of Washington  
11 Consumer Protection Division  
12 800 5<sup>th</sup> Ave, Suite 2000  
13 Seattle, WA 98104  
14 Telephone: (206) 464-6684  
15 Email: [Joe.Kanada@atg.wa.gov](mailto:Joe.Kanada@atg.wa.gov)  
16 Email: [Breena.Roos@atg.wa.gov](mailto:Breena.Roos@atg.wa.gov)  
17 Email: [Kate.Barach@atg.wa.gov](mailto:Kate.Barach@atg.wa.gov)  
18 Email: [ben.brysacz@atg.wa.gov](mailto:ben.brysacz@atg.wa.gov)  
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1 Presented by:

2 ROBERT W. FERGUSON  
3 Attorney General

4 

5 JOSEPH K. KANADA, WSBA #55055  
6 BREENA M. ROOS, WSBA #34501  
7 KATHARINE F. BARACH, WSBA #51766  
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Approved as to Form by:

DLA PIPER (US)



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CERTIFICATE OF SERVICE

I certify that I caused a copy of the foregoing to be served on the following parties via the following methods:

Table with 2 columns: Recipient Information and Service Method Selection. Rows include Anthony Todaro, John N. Scholnick, and William Floratos.

I certify, under penalty of perjury under the laws of the State of Washington, that the foregoing is true and correct.

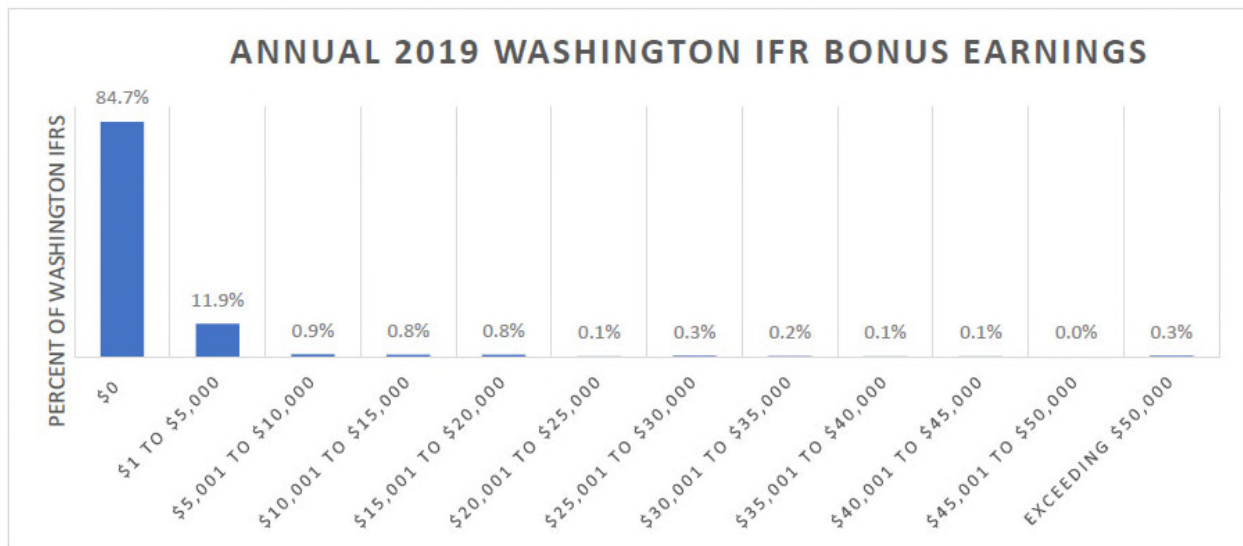
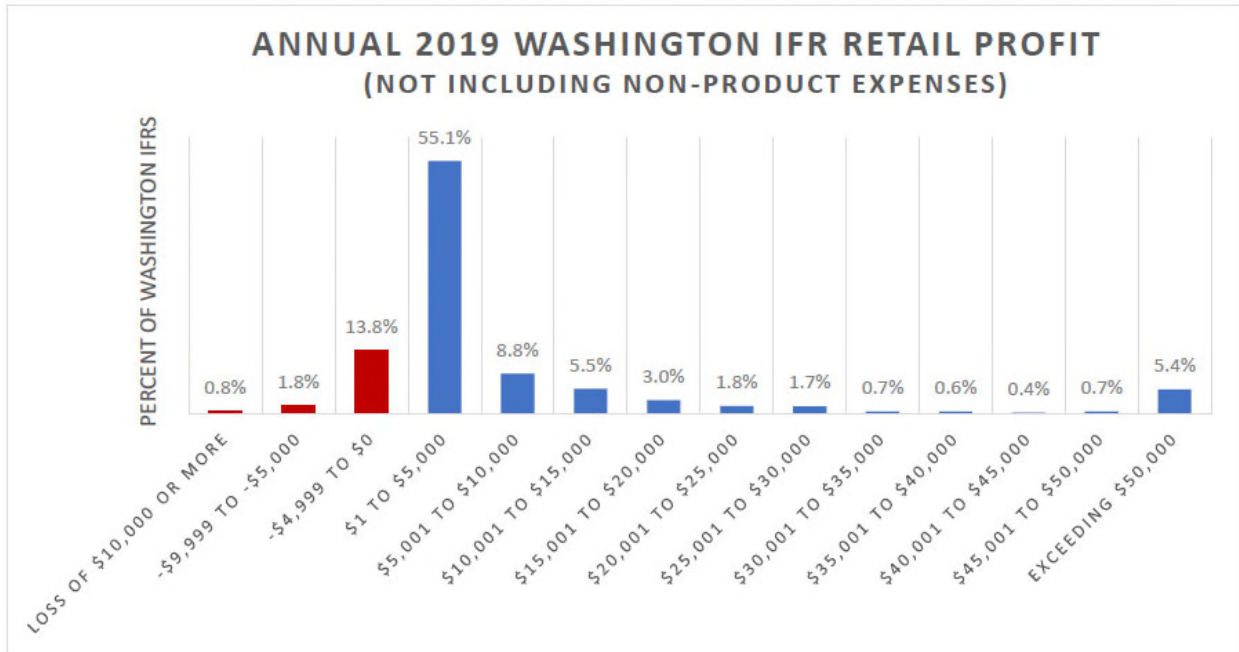
DATED this 1st day of February 2021, at Seattle, Washington.

/s/ Joseph K. Kanada
Joseph K. Kanada
Assistant Attorney General



## Appendix A: LuLaRoe 2019 Income Disclosure Statement

The charts below provide details regarding the annual retail profit<sup>1</sup> and the annual IFR bonus earnings for Washington Independent Fashion Retailers (also known as IFRs) for the period of time from January 1, 2019 through December 31, 2019. [XX]% of Washingtonians who joined in 2018 as IFRs cancelled their participation or became inactive within a year of joining.



<sup>1</sup> Retail Profit is calculated as total annual retail sales minus the annual cost of purchasing wholesale inventory from LuLaRoe.

Examples of additional non-product expenses that may be necessary to make retail sales include:

- Startup costs
  - Racks
  - Hangers
  - Storage bins
  - Mannequins
  - Online sales equipment (camera, internet, computer/mobile phone)
  - Printer for shipping labels
  - Home office/warehouse
  - Vehicle/trailer to transport merchandise
  - Business cards
- Ongoing costs
  - Shipping
  - Packaging
  - Advertising (both traditional and online)
  - Promotional giveaways
  - Travel expenses (vehicle, mileage, gas)
    - To attend corporate events
    - To attend training
    - To host popups
    - To deliver orders
  - Employees or assistants
  - Insurance
- Professional services
  - Accountant
  - Attorney
  - Bookkeeper