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15 **CHUANJIE YANG, OLLIE LAN, AND**
16 **ALL THOSE SIMILARLY SITUATED**

17
18 **UNITED STATES DISTRICT COURT**
19 **CENTRAL DISTRICT OF CALIFORNIA, WESTERN DIVISION**

20 CHUANJIE YANG, an individual; OLLIE
21 LAN, an individual; and all those similarly
22 situated,

23 Plaintiffs,

24 v.

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

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 (9th 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

1 FIGURE NO. 1



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

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

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

18 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 **NO MAJOR DECISION BECAUSE NO MAJOR RISK**

<p>3 RISKS ???</p> <p>4 MONEY:</p> <ul style="list-style-type: none">• Almost NO Financial Risk <p>5 TIME:</p> <ul style="list-style-type: none">• Work Part-time While Keeping Your Current Job/Career	<p>vs.</p>	<p>6 REWARDS ???</p> <ul style="list-style-type: none">• It's Your Own Business• Tax Advantages• Additional Income:• 6-figure Residual Income Potential• Time Freedom• Transferable Asset to Your Children• Associate w/Positive People• A way to get your dream back• A way to make a difference
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7

8

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

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

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

17 43. Some of the products offered by MarketAmerica are unhealthy and
18 toxic, and after Plaintiff Lan’s mother took MarketAmerica’s products, she suffered
19 health issues. MarketAmerica has been sued under Proposition 65 in a class action
20 because certain of its products allegedly contained lead. *Environmental Research*
21 *Center v. Market America, Inc.*, 30-2013-00650458 (Orange Ct. Sup. Ct, May 20,
22 2012).

23 **D. Market America Encourages Inventory Loading**

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

26 45. The prospect of wholesale commissions encourages recruiting: the
27 more recruits a Distributor has, the more potential there is for a wholesale
28 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.

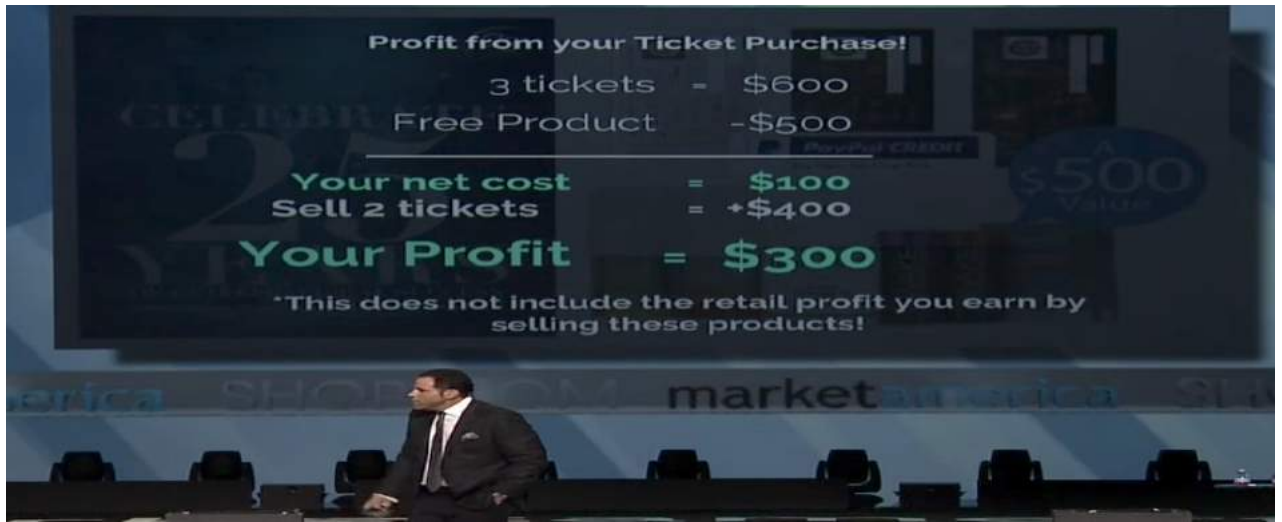
24 FIGURE NO. 9



1 FIGURE NO. 10



9 FIGURE NO. 11



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

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

22 67. Yang became an MarketAmerica distributor in 2010 through 2016 by
23 making purchases and buying the starter pack. Plaintiff paid the monthly
24 membership for years, attended multiple seminars, and in total paid MarketAmerica
25 approximately \$35,000 towards this opportunity. Plaintiff Yang was deceived by
26 MarketAmerica’s misleading opportunity believing, the opportunity was a
27 legitimate way to earn money (even though that representation by Market and the
28

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 (Please print name) Primary Distributor ID No.

19 Please complete in BLOCK LETTERS

20 Independent Distributor Information
I am an individual () or a business organization ()
Primary Distributor Social Security Number () Business Organization () (Please provide required documents)
Market America Distributor ID Number (if applicable) () Preferred Customer ID Number (if applicable) ()

21 Name of Primary Distributor
Last Name First Name
Primary Distributor's Date of Birth ()
Gender: Male Female
Federal Tax ID Number (if applicable) () Name of Business Organization (if applicable) ()

22 I am a business entity and I must provide copies of your articles of incorporation and a list of all principals and their SSNs
Home Phone () Business Phone () Fax () Mobile Phone ()
E-mail Address ()

23 Secondary Distributor Social Security Number ()
Name of Secondary Distributor
Last Name First Name

24 Primary Distributor's Home/Mailing Address
Street Address
City State ZIP Code

25 Primary Distributor's Shipping Address
Street Address (Please Check Boxes and they correspond to shipping address Market America's Terms & Conditions)
City State ZIP Code

26 Business Information
Name of Applicant
Business Organization ID Number
Check One
 Individual Business

27 Placement Information
Link to Distributor or Business Organization Name
Link to Distributor ID
SEC. EX. NO. Yes No

28 Entry Classification (Check One)
 Sales Representative (see fee required) Converting Sales Representative to Distributor (current subscription fee required)
 Sales Representative Lite (see fee required) Distributor Lite (see fee required) (current subscription fee required)
 Distributor, Single Business Development Center (SBDC) Distributor, Multiple Business Development Centers (MBDC)
Current subscription fee: \$1000.00
If using LINES Check Card on file, please provide as follows:
Card No. () Exp. Date () Exp. Company ()

29 I agree to the above information and I acknowledge that I have read, understood and agree to the terms set forth in this agreement, as indicated by my signature below.

30 Primary Applicant's Signature Date
Secondary Applicant's Signature (if applicable) Date
Distributor's Signature Date

31 An application that is not approved will be voided as to all parties. The Primary Distributor must approve the application. INCLUDE PAYMENT FOR MARKET AMERICA IF APPLICABLE.

32 A.M.A. MAIL INC. PO BOX 25255 DORSETT, VA 22622
Market America Inc. 3555 Pleasant Ridge Rd., Greensboro, NC 27409
SEE ADVISORY COPY FOR TERMS AND CONDITIONS
INTERNAL USE ONLY / Processor Initials

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 and 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 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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ClassAction.org

This complaint is part of ClassAction.org's searchable class action lawsuit database and can be found in this post: [Class Action Accusing Market America of Operating Pyramid Scheme Sent to North Carolina](#)
