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9 Attorneys For Plaintiffs  
10 **CHUANJIE YANG, OLLIE LAN, AND**  
**ALL THOSE SIMILARLY SITUATED**

11  
12 **UNITED STATES DISTRICT COURT**  
13 **CENTRAL DISTRICT OF CALIFORNIA, WESTERN DIVISION**  
14

15 CHUANJIE YANG, an individual; OLLIE  
16 LAN, an individual; and all those similarly  
17 situated,

18 Plaintiffs,

19 v.

20 MARKET AMERICA, INC., a North  
21 Carolina Corporation; MARKET  
22 AMERICA WORLDWIDE, INC., a North  
23 Carolina Corporation; JAMES HOWARD  
24 RIDINGER, an individual; LOREN  
25 RIDINGER, an individual; MARC  
26 ASHLEY, an individual; and DOES 1-  
27 100;

28 Defendants.

Case No. \_\_\_\_\_

**ORIGINAL COMPLAINT –  
CLASS ACTION**

**[DEMAND FOR JURY TRIAL]**

1 I. **INTRODUCTION TO THE CASE**

2 1. Market America, Inc. (“MarketAmerica”) and their cohorts represented  
3 to plaintiffs Chuanjie Yang and Ollie Lan (collectively, the “Plaintiffs”) that Market  
4 America provides a business opportunity “unlike any seen in history before” and  
5 that Plaintiffs could formulate their growth for future financial success through  
6 MarketAmerica. Plaintiffs and hundreds of thousands, have joined MarketAmerica  
7 and have become distributors.

8 2. MarketAmerica touts that by following a “two-year blueprint,” any  
9 person can formulate, grow, and shape his or her growth for financial success.  
10 According to MarketAmerica, the only way to fail under MarketAmerica’s business  
11 model is to quit. Meanwhile, MarketAmerica and its confederate conspirators now  
12 assert a business valuation of \$7.3 billion that they have made off the backs of  
13 millions of people in their pyramid.

14 3. MarketAmerica targets Chinese-American immigrants who do not have  
15 regularly available legal channels to vindicate their legal rights, and in hope of  
16 selling “wonder” products to their relatives in China. Further, these connections  
17 help MarketAmerica connect to billions of potential victims thousands of miles  
18 away.

19 4. Plaintiffs did not make money as promised. As with the case of  
20 hundreds of thousands of MarketAmerica distributors before and after them, the  
21 Plaintiffs failed. Plaintiffs and those similarly situated, failed even though they were  
22 committed and put in the time and effort. They failed because they were doomed  
23 from the start by a MarketAmerica marketing plan that systematically rewards  
24 recruiting Distributors over the sale of products.

25 5. Over 90% of MarketAmerica Distributors average net losses. No  
26 persons, except Individual Defendants and secretly placed individuals into the  
27 “representative” tiers of the company, makes any money.  
28

1           6. Defendants run an illegal pyramid scheme. Defendants take money in  
2 return for the right to sell products that they do not even manufacture, and reward  
3 for recruiting other participants into the pyramid.

4           7. Accordingly, Plaintiffs, for themselves, all others similarly situated,  
5 and the general public, allege:

6 **II. TYPE OF ACTION**

7           8. Plaintiffs sue for themselves and for all persons who were  
8 MarketAmerica participants from 2010 until the present under California’s Endless  
9 Chain Scheme Law (California’s Penal Code § 327 and California Civil Code §  
10 1689.2), California’s Unfair Competition Law (Business and Professions Code  
11 §17200 et seq.), False Advertising Law (Business and Professions Code §17500),  
12 and Racketeer Influenced and Corrupt Organizations Act, 18 U.S.C. § 1961 *et seq.*  
13 against all defendants for the operation and promotion of an inherently fraudulent  
14 endless chain scheme.

15 **III. PARTIES**

16           9. Plaintiff Chuanjie Yang (“Yang”), is and at all relevant times, has done  
17 business in the County of Los Angeles.

18           10. Plaintiff Ollie Lan, is and at all relevant times, had done business in the  
19 County of Los Angeles.

20           11. Market America, Inc. is a North Carolina Corporation  
21 (“MarketAmerica”) that operates and manages the pyramid scheme in California.

22           12. Market America Worldwide, Inc. is a North Carolina Corporation  
23 (“Marketing”) that also operates and manages the pyramid scheme in California.

24           13. Defendant James Howard Ridinger aka JR Ridinger (“JR”) is a natural  
25 person. JR is the founder of MarketAmerica and Marketing, Chairman, and CEO.  
26 He is at or near the top of the pyramid operated and promoted by the Defendants,  
27 and he actively participates in, promotes, and profits from MarketAmerica’s  
28 pyramid scheme.

1           14. Defendant Loren Ridinger (“Loren”) is a senior executive Vice  
2 President for MarketAmerica. She is at or near the top of the pyramid operated and  
3 promoted by the Defendants, and she actively participates in, promotes, and profits  
4 from MarketAmerica’s pyramid scheme.

5           15. Defendant Marc Ashley (“Ashley”) is the son of Loren and the  
6 President and Chief Operating Office of MarketAmerica. He is at or near the top of  
7 the pyramid operated and promoted by the Defendants, and he actively participates  
8 in, promotes, and profits from MarketAmerica’s pyramid scheme.

9           16. JR, Loren, and Ashley are referred to hereinafter, as the “Individual  
10 Defendants.”

11 **III. JURISDICTION AND VENUE**

12           17. Jurisdiction is conferred upon this Court because Defendants do business  
13 in this judicial district, they hold themselves out and market to this jurisdiction, and  
14 they actually conduct significant transactions in this jurisdiction. Under Plaintiff’s  
15 California state law claims, more than 75% of those affected in the class (and perhaps  
16 more persons) are residents of the State of California. Supplemental jurisdiction  
17 exists over the RICO causes of action and Federal Securities claim, pled in the  
18 alternative.

19           18. Venue is proper in this Court because a substantial part of the events or  
20 omissions giving rise to Plaintiffs’ claims occurred here, a substantial part of the  
21 property that is the subject of this action is situated here, and Defendants are subject  
22 to personal jurisdiction, in this District.

23           19. Defendant MarketAmerica is subject to the jurisdiction of this Court.  
24 MarketAmerica has been engaged in continuous and systematic business in  
25 California. In fact, many of MarketAmerica’s representative business activities  
26 originate from California.

27           20. MarketAmerica has committed tortious acts in this State.  
28

1           21. Each of the Defendants named herein acted as a co-conspirator, single  
2 enterprise, joint venture, co-conspirator, or alter ego of, or for, the other Defendants  
3 with respect to the acts, omissions, violations, representations, and common course  
4 of conduct alleged herein, and ratified said conduct, aided and abetted, or is other  
5 liable. Defendants have agreements with each other, and other unnamed Director  
6 co-conspirators and have reached agreements to market and promote the  
7 MarketAmerica pyramid as alleged herein.

8           22. Defendants, along with unnamed Director co-conspirators, were part of  
9 the leadership team that participated with MarketAmerica, and made decisions  
10 regarding: products, services, marketing strategy, compensation plans (both public  
11 and secret), incentives, contests and other matters. In addition, Defendants and  
12 unnamed co-conspirators were directly and actively involved in decisions to develop  
13 and amend the compensation plans.

14           23. Plaintiffs are presently unaware of the true identities and capacities of  
15 fictitiously named Defendants designated as DOES 1 through 10, but will amend this  
16 complaint or any subsequent pleading when their identities and capacities have been  
17 ascertained according to proof. On information and belief, each and every DOE  
18 defendant is in some manner responsible for the acts and conduct of the other  
19 Defendants herein, and each DOE was, and is, responsible for the injuries, damages,  
20 and harm incurred by Plaintiffs. Each reference in this complaint to “defendant,”  
21 “defendants,” or a specifically named defendant, refers also to all of the named  
22 defendants and those unknown parties sued under fictitious names.

23           24. Plaintiffs are informed and believe, and thereon allege that, at all times  
24 relevant hereto, all of the defendants together were members of a single association,  
25 with each member exercising control over the operations of the association. Each  
26 reference in this complaint to “defendant,” “defendants,” or a specifically named  
27 defendant, refers also to the above-referenced unincorporated association as a jural  
28 entity and each defendant herein is sued in its additional capacity as an active and

1 participating member thereof. Based upon the allegations set forth in this Complaint,  
2 fairness requires the association of defendants to be recognized as a legal entity, as  
3 the association has violated Plaintiff and Class Members' legal rights.

4 25. Plaintiffs are further informed and believes and thereon alleges that each  
5 and all of the acts herein alleged as to each defendant was authorized and directed by  
6 the remaining defendants, who ratified, adopted, condoned and approved said acts  
7 with full knowledge of the consequences thereof, and memorialized the authority of  
8 the agent in a writing subscribed by the principal.

9 26. Plaintiffs are informed and believe and thereon allege that each of the  
10 defendants herein agreed among each other to commit the unlawful acts (or acts by  
11 unlawful means) described in this Complaint.

12 27. The desired effect of the conspiracy was to defraud and otherwise  
13 deprive Plaintiffs and Class Members (as hereinafter defined) of their constitutionally  
14 protected rights to property, and of their rights under other laws as set forth herein.  
15 Each of the defendants herein committed an act in furtherance of the agreement.  
16 Injury was caused to the Plaintiffs and Class Members by the defendants as a  
17 consequence.

#### 18 **IV. FACTS**

##### 19 **A. MarketAmerica Operates A Pyramid Scheme**

20 28. MarketAmerica was founded in 1992 by a former Amway Distributor,  
21 and co-defendant, JR Ridinger. MarketAmerica has very little costs, nor production  
22 requirements because it does not directly manufacture its own products. Instead,  
23 MarketAmerica offers products from third party manufacturers, but requires  
24 distributors of MarketAmerica to pay monthly fees just for the opportunity to sell  
25 these third-party products, the touchstone of a pyramid scheme.

26 29. To sign up as a Market America distributor, an enrollee must pay a  
27 start-up fee of \$399.00 (which was even greater prior to 2013), and further, a  
28 distributor must pay MarketAmerica a monthly fee of \$129.00, per month. Further,

1 an enrollee must spend between \$130-\$300 on products offered on Shop.com, per  
2 month to allegedly maintain qualifications as an enrollee. MarketAmerica also  
3 requires distributors to attend trainings, events and seminars, which cost between  
4 \$20 and \$200.

5 30. Ridinger describes himself as a “secular economic evangelist.” JR  
6 represents that to be successful with MarketAmerica, one must build two sales  
7 distribution teams, bring in preferred customers, sell business, and sell tickets for  
8 national events, and training seminars. Further representations are made that sales  
9 requires recruiting people to build distribution teams.

10 31. MarketAmerica pays to an infinite level deep with the downline. In  
11 other words, for every dollar earned by a distributor for start up-fees, all those lines  
12 above the person on the pyramid receive revenues from the person being enrolled.

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

16 **B. How MarketAmerica Perpetuates Its Pyramid Scheme**

17 33. To “build a serious business, it is based on bringing two likeminded  
18 people-one on your right side, one on your left side.” *See*  
19 <https://www.youtube.com/watch?v=TMSQnqK4l8A>, (last visited May 27, 2017) (at  
20 6:40).

21 34. As each lower level is recruited, points and commissions are rewarded  
22 to an infinite level deep, i.e. to each level of the pyramid scheme. According to  
23 MarketAmerica, “people lead to more people.” (*See* Figure No. 1).

24 [Complaint continued on next page]

25  
26  
27  
28

FIGURE NO. 1



35. Every dollar made by MarketAmerica (*i.e.* throughout the entire pyramid) accrues to the benefit of those at the top of the pyramid.

36. Two commission checks are to be paid – money from BV (Business volume) Products that MarketAmerica affixes its logo to) and IBV (Incentive Business Volume) (non-MarketAmerica Products).

37. After a distributor cycles (creates one full cycle of sales above as reflected in Figure No. 1), a distributor can “re-enter” the pyramid as a downline in both pyramids. Recycling is depicted in the black squares below as follows:

FIGURE NO. 2





1           38. The purpose of “re-entry” is a feeble attempt to detract from the  
2 appearance of a perpetual pyramid scheme and to squeeze out those in the lower  
3 levels of the pyramid from bonuses, points, and commissions. Re-entries in  
4 MarketAmerica are represented by those in MarketAmerica to be “unlimited.”

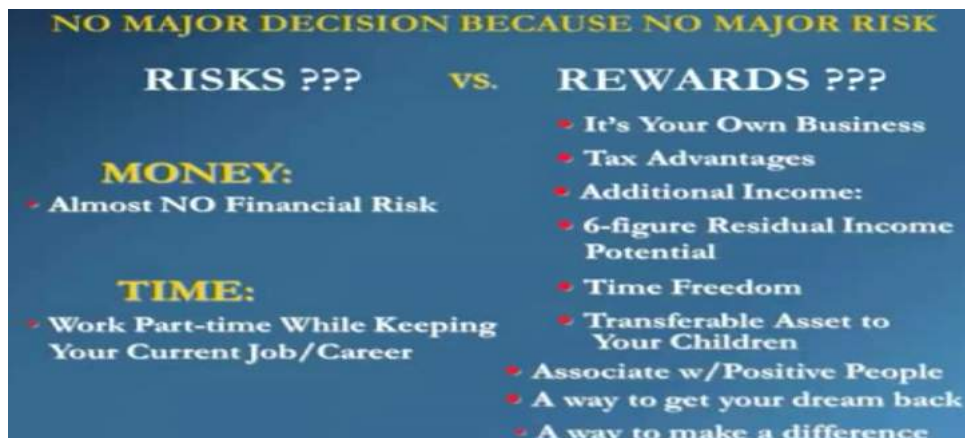
5           39. Finally, if one becomes a “Master Unfranchise Owner” he or she can  
6 earn even more money (*see* Figure No. 3 below). In short, enrollees are asked to  
7 pay a large upfront fee for the speculative chance to earn another source of income.  
8 Those on the top of the pyramid will give up some of the ill-gotten profits *if* a  
9 Distributor signs up three times. According to MarketAmerica, through this  
10 process, a distributor can earn “\$561,600.” Through MarketAmerica, a distributor  
11 can have at most, four front lines. In actuality, no true MarketAmerica distributor  
12 earns \$561,000, only those at the helm of the scheme, and more than 90% all  
13 enrollees earn nothing.

14  
15 FIGURE NO. 3



25           40. MarketAmerica claims to its victims, “don’t overthink it. This is a  
26 proven system.” According to representations and advertisements, MarketAmerica  
27 has taken “all the risk away.”

1 FIGURE NO. 4



2  
3  
4  
5  
6  
7  
8  
9 41. MarketAmerica represents that this business opportunity can be “willed or transferable” to an distributor’s children, you “get to dream big,” and get to “make a difference in the world” by being a part of this business.

10  
11  
12 **C. Members Receive Benefits Only Through The Performance Of Those Downline To Them**

13  
14 42. As MarketAmerica’s sale presentation states, income is made only from the recruit of additional sales representatives because Market America has to pay wholesale prices to those companies that actually manufacture its products.

15  
16  
17 43. Some of the products offered by MarketAmerica are unhealthy and toxic, and after Plaintiff Lan’s mother took MarketAmerica’s products, she suffered health issues. MarketAmerica has been sued under Proposition 65 in a class action because certain of its products allegedly contained lead. *Environmental Research Center v. Market America, Inc.*, 30-2013-00650458 (Orange Ct. Sup. Ct, May 20, 2012).

18  
19  
20  
21  
22  
23 **D. Market America Encourages Inventory Loading**

24 44. MarketAmerica encourages Distributors to recruit and to inventory load through its wholesale commissions.

25  
26 45. The prospect of wholesale commissions encourages recruiting: the more recruits a Distributor has, the more potential there is for a wholesale commission. The prospect of wholesale commissions also encourages Distributors

1 to purchase product they do not otherwise need or want to increase their points so  
2 that they can be eligible for greater discounts and thus, greater wholesale  
3 commissions.

4 46. There are very few retail purchases made at Distributors' sites. These  
5 are MarketAmerica webpages that allow retail customers to order directly from  
6 MarketAmerica and attribute the purchase to a particular distributor (much like a  
7 customer informing the cashier at a department store which clerk helped him find  
8 the sweater he is purchasing). The customer does not receive a discount for  
9 purchasing through a particular Distributor's Microsite, so the customer has little  
10 incentive to order through the Microsite. As for the Distributors, they will want to  
11 make retail sales directly to retail customers so they can offload product that they  
12 have already purchased from MarketAmerica. In addition, for reasons described  
13 herein, few profitable retail sales are made at all, via the sites or otherwise. Thus,  
14 retail sales through a Distributor's site is not a reliable source of points.

15 47. The only reliable source of points for the majority of Distributors is  
16 their own purchases. Purchases for normal consumption will be insufficient to meet  
17 the thresholds required to qualify for bigger discounts. Thus, MarketAmerica's  
18 wholesale commissions financially incentivize the Distributors to inventory load to  
19 make purchases; not for the purpose of fulfilling retail demand, and not to satisfy  
20 their normal desire for nutritional supplements and health products, but rather so  
21 that they can increase their points, qualify for greater discounts, and qualify for  
22 wholesale commissions. Moreover, as discussed above, every form of  
23 compensation paid by MarketAmerica incentivizes recruiting - bringing more  
24 Distributors into the scheme. In fact, Wholesale Commissions, Overrides, and  
25 Leadership Bonuses are payable only if a Distributor has recruited new Distributors.  
26 Thus, just like a classic pyramid scheme, the MarketAmerica scheme requires  
27 participants to put money into the scheme and rewards participants who bring in  
28 new participants.

1           **E.     Distributors Are Unable To Sell MarketAmerica Products For A**  
2                           **Profit**

3           48.     Distributors are unable to consistently sell MarketAmerica products for  
4 a profit for many reasons. First, the products are overpriced. Interchangeable  
5 products are available online or in brick-and-mortar stores for amounts far less than  
6 MarketAmerica’s suggested retail price, and even lower than its wholesale prices.

7           49.     Second, MarketAmerica’s products themselves are available online for  
8 the wholesale price or less. That these products are sold at or below the Advisor  
9 price makes it difficult for Distributors to sell the products for a profit.

10          MarketAmerica may have taken action to reduce resales, but the fact remains that  
11 MarketAmerica products are available below the discount prices. Moreover, many  
12 of these sales are likely made by current or former Distributors desperately trying to  
13 offload excess product at whatever price they can get, which further supports the  
14 propositions that Distributors Inventory Load and that the MarketAmerica products  
15 are overpriced.

16          50.     Third, MarketAmerica prohibits Distributors from selling the products  
17 in the only forum for a where Distributors could reasonably expect to sell enough  
18 product to make a meaningful profit: the internet. Some examples of these  
19 prohibited websites include, but are not limited to: eBay, Amazon or Craigslist. In  
20 addition, MarketAmerica forbids its Distributors from selling MarketAmerica  
21 products at almost all brick-and-mortar establishments. MarketAmerica seeks to  
22 limit the Distributors to one-on-one situations in private locations (such as the  
23 Distributor’s or a friend’s home), but achieving significant, profitable retail sales by  
24 this method is extremely difficult.

25          51.     Plaintiffs do not contend that Distributors make no retail sales at all.  
26 But Plaintiffs do allege that relatively little of the revenues received by  
27 Distributors—including both money paid them by MarketAmerica and proceeds  
28 from retail sales—comes from retail sales, and the vast majority comes from

1 Distributors' payments to MarketAmerica. Thus, the Distributors are primarily  
2 feeding off each other.

3 52. MarketAmerica also makes false and/or inadequate income disclosures  
4 in that in many instances, it does not disclose income of those who are distributors,  
5 or provides statements of income that are false, and/or misleading, that affirmatively  
6 represent a profitable business opportunity, when there is no profit to be made, and  
7 nearly all participants in fact, lose money.

8 53. Because MarketAmerica pays the executives at the top of the pyramid  
9 exorbitant incomes and because little non-Distributor money comes into the scheme  
10 to pay Distributors, the Distributors at the bottom of the pyramid must lose money.  
11 These losses are borne out by MarketAmerica's own financial disclosures and the  
12 experiences of the Plaintiffs and multiple other Distributors.

13 **F. The Individual Defendants and Market America Promote the**  
14 **Pyramid Scheme**

15 54. The Individual Defendants are persons at the top of MarketAmerica's  
16 pyramid. All of the Individual Defendants achieved ranks of top executive. They are  
17 in the top 1% of Distributors who make the most lucrative bonuses. They actively  
18 participate in the MarketAmerica pyramid scheme, and they profit from the  
19 compensation plan at the expense of the vast majority of Distributors.

20 55. MarketAmerica and the Individual Defendants promote the pyramid  
21 scheme and make misleading claims of financial success.

22 56. In coordination with MarketAmerica, the Individual Defendants have  
23 flooded the internet with promotional materials designed to lure in new Distributors.  
24 MarketAmerica and Individual Defendants promote the scheme as a lawful program  
25 that, with sufficient hard work, virtually guarantees financial success. MarketAmerica  
26 and the Individual Defendants promote Market America as a reliable source of  
27 significant income.  
28

1           57. To sell the financial- success promise, MarketAmerica and the  
2 Individual Defendants flaunt the wealth of the highest-ranked Distributors and those  
3 few insiders at the top of the pyramid, as examples of the riches that await new  
4 participants, if only they will work hard enough (i.e., tirelessly recruit new  
5 Distributors).

6           58. All of the Individual Defendants have produced videos and made  
7 statements via the internet knowingly promoting MarketAmerica’s pyramid scheme  
8 and touting the financial rewards supposedly available to participants. Each of these  
9 statements furthered the pyramid scheme by encouraging persons to become  
10 Distributors and by encouraging Distributors to remain Distributors and pursue the  
11 MarketAmerica business opportunity.

12           59. The similarity of the statements made by the Individual Defendants  
13 indicates a collusive effort to promote the MarketAmerica scheme. The following  
14 paragraphs set forth just a small subset of publicly broadcast statements made by the  
15 Individual Defendants to promote the MarketAmerica “business opportunity.”

16           60. Defendant JR Ridinger (“JR”). Defendant JR is one of the most prolific  
17 MarketAmerica promoters. Scores of videos on YouTube and other public internet  
18 platforms feature JR promoting, touting, and explaining the MarketAmerica business  
19 opportunity.

20 FIG. NO. 5



1 61. As seen above, JR tries to make his introduction to victims appear like a  
2 rock and roll concert with visual spectacles including pyrotechnics, laser lights, rock  
3 music, and jumbo screens. <https://www.youtube.com/watch?v=pZn5xjKpDns>.

4 62. JR represents: “[h]ow do we build a business, we have fun and we hiss a  
5 lot.” “We hiss in a lot of pots.” “For those that understand no explanation is  
6 necessary.” “We can sell anything.”

7 63. Further, JR represents “[i]t follows wherever people connect to  
8 maximize to infinity.” “One person doesn’t do it, it creates swiss cheese below. In  
9 reality if one person doesn’t do it, you have to get three in under them, and three in  
10 under them.” “It always maximizes profit.” “We are executive directors in one year.  
11 Some Chinese have done it faster. [Except unlike them] we buy tickets.”

12 FIG NO. 6



20 FIG. NO. 7



1           64.    Defendant Loren Ridinger (“Loren”). Loren represents: “[w]e build  
2 people with teams.” “When you buy, you can buy from yourself.” “If you can’t buy  
3 from yourself...[convert spending to earning] why are you here?” Loren further  
4 represents that distributors, “[n]eed to buy a ticket here [for the next event  
5 MarketAmerica is having].” “If you don’t buy it here, *you are not coming [to the next  
6 event].*” Loren demands that distributors “build from event to event,” “build an  
7 empire, people power.” Among other things, Loren commands to her victims that  
8 through the MarketAmerica business opportunity, one can “[b]e a lion for a day rather  
9 than being a slave for thousands of years.” “We build people power,” and later she  
10 claims MarketAmerica requires an - “empire of people.”

11 FIGURE NO. 8



21           65.    Defendant Marc Ashley. Defendant Marc Ashley (“Ashley”) is the  
22 COO of MarketAmerica and regularly promotes the recruiting scheme of  
23 MarketAmerica at events by discussing the recruitment scam of MarketAmerica.

24 FIGURE NO. 9

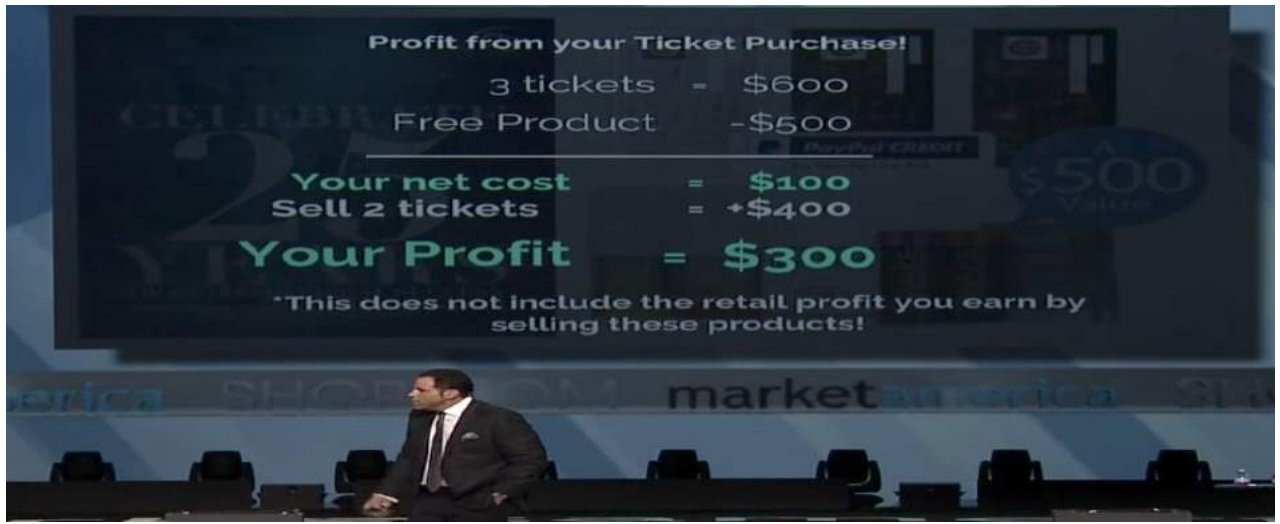




FIGURE NO. 10



FIGURE NO. 11



66. Carl Eklund, an executive of MarketAmerica confirms in various seminar materials that the MarketAmerica business has “not changed” because of the shopping annuity, the shopping annuity just makes the business easier.

**G. Plaintiffs Are Victims Of The Pyramid Scheme**

67. Yang became an MarketAmerica distributor in 2010 through 2016 by making purchases and buying the starter pack. Plaintiff paid the monthly membership for years, attended multiple seminars, and in total paid MarketAmerica approximately \$35,000 towards this opportunity. Plaintiff Yang was deceived by MarketAmerica’s misleading opportunity believing, the opportunity was a legitimate way to earn money (even though that representation by Market and the

1 Individual Defendants was false), and Plaintiff Yang did in fact lose money as a  
 2 result of Defendants’ unfair, unlawful, and fraudulent business practice.

3 68. Ollie Lan, is and at all relevant times, had done business in the County  
 4 of Los Angeles. Lan became a MarketAmerica distributor in December of 2015  
 5 through present. Lan paid monthly distributor fees for three months. Plaintiff Lan  
 6 was deceived by MarketAmerica’s misleading opportunity believing the opportunity  
 7 was a legitimate way to earn money (even though that representation was false), and  
 8 Plaintiff Lan did in fact lose money as a result of Defendants’ unfair, unlawful, and  
 9 fraudulent business practice.

10 69. Plaintiffs Yang and Lan were unable to make many retail sales, and they  
 11 lost money in the MarketAmerica scheme even considering retail sales.

12 **H. Independent Distributor Application And Agreement**

13 70. At some times during MarketAmerica’s history, it has requested various  
 14 class members to sign a one page document labeled, “Independent Distributor  
 15 Application and Agreement” (the “Agreement”).

16 FIGURE NO. 12

17 **marketamerica** PF 241071 INDEPENDENT DISTRIBUTOR APPLICATION AND AGREEMENT

18 Name of Distributor (Printing or Application) Mailing Distributor ID No.

19 Please complete in BLOCK LETTERS

20 **Independent Distributor Information**  
 I am not a member of the U.S. Armed Forces. My spouse's information on this form. (United States citizens are treated as a single Distributor.)  
 (Citizens of the U.S. only)  Individual  Business Organization (Proof documents required)

21 Primary Distributor Social Security Number (Market America Distributor ID Number (if applicable) (Preferred Customer ID Number (if applicable))

22 Name of Primary Distributor Last Name First Name

23 Primary Distributor's Date of Birth  Male  Female  
 (Month Day Year) (Month Day Year)

24 Federal Tax ID Number (if applicable) Name of Business Organization (if applicable)

25 I am a business entity; you must provide copies of your articles of incorporation and a list of all principals and their SSNs.

26 Home Phone ( ) ( ) ( ) Business Phone ( ) ( ) ( ) Fax ( ) ( ) ( ) Mobile Phone ( ) ( ) ( )

27 E-mail Address: \_\_\_\_\_

28 Secondary Distributor Social Security Number \_\_\_\_\_

Name of Secondary Distributor Last Name First Name

Primary Distributor's Home/Mailing Address

Street Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

Primary Distributor's Shipping Address

Street Address (Print Check Card on way 800229266 for shipping to within Market America's USPS delivery area)

City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

Business Information

Name of Applicant \_\_\_\_\_ Business Organization ID Number \_\_\_\_\_

Placement Information

Link to Distributor or Business Organization Name \_\_\_\_\_ Link to Distributor ID \_\_\_\_\_ SEC. EX. NO. \_\_\_\_\_ Check One  Yes  No

Entry Classification (Check One)

Sales Representative (see fee required)  Converting Sales Representative to Distributor (current subscription fee required)

Sales Representative Lite (Retailer) (No fee required)  Distributor Lite (Retailer) (current subscription fee required). Please send the subscription agreement.

Distributor, Single Business Development Center (SBDC)  Current application fee \$100.00

Distributor, Single Business Development Center (Supervisory Strength) (Current subscription fee required) \$ 500.00 (Retailer order must accompany this application)  Self-Start Right: \_\_\_\_\_  Sub-Commissioner: \_\_\_\_\_

**CONSENTING TO THE TERMS**

Distributor agrees to be bound by the terms of Market America, as they may be amended from time to time, including rules, including payment of applicable representation or other charges, to be notified by Market America of any change in address or personal bank accounts, and to be permitted this check-writing privilege upon demand by Market America.

NAME (as it appears on credit card) \_\_\_\_\_

I am authorized by my signature below, I authorize United America, Inc. to charge my credit card for any credit-card funds (debit or bank draft) and services charges that are not subject to my 30-day return.

Bill  Credit Card Account No. \_\_\_\_\_ Security Code: \_\_\_\_\_ (SEE DISTRIBUTOR ID)

Major Card \_\_\_\_\_

Under penalty of perjury, I certify that the Social Security Number and/or Federal Tax ID Number shown on this form are correct.

I, the undersigned, may cancel this transaction at any time prior to midnight of the tenth business day after the date of this transaction.

I agree to the above indicated information and I ACKNOWLEDGE THAT I HAVE READ, UNDERSTAND AND AGREE TO THE TERMS SET FORTH IN THIS AGREEMENT, AS INDICATED BY MY SIGNATURE BELOW.

Primary Applicant's Signature \_\_\_\_\_ Date \_\_\_\_\_

Secondary Applicant's Signature (if applicable) \_\_\_\_\_ Date \_\_\_\_\_

Sponsor's Signature \_\_\_\_\_ Date \_\_\_\_\_

An application that is not approved will be voided as to all companies. The Primary Distributor must sign the application. **INCLUDE PAYMENT PAYABLE TO MARKET AMERICA IF APPLICABLE.**

ARM: MAIL TO: P.O. BOX 25355, CHARLOTTE, NC 27225 **SEE ADVISORY COPY FOR TERMS AND CONDITIONS** INTERNAL USE ONLY / Processor Initials \_\_\_\_\_  
 Revised 04/2016 by: 3025 Pleasant Ridge Rd., Greensboro, NC 27409

1           71. The signature line of the Agreement, only requires a MarketAmerica  
2 distributor to “AGREE TO THE TERMS SET FORTH IN THIS AGREEMENT.”  
3 (emphasis added). None of the “terms” in the Agreement provide for arbitration.  
4 Nowhere on the form, does MarketAmerica ask class members to assent or sign that  
5 they agree to any *conditions*. No term of the Agreement provides for arbitration, so  
6 no class member is bound by arbitration.

7           72. At the bottom of the form and *below* the signature box (See Figure No.  
8 12 above), next to a box labeled “INTERNAL USE ONLY,” the Agreement states  
9 “SEE REVERSE SIDE FOR TERMS AND CONDITIONS OF THIS  
10 AGREEMENT.” (emphasis added).

11           73. The “conditions” on the reverse side include an arbitration provision,  
12 which provides as follows:

13  
14           29. Arbitration. Any controversy or claim arising out of or relating to this  
15 Agreement, or the breach thereof, shall ultimately be settled by arbitration  
16 administered by the American Arbitration Association in accordance with its  
17 Commercial Arbitration Rules and judgment on the award rendered by the  
18 arbitrators may be entered in a court of competent jurisdiction. You understand  
19 that this arbitration provision means you are giving up the right to have any  
20 dispute you have regarding this Agreement heard by a jury and determined in a  
21 court of law. The arbitration shall be heard by one arbitrator, and it shall take  
22 place in Greensboro, North Carolina. Either party may seek emergency or  
23 provisional relief in the General Court of Justice, Guilford County, North  
24 Carolina, prior to invoking the arbitration remedy.

25           74. The arbitration provision is unenforceable because no class members  
26 were required to assent to the arbitration conditions by the terms of the Agreement  
27 itself, and the signature line block confirms only the “terms” of the Agreement need  
28 be assented to. In the alternative, this is highly misleading.

          75. In the alternative, the arbitration provision is unconscionable because  
*inter alia*, it permits MarketAmerica the unilateral right to modify the conditions of

1 the arbitration policy, the rules of Commercial Arbitration for AAA do not provide  
2 for prevailing party fees and class members would have to pay the cost and fees of  
3 arbitration despite their entitlement to costs of suit and fees should they be the  
4 prevailing party in this action, the pre-litigation requirements of MarketAmerica prior  
5 to bringing action are unconscionable, and for other reasons to be asserted to the  
6 extent motion practice is initiated.

7 76. In the alternative, the arbitration provision is unenforceable as a matter  
8 of law and as a matter of fact on other grounds.

9 77. In the alternative, the arbitration provision is unenforceable related to the  
10 injunctive relief requested in this Complaint, based on recent California Supreme  
11 Court authority.

12 **V. CLASS ACTION ALLEGATIONS**

13 77. Plaintiffs seek to represent a nationwide class defined as follows:

14 78. Plaintiffs bring this action as a class action under Federal Rule of Civil  
15 Procedure 23.

16 79. Plaintiffs seek to certify a class pursuant to Fed. R. Civ. Proc. 23(a),  
17 23(b), 23(c)(4), and 23(c)(5), if necessary.

18 80. Plaintiffs seek relief on behalf of themselves and the following class:  
19 persons who paid start-up fees, monthly fees, annual fees, seminar ticket fees, any  
20 other fees imposed by Market America, and/or purchased products from  
21 MarketAmerica between March 9, 2010, to the present date, who lost money from  
22 their participation in the MarketAmerica scheme.

23 81. Subject to confirmation, clarification and/or modification based on  
24 discovery to be conducted in this action, Plaintiffs also seek to represent a sub-class  
25 in California, defined as follows: persons residing in California who paid start-up  
26 fees, monthly fees, annual fees, seminar ticket fees, any other fees imposed by Market  
27 America, and/or purchased products from MarketAmerica between March 9, 2010, to  
28

1 the present date, who lost money from their participation in the MarketAmerica  
2 scheme.

3 82. Subject to confirmation, clarification and/or modification based on  
4 discovery to be conducted in this action, Plaintiff also seeks to represent a sub-class  
5 of all worldwide participants of MarketAmerica, defined as follows: persons  
6 residing anywhere in the World who paid start-up fees, monthly fees, annual fees,  
7 seminar ticket fees, any other fees imposed by Market America, and/or purchased  
8 products from MarketAmerica between March 9, 2010, to the present date, who lost  
9 money from their participation in the MarketAmerica scheme.

10 83. Pursuant to the previous paragraph of this complaint, the damage to any  
11 person living anywhere else other than the United States involved a domestic injury  
12 to business or property because all contracts of independent business owners were  
13 negotiated, executed, and stored on a server in the United States owned by  
14 MarketAmerica, and are available on the worldwide web, involved a significant  
15 connection to domestic commerce in that the labeling, products, and other parts of  
16 the manufacturing and sales and marketing process were conducted from the United  
17 States, and for other reasons to be provided according to proof, and after the  
18 opportunity for discovery.

19 84. Excluded from the class are the Defendants, family members, this  
20 Court, and any "Director" of MarketAmerica.

21 85. Plaintiffs seek to pursue a private attorney general action for injunctive  
22 relief for themselves and all members of the class, and they satisfy the standing and  
23 class action requirements.

24 86. While the exact number of members in the Class and Subclasses are  
25 unknown to Plaintiffs at this time, and can only be determined by appropriate  
26 discovery, membership in the class and subclasses is ascertainable based upon the  
27 records maintained by Defendant. It is estimated that the members of the Class are  
28 greater than 250,000, nationwide.

1           87. Therefore, the Class and Subclasses are so numerous that individual  
2 joinder of all Class and Subclass members is impracticable.

3           88. There are questions of law and/or fact common to the class and  
4 subclasses, including but not limited to: (a) Whether the arbitration policy is  
5 enforceable; (b) Whether MarketAmerica is operating an endless chain; (c) Whether  
6 Distributors paid money to MarketAmerica for (1) the right to sell a product and (2)  
7 the right to receive, in return for recruiting others, rewards which were unrelated to  
8 the sale of the product to retail consumers; (d) Whether MarketAmerica's rules  
9 apply to Section 327 claims; (e) If the MarketAmerica rules do apply, are  
10 MarketAmerica's rules effective; (f) If the MarketAmerica rules do apply, and  
11 MarketAmerica's rules are effective, did MarketAmerica enforce those rules; (g)  
12 Whether MarketAmerica or the Individual Defendants omitted to inform the  
13 Plaintiffs and the plaintiff class that they were entering into an illegal scheme where  
14 an overwhelming number of participants lose money; (h) Whether MarketAmerica's  
15 statements of compensation during the Class Period were deceptive and misleading;  
16 (i) Whether MarketAmerica's conduct constitutes an unlawful, unfair and/or  
17 deceptive trade practice under California state law; (j) Whether MarketAmerica's  
18 conduct constitutes unfair competition under California state law; and (k) Whether  
19 MarketAmerica's conduct constitutes false advertising under California state law.

20           89. These and other questions of law and/or fact are common to the class  
21 and subclasses and predominate over any question affecting only individual class  
22 members.

23           90. Plaintiffs' claims are typical of the claims of the class and subclasses in  
24 that Plaintiffs were Distributors for Defendant MarketAmerica and lost money  
25 because of the illegal scheme.

26           91. Plaintiffs will fairly and adequately represent the interests of the class  
27 and subclasses. Plaintiffs' claims are typical of those of the class and subclasses.  
28 Plaintiffs' interests are fully aligned with those of the class and subclasses. And

1 Plaintiffs have retained counsel experienced and skilled in complex class action  
2 litigation.

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

8 93. Plaintiffs know of no difficulty likely to be encountered in the  
9 management that would preclude its maintenance as a class action.

10 **VI. CLAIMS FOR RELIEF**

11 **FIRST CLAIM FOR RELIEF**

12 **Judgment Declaring the Arbitration Provision Unenforceable**

13 (Plaintiffs on Behalf of Themselves And Those Similarly Situated, Against All  
14 Defendants, including DOES 1 through 10)

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

17 95. Because the MarketAmerica Agreement itself does not require any  
18 class member to assent, by signature, to the “conditions,” the arbitration provision is  
19 unenforceable related to the claims in this action.

20 96. MarketAmerica’s “conditions” buried at the bottom of the form, below  
21 the signature block and next to a box “for internal use only” include an arbitration  
22 provision. The conditions grant MarketAmerica the power to unilaterally modify  
23 the terms of the Agreement, including the arbitration provision, at any time and  
24 without prior notice, thereby rendering the arbitration provision illusory, lacking  
25 consideration, and therefore unenforceable.

26 97. The arbitration provision is alternatively, unenforceable as a matter of  
27 fact, and law.

28







1           108. All claims brought under this Third Cause of Action that refer or relate  
2 to the unlawful, fraudulent or unfair the statements, the touted MarketAmerica  
3 “business opportunity” are brought on behalf of Plaintiffs and the Class.

4           109. MarketAmerica has engaged in constant and continuous unlawful,  
5 fraudulent and unfair business acts or practices, and unfair, deceptive, false and  
6 misleading advertising within the meaning of the California Business and  
7 Professions Code § 17200, *et seq.* The acts or practices alleged constitute a pattern  
8 of behavior, pursued as a wrongful business practice that has victimized and  
9 continues to victimize thousands of consumers for which Plaintiffs’ seek to enjoin  
10 from further operation. The MarketAmerica Sales and Marketing Plan Is Unlawful.

11           110. Under California Business and Professions Code § 17200, an  
12 “unlawful” business practice is one that violates California law.

13           111. MarketAmerica’s business practices are unlawful under § 17200  
14 because they constitute an illegal “endless chain” as defined under, and prohibited  
15 by, California Penal Code § 327.

16           112. MarketAmerica utilizes its illegal “endless chain” with the intent,  
17 directly or indirectly, to dispose of property in MarketAmerica’s products and to  
18 convince Distributors to recruit others to do the same.

19           113. MarketAmerica’s business practices are unlawful pursuant to §17200  
20 because they violate §17500 *et seq.*, as alleged in the Third Cause of Action.

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

23           115. MarketAmerica’s business practices are fraudulent in two separately  
24 actionable ways: (1) MarketAmerica’s business constitutes an illegal and deceptive  
25 “endless chain;” (2) the touted, yet non-existent, MarketAmerica “business  
26 opportunity” is for everyone, including but not limited to MarketAmerica’s massive  
27 advertising campaign and the misleading statements of compensation.  
28

1           116. First, as detailed herein, Defendants promoted participation in the  
2 MarketAmerica endless chain, which has a compensation program based on  
3 payments to participants for the purchase of product by participants, not the retail  
4 sale of products or services.

5           117. MarketAmerica has made numerous misleading representations about  
6 the business opportunity of MarketAmerica and the income that a recruit or a  
7 distributor can realize by becoming a distributor and participating in the scheme.

8           118. MarketAmerica knew, or should have known, that the representations  
9 about the business opportunity of MarketAmerica were misleading in nature.

10           119. As a direct result of MarketAmerica' fraudulent representations and  
11 omissions regarding the MarketAmerica endless chain described herein,  
12 MarketAmerica wrongly acquired money from Plaintiff and the members of the  
13 classes.

14           120. Second, MarketAmerica touted, in numerous different ways as part of a  
15 massive advertising campaign, a "business opportunity," which MarketAmerica also  
16 repeatedly and in many ways represented, among other things, as being "for  
17 everyone" and allowing "full time" or "part time" opportunities.

18           121. The massive advertising campaign included among other things, the  
19 website, emails, websites, presentations by MarketAmerica, training, word of mouth  
20 among Distributors, and events.

21           122. As part of this campaign and a further inducement to potential  
22 Distributors, MarketAmerica made and disseminated statements of compensation  
23 that further misled the public, among other things: (1) by using cryptic and technical  
24 terms known to MarketAmerica but not to the general public or to those exploring  
25 the claimed "business opportunity," (2) by highlighting the successful persons, i.e.,  
26 those that received compensation from MarketAmerica, and the average gross  
27 compensation paid by MarketAmerica to those winners, (3) by failing to disclose the  
28 actual number of successful persons as compared to the number of Distributors who

1 received no compensation from MarketAmerica (i.e., the “losers”), and (4) by  
2 downplaying and omitting the risks and costs involved in starting an MarketAmerica  
3 Distributorship and succeeding in such a Distributorship.

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

8 124. MarketAmerica knew, or should have known, that the selective  
9 information presented to distributors in the compensation and its massive adverting  
10 campaign during that time frame touting its purported “business opportunity” was  
11 likely to mislead the public and did in fact mislead the public into believing that  
12 there was a legitimate “business opportunity” in which Distributors, or a large  
13 portion of them, could make money in either a full or part time capacity. In fact,  
14 however, there was no such “business opportunity,” except for a very select few.

15 125. As a direct result of MarketAmerica’ fraudulent representations and  
16 omissions regarding the Statement and the massive adverting campaign during that  
17 time frame and thereafter touting MarketAmerica’s purported “business  
18 opportunity” described herein, MarketAmerica wrongly acquired money from  
19 Plaintiffs and the members of the classes.

20 126. The named Plaintiffs have standing to bring these § 17200 claims under  
21 the fraudulent prong, and can demonstrate actual reliance on the alleged fraudulent  
22 conduct.

23 127. For instance, Plaintiffs have been in receipt of misleading and false  
24 financial statements and marketing materials/seminar papers, which promoted the  
25 MarketAmerica’ scheme and claimed “business opportunity” and contained material  
26 false representations regarding the success Distributors could achieve through  
27 MarketAmerica by purchasing products and recruiting others to do the same.

28

1           128. There were other representations made to Distributors as part of the  
2 massive advertising campaign regarding the claimed “business opportunity,” on  
3 which Plaintiff or some of the Class Members, reasonably believed the  
4 representations they could succeed in the “business opportunity,” did not return the  
5 refund, purchased MarketAmerica products and did not immediately return them,  
6 signed up as MarketAmerica Distributors, and attempted to and recruited others to  
7 do the same. These other representations include, but are not limited to the  
8 following: (a) emails from MarketAmerica that promoted MarketAmerica and  
9 contained material false representations regarding the success that a distributor  
10 could achieve through MarketAmerica by purchasing products and recruiting others  
11 to do the same; (b) websites, such as [www.shop.com](http://www.shop.com) and [marketamerica.com](http://marketamerica.com), which  
12 promoted the fraudulent scheme through videos of Individual Defendants containing  
13 material false representations regarding the “business opportunity” available to  
14 Distributors and the wealth that a distributor could get by agreeing to become an  
15 MarketAmerica distributor; (c) Presentations by MarketAmerica Distributors which  
16 contained material false representations regarding the “business opportunity” and  
17 the success that a distributor could get through MarketAmerica by purchasing  
18 products and recruiting others to do the same; (d) Presentations by MarketAmerica,  
19 including the presentations described in this complaint, which contained material  
20 false representations regarding the “business opportunity” and the success that a  
21 distributor could get through MarketAmerica by purchasing products and recruiting  
22 others to do the same; (e) Training and events where MarketAmerica Distributors  
23 made material false representations regarding the “business opportunity” and the  
24 success that a distributor could get through MarketAmerica by purchasing products  
25 and recruiting others to do the same.

26           129. To the extent proof of reliance is required of Plaintiffs, MarketAmerica  
27 and the Individual Defendants knew that Plaintiffs and the class would reasonably  
28 rely on their representations and omissions, which would cause the Plaintiffs and the

1 class joining the fraudulent endless chain scheme and purchasing the products, and  
2 Plaintiffs did in fact reasonably rely upon such representations and omissions.

3 130. Indeed, had Plaintiffs and the class known that MarketAmerica and its  
4 Individual Defendants were promoting an endless chain, they would not have  
5 become MarketAmerica Distributors in the first place and, if learned after becoming  
6 a distributor, they would not have purchased MarketAmerica products thereafter.

7 131. Had Plaintiffs and the class known that MarketAmerica was promoting  
8 a “business opportunity” that did not exist except for a select few, they would not  
9 have become MarketAmerica Distributors in the first place and, if learned after  
10 becoming a distributor, they would not have purchased MarketAmerica products  
11 thereafter.

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

15 133. Under California Business and Professions Code § 17200, a business  
16 practice is “unfair” if it violates established public policy or if it is immoral,  
17 unethical, oppressive or unscrupulous and causes injury which outweighs its  
18 benefits.

19 134. For the reasons set forth herein and above, MarketAmerica’s promotion  
20 and operation of an unlawful and fraudulent endless chain, and its fraudulent  
21 representations and omissions regarding its purported “business opportunity,” are  
22 also unethical, oppressive, and unscrupulous in that MarketAmerica is and has been  
23 duping Plaintiff and the class out of billions, or at least hundreds of millions, of  
24 dollars.

25 135. MarketAmerica’s actions have few, if any, benefits. Thus, the injury  
26 caused to Plaintiff and the class easily and dramatically outweigh the benefits, if  
27 any.

28

1 136. Defendants should be made to disgorge all ill-gotten gains and return to  
2 Plaintiff and the class all wrongfully taken amounts.

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

10 **FOURTH CLAIM FOR RELIEF**

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

12 (Plaintiffs on behalf of themselves and the Class Against All Defendants including  
13 DOES 1 through 10)

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

16 139. All claims brought under this Fourth Claim for Relief that refer or  
17 relate to the false, untrue, fraudulent or misleading endless chain of Defendants are  
18 brought on behalf of Plaintiffs and the Class.

19 140. All claims brought under this Fourth Cause of Action that refer or  
20 relate to the false, untrue, fraudulent or misleading statements of income are brought  
21 on behalf of Plaintiffs.

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

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

28

1           143. Defendants engaged in false, unfair and misleading business practices,  
2 consisting of false advertising and materially misleading omissions regarding the  
3 purported “business opportunity,” likely to deceive the public and include, but are  
4 not limited to, the items set forth above. MarketAmerica knew, or should have  
5 known, that the representations about the business opportunity of MarketAmerica  
6 were misleading in nature.

7           144. Because of Defendants’ untrue and/or misleading representations,  
8 Defendants wrongfully acquired money from Plaintiff and the class members to  
9 which they were not entitled. The Court should order Defendants to disgorge, for the  
10 benefit of Plaintiff and all other MarketAmerica Distributors in the class who signed  
11 an agreement with MarketAmerica governed by California law their profits and  
12 compensation and/or make restitution to Plaintiff and the Class.

13           145. Under California Business and Professions Code Section 17535,  
14 Plaintiffs and the class seek a judicial order directing Defendants to cease and desist  
15 all false advertising related to the Defendants’ illegal endless chain scheme, and  
16 such other injunctive relief as the Court finds just and appropriate.

17           146. Because of Defendants’ untrue and/or misleading representations,  
18 Defendants wrongfully acquired money from Plaintiff and the class members to  
19 which they were not entitled. The Court should order Defendants to disgorge, for the  
20 benefit of Plaintiff and all other MarketAmerica Distributors in the class who signed  
21 a Distributor Agreement with MarketAmerica their profits and compensation and/or  
22 make restitution to Plaintiff and the class.

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

27 ///

28 ///



1 **FIFTH CLAIM FOR RELIEF**

2 **(RICO 18 U.S.C. § 1962(a))**

3 (Plaintiffs on behalf of themselves and the Class Against All Defendants including  
4 DOES 1 through 10)

5 148. Plaintiff realleges all allegations as if fully set forth herein, and  
6 incorporate previous allegations by reference.

7 149. MarketAmerica, the Individual Defendants, and those in conspiracy,  
8 willfully and intentionally violated and continue to violate RICO and California law  
9 with the goal of obtaining money, directly and indirectly, through a pattern of  
10 racketeering activities in violation of the mail and wire fraud statutes, 18 U.S.C. §§  
11 1341 and 1343, 18 U.S.C. § 1962(a), and California Penal Code § 327.

12 149. Each of the Defendants are engaged in activities of federal interstate  
13 and foreign commerce and are entities capable of holding a legal or beneficial  
14 interest in property. All Defendants are “persons,” as that term is defined by 18  
15 U.S.C. § 1961(3).

16 150. The Defendants (with the individual defendants) together make up the  
17 “MarketAmerica Enterprise” as an association of entities and individuals associated  
18 in fact to operate an illegal pyramid scheme. The MarketAmerica Enterprise is not a  
19 legal entity within the meaning of “enterprise” as defined in 18 U.S.C. § 1961(4).  
20 The Defendants have been members of the MarketAmerica Enterprise from at least  
21 1992, and continuing until the present. MarketAmerica and the Individual  
22 Defendants are separate entities from the MarketAmerica Enterprise and play  
23 separate and distinct roles in the operation of the MarketAmerica Enterprise.

24 a. MarketAmerica is creator, architect, and beneficiary of the  
25 MarketAmerica Pyramid. Through interstate wire and mails, it  
26 coordinates the MarketAmerica Enterprise, a worldwide scheme. It also  
27 pays and awards the commissions, bonuses, and other incentives to the  
28 Defendants and others through online.

- 1           b. All members of the pyramid scheme (whether located in the U.S. or  
2           abroad) were signed up electronically in the United States.
- 3           c. MarketAmerica employs the Defendants to coordinate operations of the  
4           MarketAmerica Pyramid in the countries in which MarketAmerica  
5           operates, including determining and coordinating points, bonuses, and  
6           other incentives.
- 7           d. MarketAmerica employs the other defendants as its operational arm of  
8           the MarketAmerica Enterprise to conduct racketeering activities in the  
9           U.S.
- 10          e. MarketAmerica employs the remainder of the Defendants to induce  
11          new recruits into the MarketAmerica' Pyramid, to induce Distributors  
12          to purchase MarketAmerica' product, and to induce Distributors to  
13          recruit additional Distributors into the MarketAmerica Pyramid. The  
14          Remaining Defendants also have an agreement with MarketAmerica  
15          mandating that MarketAmerica will not reform its fraudulent marketing  
16          plan without their consent.

17           151. From at least April 2009 and continuing until the present, within the  
18          County of Los Angeles, and elsewhere, MarketAmerica in association with the other  
19          defendants, did knowingly, willfully and unlawfully conduct and participate,  
20          directly and indirectly, in the conduct of the affairs of the MarketAmerica Enterprise  
21          through a pattern of racketeering activity.

22           152. From at least April 2009 and continuing until the present,  
23          MarketAmerica with each other and the remaining defendants, executed a *per se*  
24          scheme to defraud through a pattern of racketeering made up of distinct acts of mail  
25          and wire fraud under 18 U.S.C. §§ 1341 and 1343. The MarketAmerica Enterprise  
26          engaged in and affected interstate and foreign trade. The MarketAmerica Enterprise  
27          transacts business through the instrumentalities of interstate commerce such as  
28          telephones, facsimile machines, the internet, email, and the United States mail and

1 interstate commercial carrier to communicate in furtherance of the activities of the  
2 MarketAmerica Enterprise.

3 153. The MarketAmerica Enterprise advertises, markets, and sells products  
4 and services throughout the United States. The operation of the enterprise continued  
5 over several years, including activities in every state, and has affected and damaged,  
6 and continues to affect and damage, commercial activity.

7 154. To further the goals of the MarketAmerica Enterprise, which were to  
8 (1) earn money through fraudulent means, (2) entice individuals to become  
9 MarketAmerica Distributors, (3) entice individuals to purchase products from  
10 MarketAmerica, (4) entice individuals to recruit others to become MarketAmerica  
11 Distributors and profit off those recruits' purchases of MarketAmerica' travel  
12 packages, (5) reap large profits for themselves based on false representations,  
13 MarketAmerica and the remaining defendants engaged in various forms of illegal  
14 activity, including (a) mail fraud, (b) wire fraud, and (c) conspiracy.

15 155. The pattern of racketeering activity alleged is distinct from the  
16 MarketAmerica Enterprise. Each act of racketeering activity is distinct from the  
17 MarketAmerica Enterprise in that each is a separate offense committed by an entity  
18 or individual while the MarketAmerica Enterprise is an association of entities and  
19 individuals. The MarketAmerica Enterprise has an ongoing structure and/or  
20 organization supported by personnel and/or associates with continuing functions or  
21 duties.

22 156. The racketeering acts set out above and below, and others, all had the  
23 same pattern and similar purpose of defrauding Plaintiff and the class for the benefit  
24 of the MarketAmerica Enterprise and its members. Each racketeering act was  
25 related, had a similar purpose, involved the same or similar participants and methods  
26 of commission and had similar results affecting Plaintiff and the class. The  
27 racketeering acts of mail and wire fraud were also related to each other in that they  
28 were part of the MarketAmerica Enterprises' goal to fraudulently induce Plaintiff

1 and the Class to join the illegal scheme, purchase products, and recruit others to join  
2 the scheme.

3 157. MarketAmerica and other Defendants' wrongful conduct has been and  
4 remains part of MarketAmerica Enterprises' ongoing way of doing business and  
5 constitutes a continuing threat to the property of Plaintiff and the class. Without the  
6 repeated acts of mail and wire fraud, the MarketAmerica Enterprise's fraudulent  
7 scheme would not have succeeded.

8 158. Revenue gained from the pattern of racketeering activity, which  
9 constitutes a significant portion of the total income of MarketAmerica and the  
10 Individual Defendants, was reinvested in the operations of the MarketAmerica  
11 Enterprise for the following purposes: (a) to expand the operations of the  
12 MarketAmerica Enterprise through additional false and misleading advertising and  
13 promotional materials aimed at recruiting new Distributors; (b) to facilitate the  
14 execution of the illegal scheme; and (c) to convince current Distributors to recruit  
15 new Distributors, and purchase MarketAmerica's products.

16 159. Plaintiffs and the class were injured by the reinvestment of the  
17 racketeering income into the MarketAmerica Enterprise because they invested  
18 billions of dollars of their own money through their purchasing of products,  
19 promotional materials, and MarketAmerica products, all of which were packaged  
20 and shipped at inflated charges.

21 160. In connection with promoting and executing their illegal scheme,  
22 members of the MarketAmerica's Enterprise knowingly and recklessly placed and  
23 caused to be placed in the United States mail or by interstate commercial carrier, or  
24 took or received therefrom, matters or things to be sent to or delivered by the United  
25 States mail or by interstate commercial carrier comprising, among other things  
26 product, invoices, letters, promotional materials, brochures, products and checks to  
27 Plaintiff and the class and received communications between and among themselves  
28 through the United States mail, in all fifty states and the District of Columbia. It was

1 reasonably foreseeable that these mailings or receipts would take place in  
2 furtherance of the fraudulent scheme.

3 161. In connection with promoting and executing their illegal scheme,  
4 members of the MarketAmerica's Enterprise engaged in wire fraud, in violation of  
5 18 U.S.C. § 1343, by, among other things, knowingly and recklessly transmitting or  
6 causing to be transmitted with wire communications, in interstate and foreign trade,  
7 materials promoting the illegal MarketAmerica Pyramid on internet web sites, radio,  
8 satellite radio, television, email, facsimile, telephone, and text messages, including  
9 promotional materials, registration information, product information, and invoices.  
10 MarketAmerica and Individual Defendants maintain websites on the internet where  
11 the enterprise was perpetrated.

12 162. MarketAmerica's Distributors can and do buy products and are given  
13 inducements to continue working as Distributors within the MarketAmerica  
14 Pyramid. MarketAmerica maintains various websites that host promotional videos  
15 featuring the Individual Defendants promoting the unlawful scheme and other  
16 marketing materials featuring the Individual Defendants promoting the illegal  
17 scheme. MarketAmerica sent and received these interstate wire communications to  
18 and from all fifty states and the District of Columbia.

19 163. Each Defendant has promoted the MarketAmerica Pyramid and  
20 MarketAmerica Enterprise. Each use of the mail or wire by Defendants and the  
21 Individual Defendants done in furtherance of the MarketAmerica pyramid is an act  
22 of racketeering.

23 164. The pattern of racketeering activity through which the affairs of the  
24 MarketAmerica Enterprise were conducted and in which MarketAmerica and the  
25 Individual Defendants participated consisted of the following:

26 **Racketeering Act Number One**

27 165. Plaintiffs received, through private commercial interstate carrier and  
28 the internet portal maintained by MarketAmerica, certain application materials,

1 which promoted the MarketAmerica Enterprise and contained material false  
2 representations regarding the success Distributors could achieve through  
3 MarketAmerica by purchasing products and recruiting others to do the same.

4 166. Because of her receipt of these materials, Plaintiffs signed up with  
5 MarketAmerica purchased MarketAmerica products, and recruited others to do the  
6 same. The materials and package items were sent to Plaintiffs with the purpose and  
7 intent of promoting the MarketAmerica Enterprise's illegal scheme, all in violation  
8 of 18 U.S.C. § 1341.

9 **Racketeering Act Number Two**

10 167. Plaintiffs received, through private commercial interstate carrier, and  
11 the internet portal maintained by the Defendants, income disclosures, which  
12 promoted the MarketAmerica Enterprise and the MarketAmerica pyramid through  
13 the sales and marketing plan, and which contained material false representations  
14 regarding the success that Distributors could achieve through MarketAmerica by  
15 purchasing travel packages and recruiting others to do the same.

16 168. Because of their receipt of the representations, Plaintiffs signed up with  
17 MarketAmerica, purchased MarketAmerica travel package, and recruited others to  
18 do the same. The income disclosure statements with the purpose and intent of  
19 promoting the MarketAmerica Enterprise's illegal scheme, all in violation of 18  
20 U.S.C. § 1341.

21 **Racketeering Act Number Three**

22 169. Plaintiffs ordered, through interstate wire transmissions over the  
23 internet product packages, which were promoted by the MarketAmerica Enterprise  
24 as the means by which Distributors such as Yang could pay for their position and  
25 get greater retail profits. MarketAmerica hosted these websites. Yang paid  
26 MarketAmerica for these products using an electronic transfer of funds.  
27 MarketAmerica shipped Yang these products through private commercial interstate  
28 carrier. MarketAmerica coordinated through interstate wires on at least a monthly

1 basis following the order the collection and accruing of the rewards associated with  
2 those purchases. Because of the promised rewards, points, commissions, and  
3 opportunity to advance up the MarketAmerica Pyramid, Plaintiff Yang purchased  
4 MarketAmerica Products, paid for those MarketAmerica travel packages, and  
5 received those products, using instrumentalities of interstate commerce. Defendants'  
6 actions violated 18 U.S.C. §§ 1341 and 1343.

7 **Racketeering Act Number Four**

8 170. Throughout April of 2009 and continuing through today,  
9 MarketAmerica distributed information by interstate wire transmissions over the  
10 internet, such as www.MarketAmerica.com and Shop.com. The MarketAmerica  
11 websites promoted the fraudulent scheme through videos of Individual Defendants  
12 containing material false representations regarding the business opportunity  
13 available to Distributors, and the wealth that a distributor could get by agreeing to  
14 become an MarketAmerica distributor. Plaintiffs became MarketAmerica  
15 distributors and maintained their position as MarketAmerica distributors and  
16 continued to order MarketAmerica products and recruit others to do the same. This  
17 conduct violated 18 U.S.C. § 1343.

18 **Racketeering Act Number Five**

19 171. Throughout 2016, the members distributed information by interstate  
20 wire transmissions over the internet promoting MarketAmerica as described in this  
21 Complaint. These videos promoted the fraudulent pyramid scheme and contained  
22 material false representations regarding the wealth that a recruit or MarketAmerica  
23 distributor could achieve if that recruit became an MarketAmerica distributor and if  
24 a distributor purchased MarketAmerica products. This violated 18 U.S.C. § 1343.

25 172. MarketAmerica and the Individual Defendants' representations and  
26 omissions were the proximate cause of Plaintiffs, and the class, joining the  
27 fraudulent scheme and purchasing the products.

28 173. To the extent proof of reliance is legally required, in engaging in the





1 furtherance of the MarketAmerica Defendants' fraudulent scheme, through the  
2 pattern of racketeering activity earlier alleged.

3 180. As a direct and proximate result of MarketAmerica and the Individual  
4 Defendants' violation of 18 U.S.C. § 1962(c), Plaintiffs and the class were induced  
5 to, and did, become Distributors in the MarketAmerica Pyramid scheme and  
6 purchased hundreds of millions of dollars, if not billions of dollars of the  
7 MarketAmerica products and recruited others to do the same. Plaintiffs and the  
8 class were injured by MarketAmerica's and the Individual Defendants' unlawful  
9 conduct. The funds used to buy MarketAmerica products constitute property of  
10 Plaintiffs and the class within the meaning of 18 U.S.C. § 1964(c).

11 181. Under 18 U.S.C. § 1964(c), Yang and the class are entitled to treble  
12 their damages, plus interest, costs and attorney's fees.

13 **SEVENTH CLAIM FOR RELIEF**

14 **(RICO 18 U.S.C. § 1962(d))**

15 (Plaintiffs on behalf of themselves and the Class Against All Defendants including  
16 DOES 1 through 10)

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

19 183. MarketAmerica and the Individual Defendants agreed to work together  
20 in a symbiotic relationship to carry on the illegal scheme. Under that agreement,  
21 MarketAmerica, all named defendants, and those named as DOE defendants, and  
22 others conspired to violate 18 U.S.C. § 1962(a) and (c), in violation of 18 U.S.C. §  
23 1962(d).

24 184. As a direct and proximate result of MarketAmerica's and the Individual  
25 Defendants' violation of 18 U.S.C. § 1962(d), Plaintiffs and the class were injured  
26 by MarketAmerica's and the Individual Defendants' unlawful conduct. The funds  
27 used to buy MarketAmerica products constitute property of Yang and the class  
28 under 18 U.S.C. § 1964(c).

1 185. Under 18 U.S.C. § 1964(c), Plaintiffs and the class are entitled to treble  
2 their damages, plus interest, costs and attorney’s fees.

3 **EIGHTH CLAIM FOR RELIEF**

4 **(Federal Securities Fraud)**

5 (Plaintiffs on behalf of themselves and the Class Against All Defendants including  
6 DOES 1 through 10)

7 186. Plaintiffs reallege all allegations as if fully set forth herein, and  
8 incorporate previous allegations by reference.

9 187. In the alternative to Counts Five, Six, and Seven, and without prejudice  
10 to their position that Counts Five, Six and Seven are not preempted by the PSLRA,  
11 Plaintiffs in Count Eight alleges violations of the securities laws.

12 188. Only to the extent Defendants contend that Plaintiffs’ purchases of  
13 starter kits, payment of monthly and annual fees, and purchases of MarketAmerica  
14 products constitute investments in unregistered securities (the sale of which would  
15 be a past and continuing violation of federal securities laws), and only if Defendants  
16 are successful in obtaining a dismissal for judgment against Plaintiffs’ RICO claims  
17 on the grounds that the PSLRA preempts their RICO claims, Plaintiffs contend that  
18 their purchases of starter kits, payment of monthly fee, and purchases of  
19 MarketAmerica products constitute investments in securities.

20 189. MarketAmerica made numerous material omissions in its Policies  
21 regarding retail sales. MarketAmerica represented that retail sales were a significant  
22 part of Defendants’ revenues.

23 190. These statements are misleading because they fail to inform  
24 Distributors that “retail sales,” particularly as defined in the Policies, are not a true  
25 viable way of earning income because Distributors are extremely unlikely to make  
26 significant “retail sales” and because the only realistic way to make money in the  
27 MarketAmerica scheme is through recruiting.

28 191. MarketAmerica made material omissions in its Policies regarding

1 Distributors' ability to earn money. In the Policies, MarketAmerica informed its  
2 Distributors that they do not even need to be good at sales, and they can still earn  
3 money.

4 192. This statement is misleading because it fails to inform Distributors that  
5 very few Distributors are likely to earn any profit from participating in  
6 MarketAmerica, regardless of how much work they put in and regardless of what  
7 part of the country they live in.

8 193. By making affirmative statements regarding retail sales and the ability  
9 of Distributors to earn income, MarketAmerica undertook an affirmative obligation  
10 to make the disclosures necessary to make such statements not misleading.

11 194. MarketAmerica made the then-current version of the Policies available  
12 to Plaintiffs and the Class Members through MarketAmerica's website at all times.  
13 MarketAmerica contractually requested Plaintiffs and the Class Members to  
14 acknowledge that they had read and reviewed the current version of the Policies at  
15 the time they joined MarketAmerica, to abide by the terms of the current  
16 version of the Policies, and to read, understand, and adhere to the current version of  
17 the Policies.

18 195. MarketAmerica made these omissions knowing that doing so was false  
19 and misleading. MarketAmerica benefitted in a concrete and substantial way from  
20 the operation of the pyramid scheme, the recruitment of new Distributors, and new  
21 Distributors' reliance on MarketAmerica's omissions.

22 196. MarketAmerica made these omissions with the specific intent that  
23 Distributors rely on them.

24 197. Plaintiffs' and the Class Members' reliance on the omissions may be  
25 presumed.

26 **PRAYER FOR RELIEF**

27 The named Plaintiffs and the Plaintiffs' class and subclasses request the  
28 following relief:

- 1 a. Certification of the class and subclasses;
- 2 b. A jury trial and judgment against Defendants;
- 3 c. Rescission of the agreements upon which the scheme is based, and  
4 recovery of all consideration paid pursuant to the scheme, less any amounts paid or  
5 consideration provided to the participant pursuant to the scheme;
- 6 d. Damages for the financial losses incurred by Plaintiff and by the class  
7 and subclasses because of the MarketAmerica and the Individual Defendants’  
8 conduct and for injury to their business and property;
- 9 e. Restitution and disgorgement of monies;
- 10 f. Temporary and permanent injunctive relief enjoining MarketAmerica  
11 from paying its Distributors recruiting rewards that are unrelated to retail sales to  
12 ultimate users and from further unfair, unlawful, fraudulent and/or deceptive acts;
- 13 g. The cost of suit including reasonable attorneys’ fees under California  
14 Code of Civil Procedure § 1021.5, Civil Code §1689.2, and otherwise by law;
- 15 h. For damages in an amount yet to be ascertained as allowed by law; and
- 16 i. For such other damages, relief and pre- and post-judgment interest as  
17 the Court may deem just and proper.

18 [Signature Page To Follow]

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Dated: May 29, 2017

By:   
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**DEMAND FOR JURY TRIAL**

Plaintiffs Chuanjie Yang, Ollie Lan, on behalf of themselves and those similarly situated, hereby request a jury trial on all matters so triable.

Dated: May 29, 2107

By:  \_\_\_\_\_

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