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Attorneys for Plaintiffs and the Proposed Class

UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA

Stella Lemberg; Jeni Laurence;
Amandra Bluder; and Carissa Stuckart,
on Behalf of Themselves and All Others
Similarly Situated,

Plaintiffs,

vs.

LuLaRoe, LLC d/b/a LuLaRoe, a
California Limited Liability Company;
LLR, Inc., a Wyoming Corporation; and
DOES 1-10, Inclusive,

Defendants.

Case No.:

CLASS ACTION

CLASS ACTION COMPLAINT

DEMAND FOR JURY TRIAL

1 Plaintiffs, Stella Lemberg, Jeni Laurence, Amandra Bluder, and Carissa
 2 Stuckart (“Plaintiffs”), by and through their attorneys, bring this action on behalf of
 3 themselves and the Class¹ against LuLaRoe, LLC d/b/a LuLaRoe, LLR, Inc.
 4 (collectively, “LuLaRoe” or “Defendants”), and DOES 1-10, inclusive. Plaintiffs
 5 make the following allegations upon information and belief (except those allegations
 6 as to the Plaintiffs or their attorneys, which are based on personal knowledge), based
 7 upon an investigation that is reasonable under the circumstances, which allegations
 8 are likely to have evidentiary support after a reasonable opportunity for further
 9 investigation and/or discovery.

10 I. NATURE OF THE CASE

11 1. This case arises out of a multi-level marketing scheme, whereby
 12 LuLaRoe created a “direct-buyer” system so consumers *must* go through
 13 “representatives” or “consultants” to buy LuLaRoe’s clothing products. To be a
 14 consultant, however, LuLaRoe requires an initial expenditure upwards of \$5,000 for
 15 a start-up inventory kit of clothing and other promotional materials. As bait to lure
 16 consultants to sign up and/or to purchase more inventory, in April 2017, LuLaRoe
 17 promised consultants they could cancel their agreements with LuLaRoe and be
 18 refunded 100% of the wholesale amount of inventory purchased, including shipping
 19 charges. The 100% refund had no conditions or exceptions attached. To further induce
 20 consultants, LuLaRoe uniformly promised that the 100% buyback policy would never
 21 expire:

22 Today, we would like to provide clarity regarding the 100% Buy Back
 23 on Inventory policy. This policy does not have an expiration date, nor
 24 does it have a required timeframe in which the product should have been
 25 purchased in.²

27 ¹ The “Class” is defined in ¶77 below.

28 ² See <https://build.mylularoe.com/news/1/27/105>, page 2 (last visited 9/14/17).

1 clause in certain of its “LuLaRoe Independent Consultant Program Application and
2 Agreement[s]” which selects the Central District of California as the venue.

3 **THE PARTIES**

4 **Plaintiffs**

5 7. Plaintiff Stella Lemberg is/was a LuLaRoe Consultant who resides in
6 Fair Lawn, New Jersey.

7 8. Plaintiff Amandra Bluder is/was a LuLaRoe Consultant who resides in
8 Oceanside, California.

9 9. Plaintiff Jeni Laurence is/was a LuLaRoe Consultant who resides in
10 Eastvale, California.

11 10. Plaintiff Carissa Stuckart is/was a LuLaRoe Consultant who resides in
12 Keizer, Oregon.

13 **Defendants**

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

17 12. Defendant LLR, Inc. is a Wyoming corporation with its principal place
18 of business located at 1375 Sampson Avenue, Corona, California 92879.

19 13. Defendants are clothing manufacturers, selling clothing nationwide
20 through a multi-level marketing model, otherwise known as a pyramid scheme, as
21 described below.

22 14. The true names and capacities of defendants sued herein as Does 1
23 through 10, inclusive, are presently not known to Plaintiffs, who therefore sue these
24 defendants by such fictitious names. Plaintiffs will seek to amend this complaint and
25 include these Doe Defendants true names and capacities when they are ascertained.
26 Each of the fictitiously named defendants is responsible in some manner for the
27 conduct alleged herein and for the injuries suffered by Plaintiffs and the Class.
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FACTUAL ALLEGATIONS

Brief History and Rapid Growth of LuLaRoe

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3 15. On May 1, 2013, LuLaRoe was incorporated. It is a clothing sales
4 organization based in Corona, California, founded by DeAnne Brady and Mark
5 Stidham. LuLaRoe has approximately 33 varieties of knit shirts, skirts, dresses, and
6 leggings ranging from \$25 to \$75 per item.

7 16. LuLaRoe is in the business of advertising, marketing, producing,
8 manufacturing, and selling clothing such as knit shirts, skirts, dresses, and leggings
9 through individual consultants, also called “representatives” or “retailers” (referred to
10 hereafter as “Consultants”), such as Plaintiffs and the Class. LuLaRoe is a classic
11 multi-level marketing scheme. LuLaRoe signs up Consultants to sell its products and
12 to sign up a Consultant’s own network of Consultants. Many Consultants are women
13 with children, who sell LuLaRoe products online through social media and to
14 friends/contacts at “pop up” parties the Consultant organizes. On top of the money
15 earned from product sales, Consultants also receive 5% of each new recruit’s
16 wholesale product purchases, according to details in the LuLaRoe compensation
17 package.³

18 17. LuLaRoe holds itself out to be champions of women with children,
19 seeking financial freedom by working from home. Founded in 2012 by DeAnne Brady
20 and her husband, and incorporated in 2013, Defendants claim that “LuLaRoe exists
21 to provide an opportunity for people to create freedom by selling comfortable,
22 affordable, stylish clothing, and offering its Retailers the independence to set their
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27 ³ [https://www.forbes.com/sites/marciaturner/2016/10/18/lularoes-secret-to-
becoming-a-direct-sales-powerhouse-facebook-live/#833a16336df4](https://www.forbes.com/sites/marciaturner/2016/10/18/lularoes-secret-to-becoming-a-direct-sales-powerhouse-facebook-live/#833a16336df4)
28 (hereinafter referred to as “*Forbes* article.”)

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1 own pace and schedule. This creates the time to spend with those closest to them, the
2 very thing DeAnne had once desired for herself!”⁴

3 18. LuLaRoe’s mission statement is: “Where through fashion we create
4 freedom, serve others, and strengthen families. A place where lives are being blessed
5 and dreams achieved through love, purpose, confidence, trust, and growth.”⁵
6 LuLaRoe also claims that the “mission at LuLaRoe is to bless lives and strengthen
7 families and we can help facilitate this through our HAPPINESS POLICY!”⁶
8 LuLaRoe promises women part time work for full time pay, allowing them the
9 freedom to earn a living and still enjoy time with their families.

10 19. Plaintiffs and the Class were solicited by Defendants to conduct direct
11 sales on behalf of LuLaRoe. LuLaRoe required and continues to require Consultants
12 to sign a “LuLaRoe Independent Consultant Program Application and Agreement”
13 and to purchase clothing from LuLaRoe at wholesale, typically resulting in an initial
14 inventory investment of \$5,000 to \$8,000 in advance of sales.

15 20. LuLaRoe did not and does not provide Consultants with a catalog or
16 online shopping opportunities. Rather, Consultants create their own “pop up” shops
17 through social media (such as Facebook) or in person. The burden of creating sales
18 incentives, collecting payment from customers, and recouping the initial investment,
19 as well as operating costs, are all the responsibility of the Consultants.

20 21. If a Consultant brings in additional Consultants, she is elevated to
21 “Sponsor Status,” but must maintain additional inventory requirements monthly. If a
22 Consultant brings in ten or more additional Consultants, she is elevated to “Trainer”
23 status, if she has:

24 [A] Personal Volume of 250 Pieces each month, have at least three
25 Personally Sponsored Fashion Consultants, and a minimum of ten

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27 ⁴ <http://www.lularoe.com/our-story-home/> (last visited 10/11/17).

28 ⁵ <http://www.lularoe.com/our-story-home/> (last visited 10/11/17).

⁶ <http://www.lularoe.com/happiness> (last visited 10/11/17).

1 Fashion Consultants on your Team with a total Group Volume of 1,750
 2 Pieces each month. Your own Orders do not count towards your Group
 3 Volume. For each Personally Sponsored Fashion Consultant who Orders
 4 at least 175 Pieces each month, your Personal Volume requirement is
 5 reduced by 50 Pieces each month, up to a maximum of three times, or
 150 Pieces each month, potentially resulting in a minimum of 100 Pieces
 required to be Ordered by you for the month.⁷

6 To achieve “Coach” or “Mentor” status, and earn additional compensation,
 7 Consultants need to recruit more Consultants and maintain higher levels of inventory
 8 monthly. *Id.*

9 22. “Part of LuLaRoe’s appeal is built-in product scarcity. The company
 10 produces no more than 2,500 pieces in any one fabric print. So no two fashion
 11 Consultants receive the same mix of garments and prints. That drives prices up online
 12 for the rarer or more desirable prints by creating a treasure hunt atmosphere.”⁸

13 According to Defendants’ website:

14 LuLaRoe exists to provide an opportunity for people to create freedom
 15 by selling comfortable, affordable, stylish LuLaRoe clothing, and
 16 offering its Retailers the independence to set their own pace and
 schedule.⁹

17 Currently there are approximately 70,000 LuLaRoe Consultants
 18 nationwide. LuLaRoe is still a very young company compared to other
 19 direct sale companies. The potential for growth is truly astounding. It is
 20 a great time to join this amazing company!¹⁰

21 23. Other sources indicate that LuLaRoe currently has over 80,000
 22 Consultants.¹¹ In 2016, it was reported that LuLaRoe was on track to hit \$1 billion in
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 25 ⁷ <http://teamuplift.org/lularoe-compensation-plan/> (last visited 10/11/17).

26 ⁸ *Forbes* article.

27 ⁹ <http://www.lularoe.com/#/our-story-home/> (last visited 10/11/17).

28 ¹⁰ http://lulateamfabulous.com/lularoe_faq/ (last visited 10/11/17).

¹¹ *See, e.g.*, <https://www.racked.com/2017/5/22/15640978/lularoes-Consultants-unrest> (last visited 10/11/17).

1 sales and was growing at an average rate of 25% per month for approximately 24
2 months.¹²

3 **LuLaRoe Announces 100% Refund Policy**

4 24. In April 2017, LuLaRoe announced that any Consultant who wished to
5 terminate their business with Defendants could return their inventory for a 100%
6 buyback and LuLaRoe would pay the shipping costs. Consultants and the public were
7 assured through a variety of written and oral communications that this policy was
8 never going to expire. *See, e.g.*, “LuLaRoe isn’t going anywhere and neither is the
9 Contract Cancellation 100% buy-back program.”¹³

10 25. LuLaRoe repeatedly promised the Consultants that they could, at any
11 time, terminate their Consultant status and return unsold clothing for a full refund,
12 with LuLaRoe to pay the associated shipping costs. Specifically, LuLaRoe made these
13 representations in direct communications with Consultants, during Consultant
14 training seminars, online, in emails, in brochures, and in advertisements to
15 Consultants and the public. For example, in June of 2017, LuLaRoe sent at least two
16 emails to Consultants stating:

17 **INDEPENDENT FASHION RETAILERS, WHO WISH TO**
18 **CANCEL THEIR RETAILER AGREEMENT, WILL BE**
19 **REFUNDED 100% OF THE WHOLESALE AMOUNT.** How
20 AWESOME is that? On top of that, LuLaRoe will also cover your
shipping by sending you shipping labels!

21 (Emphasis in original.)

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

24 Today, we would like to provide clarity regarding the 100% Buy Back
25 on Inventory policy. ***This policy does not have an expiration date, nor***

26
27 ¹² *Forbes* article.

28 ¹³ <https://twitter.com/lularoedisaster>, post dated August 31, 2017 (last viewed 10/12/17).

1 *does it have a required timeframe* in which the product should have been
2 purchased in [sic]. The only qualification for this policy, is that products
3 returned are required to be LuLaRoe products and must have been
4 purchased through LuLaRoe. Click here to find more information on the
5 100% Buy Back on Inventory policy!¹⁴

6 27. Defendants advised Consultants to use the 100% buyback and free
7 shipping policy to recruit more Consultants for LuLaRoe. The no-risk sales approach
8 was used to encourage prospective Consultants to sign up and order as much inventory
9 as possible. And it worked. Consultants, such as Plaintiffs Bluder and Laurence,
10 recruited Consultants based upon this policy.

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

14 29. Despite LuLaRoe's uniform and repeated promises in its
15 communications, e-mail correspondence, marketing materials, advertisements,
16 seminars, and contracts with Plaintiffs and Class, LuLaRoe's return and shipping
17 policy differs materially from what is represented. A Plaintiff/member of the Class
18 who decides that he or she is no longer interested in being a Consultant for LuLaRoe
19 is, in reality, unable to return LuLaRoe clothes for a full refund and is actually
20 required to pay for shipping, an expense that will not be reimbursed.

21 30. In many cases, Consultants are unable to return clothes *at all* and/or
22 receive no refund whatsoever from LuLaRoe.

23 31. What is worse, for Consultants to cancel their status as Consultants and
24 receive full reimbursement and free return shipping labels, they must agree to
25 immediately cease all sales of their inventory.

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28 ¹⁴ <https://build.mylularoe.com/news/1/27/105>, page 2 (last visited 9/14/17)
(emphasis added).

1 32. Once the Consultants agree to stop selling their inventory, their
2 cancellation is confirmed and they are removed from Consultant status. This means
3 they cannot access the Consultant information on LuLaRoe’s website and no longer
4 receive communications from LuLaRoe to active Consultants.

5 33. The canceled Consultants then receive a confirmation that their
6 cancelation has been processed and are instructed to wait for a Return Authorization
7 Number (“RA” number), which is needed to return inventory to LuLaRoe, and receive
8 return shipping labels.

9 34. However, in most instances, such as with Plaintiffs, LuLaRoe does not
10 provide RA numbers, nor does it send the shipping labels, and the canceled
11 Consultants are left with thousands of dollars of inventory they cannot return and
12 cannot sell.

13 35. The few Consultants who do receive an RA number send back their
14 inventory only to have LuLaRoe either: (1) claim that the inventory was never
15 received, (2) “reject” some or all the inventory for refund (and donate the rejected
16 items to a charity), and/or (3) provide only a partial refund for select items of
17 inventory.

18 36. Consultants are unable to communicate with LuLaRoe when they
19 discover this bait-and-switch has occurred, many remaining on hold for up to five
20 hours only to be disconnected.

21 **LuLaRoe Changes Its 100% Refund Policy Overnight, Retroactively**

22 37. On or about September 13, 2017, LuLaRoe adopted the following policy,
23 applying it retroactively to the Consultants, and thereby cheating the Consultants out
24 of thousands of dollars:

- 25 • The items being returned must have been personally purchased by the
26 Independent Fashion Retailer from LLR (purchases from other
27 Independent Fashion Retailers or third parties are not subject to
28 refund);

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- The items must be in Resalable condition (see Definition of “Resalable” below); and
- The items must have been purchased from LLR within one year prior to the date of cancellation.

Upon receipt of the Resalable products and sales aids, the Independent Fashion Retailer *will be reimbursed 90%* of the net cost of the original purchase price(s). Shipping and handling charges incurred by an Independent Fashion Retailer when the products or sales aids were purchased, and *return shipping fees, will not be refunded*. If the purchases were made through a credit card, the refund will be credited back to the same account. If an Independent Fashion Retailer was paid a bonus based on a product(s) that he or she purchased, and such product(s) is subsequently returned for a refund, the bonus that was paid to the Independent Fashion Retailer based on that product purchase will be deducted from the amount of the refund.

Products and sales aids shall be deemed “Resalable” if each of the following elements is satisfied: 1) they are unworn, unwashed, folded with hang tags and in original packaging; 2) packaging and labeling has not been altered or damaged; 3) they are in a condition such that it is a commercially reasonable practice within the trade to sell the merchandise at full price; and 4) they are returned to LuLaRoe within one year from the date of purchase. Any merchandise that is clearly identified at the time of sale as non-returnable, discontinued, or as a seasonal item, shall not be Resalable. Items that are returned that are not Resalable will be donated to a charity selected by LuLaRoe and no refund or exchange will be issued.¹⁵

38. LuLaRoe’s deceptive practices are uniform across the Class, as described in the following publications:

(a) “LuLaRoe Changes Return Policy, Costing Consultants Thousands. The change from a 100 percent guarantee to a 90 percent guarantee was announced Wednesday, effective immediately.”¹⁶

¹⁵ LuLaRoe’s Policies and Procedures (REV 20150603), p. 17 (emphasis added).
¹⁶ <https://www.inc.com/suzanne-lucas/lularoe-changes-return-policy-costing-Consultants-.html>, published September 15, 2017.

1 (b) “LuLaRoe abruptly changes return policy; Consultants say they
2 are out thousands.”¹⁷

3 (c) “LuLaRoe Just Changed Its Return Policy And People Are
4 Pissed.”¹⁸

5 39. Consultants are prevented from returning inventory and/or after they
6 have returned their inventory, LuLaRoe self-determines that some items are non-
7 refundable, with no appeal process or other recourse for the Consultants. Once
8 LuLaRoe decides that an item(s) are non-fundable, whether it is because of the new
9 one-year return policy or for some other reason, LuLaRoe refuses to return the items
10 to the Consultants. Rather, LuLaRoe donates those items of clothing, and the
11 Consultants are deprived of both the product and any compensation for the product.

12 **Plaintiff Stella Lemberg’s Facts**

13 40. **The lure:** Having seen LuLaRoe’s advertisements, promises, and
14 mission, Ms. Lemberg, like other Class Members, was compelled to become a
15 Consultant for LuLaRoe in part to achieve financial freedom and benefit from
16 LuLaRoe’s “Happiness Policy.”

17 41. **The required inventory:** In February of 2016, Ms. Lemberg applied to
18 become a LuLaRoe Consultant and spent thousands of dollars to purchase starting
19 inventory as required.

20 42. **The pyramid scheme:** Thereafter, Ms. Lemberg purchased additional
21 inventory and attempted to recruit additional Consultants, as required by LuLaRoe, to
22 continue as a Consultant.

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25 ¹⁷ <http://allthemoms.com/2017/09/14/lularoe-return-policy-changes-outrage/>,
26 published on September 14, 2017.

27 ¹⁸ https://www.buzzfeed.com/juliegerstein/lularoe-just-changed-its-return-policy-and-people-are-pissed?utm_term=.jxNjPPpBj#.qf6R77PrR, published on
28 September 15, 2017.

1 43. **The 100% buyback promise:** As a Consultant, Ms. Lemberg was
 2 assured by LuLaRoe, orally and in writing on multiple occasions, both privately via
 3 e-mail and publicly through its websites and marketing/advertising outlets, that she
 4 could cancel her business as a Consultant and receive back “100% of the price [she]
 5 purchased [her inventory] at – with no restocking fee!” *See, e.g.*, Cancellation of
 6 Business Policy, dated 8/16/17 at p. 4.

7 44. However, the representations and promises of LuLaRoe were false and
 8 misleading.

9 45. **The truth revealed:** On September 18, 2017, LuLaRoe e-mailed Ms.
 10 Lemberg and advised her that she would *not* be receiving a 100% refund, at best she
 11 would get 90%, and LuLaRoe would *not* pay for shipping. In addition, LuLaRoe now
 12 would only accept returns of certain clothing, purchased at certain times, and from
 13 LuLaRoe in a certain manner. All of these new terms and restrictions are being applied
 14 retroactively to Ms. Lemberg.¹⁹

17 ¹⁹ 1. Ms. Lemberg nonetheless attempted to return her inventory by completing the
 18 sorting, folding, packing, labeling, and organization process required by LuLaRoe as
 19 well as the completion of the itemized and detailed accounting required by LuLaRoe
 through the Formstack process.

20 2. Having had to wait weeks for a response from LuLaRoe by e-mail, only to
 21 receive incorrect or partial information, and having no response to LuLaRoe’s “call
 22 back feature,” Ms. Lemberg again attempted to contact LuLaRoe via telephone in an
 effort to retrieve the RA number LuLaRoe was and continued to withhold.

23 3. On or about September 25, 2017, Ms. Lemberg called LuLaRoe for the RA
 24 number so that she could continue the return process. After almost five hours of wait
 time, Ms. Lemberg’s call was disconnected.

25 4. On or about September 26, 2017, Ms. Lemberg again reached out to LuLaRoe
 26 in an attempt to obtain the RA number which LuLaRoe continues to withhold from
 her, preventing her from the ability to return her inventory.

27 5. LuLaRoe failed and refused to provide the RA number to Ms. Lemberg, leaving
 28 Ms. Lemberg unable to return her inventory. LuLaRoe failed and refused to provide
 shipping labels to Ms. Lemberg, leaving her unable to return her inventory.

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1 46. **The result:** Ms. Lemberg currently has approximately \$20,000 worth of
2 inventory, over 1,000 items of LuLaRoe clothing, in her possession, which have now
3 been subject to LuLaRoe’s “policy change,” depriving Ms. Lemberg of the ability to
4 return any of her inventory and her right to a 100% refund for that inventory along
5 with shipping costs.

6 **Plaintiff Amanda Bluder’s Facts**

7 47. **The lure:** Similarly drawn to LuLaRoe’s mission and marketing,
8 Plaintiff Amanda Bluder became a Consultant for LuLaRoe in October 2016.

9 48. **The required inventory:** Ms. Bluder made the requisite initial inventory
10 purchases and sold LuLaRoe products.

11 49. **The pyramid scheme:** Ms. Bluder also recruited other LuLaRoe
12 Consultants and maintained the required monthly inventory, as she was encouraged
13 to do by LuLaRoe, and she became a “Trainer” with approximately 15 recruited
14 Consultants working under her.

15 50. **The 100% buyback promise:** In about April 2017, Ms. Bluder was
16 made aware of the 100% return policy and free shipping by LuLaRoe and was
17 encouraged to use this reduced risk inventory strategy as a way to recruit more
18 Consultants. To that end, Ms. Bluder recruited at least four additional Consultants
19 based upon this return policy.

20 51. In August 2017, Ms. Bluder decided to terminate her Consultant status
21 with LuLaRoe and began the arduous process of resignation, through completion and
22 submission of the requisite Formstack and notification process.

23 52. LuLaRoe did not respond to Ms. Bluder for weeks, never provided her
24 with shipping labels, and failed and refused to honor its return policy.

25 53. **The truth revealed:** Ms. Bluder discovered that LuLaRoe was not
26 honoring its commitment to buyback 100% of Consultants’ inventory, nor was it
27 keeping its promise to pay for shipping.

28

1 54. **The result:** Ms. Bluder called LuLaRoe, but was on hold for hours until
2 ultimately the call was disconnected, her e-mails went largely unanswered, and Ms.
3 Bluder has been left with approximately \$14,000 worth of inventory which she is
4 unable to return.

5 **Plaintiff Jeni Laurence's Facts**

6 55. **The lure:** LuLaRoe's "champions of women" facade, coupled with its
7 purported happiness and financial freedom mission also lured in Plaintiff Jeni
8 Laurence, who became a Consultant for LuLaRoe in February 2016.

9 56. **The required inventory:** Ms. Laurence made the requisite initial
10 inventory purchases and sold LuLaRoe products.

11 57. **The pyramid scheme:** Ms. Laurence also recruited other LuLaRoe
12 Consultants, as she was encouraged to do by LuLaRoe, and became a "Sponsor,"
13 recruiting four Consultants to work under her, and maintaining the required monthly
14 inventory.

15 58. **The 100% buyback promise:** Ms. Laurence was made aware of
16 LuLaRoe's 100% buy-back and free shipping policy, as described above, in about
17 April 2017. She was encouraged to recruit additional Consultants with this policy and
18 did, in fact, recruit one additional such Consultant for LuLaRoe.

19 59. Ms. Laurence purchased an estimated additional \$5,000 worth of
20 inventory following the announcement of LuLaRoe's 100% buy-back program, which
21 she was assured had no expiration date.

22 60. On about August 16, 2017, Ms. Laurence sent LuLaRoe her cancelation
23 request.

24 61. On or about August 28, 2017, having received no response from
25 LuLaRoe for approximately two weeks, Ms. Laurence continued her cancelation
26 process, as required by LuLaRoe by completing and submitting her Formstack and
27 requesting her RA number. She, in return, received confirmation of her cancelation
28

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1 from LuLaRoe and another promise of 100% buy-back on her inventory as well as
2 free shipping.

3 62. LuLaRoe failed and refused to provide Ms. Laurence with her RA
4 number and shipping labels.

5 63. **The truth revealed:** On or about September 13, 2017, Ms. Laurence
6 discovered from other active Consultants that LuLaRoe was unilaterally changing its
7 100% buy-back policy and that she, along with thousands of other “canceled”
8 Consultants, would be receiving (at best) 90% refunds, would have to pay their own
9 shipping, and despite their diligence in timely canceling their status previously, would
10 be retroactively subject to this sudden change.

11 64. On or about September 20, 2017, LuLaRoe e-mailed Ms. Laurence and
12 advised her that she was not going to receive a 100% refund for her inventory.

13 65. **The result:** Ms. Laurence, left with approximately \$12,000 worth of
14 inventory and no further response from LuLaRoe, has been left holding the bag and
15 unable to either sell or return her remaining inventory.

16 **Plaintiff Carissa Stuckart’s Facts**

17 66. **The lure:** Having seen LuLaRoe’s advertisements, promises, and
18 mission, Ms. Stuckart, like the Class, was lured into LuLaRoe’s mission to “bless
19 lives and strengthen families.”

20 67. **The required inventory:** In January 2017, Ms. Stuckart became a
21 LuLaRoe Consultant. Thereafter she purchased the required inventory from
22 LuLaRoe, to the tune of approximately \$8,000.

23 68. **The pyramid scheme:** Ms. Stuckart sold LuLaRoe products, but
24 invested her earnings back into LuLaRoe by purchasing more inventory and sought
25 to recruit additional Consultants in order to increase her profits, as LuLaRoe
26 encouraged all Consultants to do.
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1 based upon, among other things, LuLaRoe’s publicly and privately disseminated
2 misrepresentations, omissions, and breaches of contract terms common to the Class.
3 Further, the equitable relief sought will be common to the Class.

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

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

12 **Commonality and Predominance**

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

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

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

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

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

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

27 (f) Whether Defendants’ conduct constitutes breach of contract;
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- (g) Whether Defendants’ conduct constitutes a breach of the covenant of good faith and fair dealing;
- (h) Whether Defendants’ conduct constitutes an unconscionable commercial practice;
- (i) Whether Defendants’ conduct violates the business practices laws alleged herein;
- (j) Whether Defendants’ conduct constitutes an unjust enrichment;
- (k) Whether Defendants’ conduct constitutes conversion;
- (l) Whether Defendants violated the UCL;
- (m) Whether Defendants violated the California’s Unfair Advertising Law;
- (n) Whether injunctive relief is appropriate.

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

Adequacy of Representation

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

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

Superiority of Class Action

87. A class action is superior to other available means for the fair and efficient adjudication of this controversy. Individual joinder of the Class is not practicable, and questions of law and fact common to the Class predominate over any questions affecting only individual members of the Class. Each member of the Class has been damaged and is entitled to recovery because of Defendants’ uniform unlawful practices described herein. There are no individualized factual or legal issues

1 for the court to resolve that would prevent this case from proceeding as a class action.
2 Class action treatment will allow those similarly situated persons to litigate their
3 claims in the manner that is most efficient and economical for the parties and the
4 judicial system. Plaintiffs are unaware of any difficulties that are likely to be
5 encountered in the management of this action that would preclude its maintenance as
6 a class action.

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

10 **COUNT I**

11 **Unlawful, Fraudulent, and Unfair Business Acts and Practices in**
12 **Violation of California’s Business and Professions Code §§17200, et seq.**
13 **On Behalf of Plaintiffs and the Class**

14 89. Plaintiffs reallege and incorporate all the preceding paragraphs herein by
15 reference.

16 90. California Business and Professions Code §§17200, et seq., prohibits
17 acts of unfair competition which means and includes any “unlawful ... business act or
18 practice.”

19 91. Business & Professions Code §§17200, et seq., also prohibits acts of
20 unfair competition which shall mean and include any “unfair or fraudulent business
21 acts or practice.” As more fully described above, Defendants’ artifice to defraud the
22 Class into purchasing inventory based upon unrealistic expectations, and in reliance
23 upon the promise of a full refund at cancelation for that inventory, and then
24 Defendants’ refusal to provide the inventory refunds and shipping fees according to
25 the representations and promises made by LuLaRoe, as set forth above, constitute
26 unfair business acts or practices within the meaning of Bus. & Prof. Code §§17200,
27 et seq., in that the justification for Defendants’ conduct is outweighed by the gravity
28 of the consequences to Plaintiffs and the Class.

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

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

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

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

COUNT II

**Untrue or Misleading Advertising in Violation of California
Business and Professions Code §§17500, *et seq.*
On Behalf of Plaintiffs and the Class**

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

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

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

1 misrepresentations. Plaintiffs and the Class relied upon the advertisements and
2 misrepresentations to their detriment.

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

5 **COUNT III**

6 **Quasi-Contract (Unjust Enrichment)**
7 **On Behalf of Plaintiffs and the Class**

8 100. Plaintiffs hereby reallege and incorporate all of the preceding paragraphs
9 herein by reference.

10 101. Where a defendant has been unjustly conferred a benefit ““through
11 mistake, fraud, coercion, or request”” the return of that benefit is a remedy sought in
12 ““a quasi-contract cause of action.”” *Astiana v. Hain Celestial Grp., Inc.*, 783 F.3d
13 753, 762 (9th Cir. 2015) (internal citation omitted). “When a plaintiff alleges unjust
14 enrichment, a court may ‘construe the cause of action as a quasi-contract claim
15 seeking restitution.’” *Id.*

16 102. Defendants have received, and continues to receive, a benefit at the
17 expense of Plaintiffs and the Class.

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

23 104. As a direct and proximate result of Defendants’ unlawful acts and
24 conduct, Plaintiffs and members of the Class were deprived of the use of their money
25 that was unlawfully charged and collected by Defendants, and are therefore entitled
26 to restoration of their monies.
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1 105. Because of Defendants’ unlawful conduct, Plaintiffs and the Class have
2 suffered injury and, thus, they are entitled to restitution of the money they conferred
3 on Defendants.

4 **COUNT IV**

5 **Breach of Contract**
6 **On Behalf of Plaintiffs and the Class**

7 106. Plaintiffs hereby reallege and incorporate all the preceding paragraphs
8 herein by reference.

9 107. Plaintiffs and the Class entered into contractual agreements with
10 Defendants to become Consultants and Defendants, either at that time or at a later
11 date, contractually agreed to refund 100% of inventory costs, along with shipping
12 expenses, to Plaintiffs and the Class.

13 108. Plaintiffs and the Class performed their obligations under these
14 contractual agreements, i.e. purchased and/or sold inventory under the risk-free terms
15 of the 100% buyback program.

16 109. Defendants breached a duty imposed by its agreements with Plaintiffs
17 and the Class by, among other things, refusing to provide 100% refunds on inventory
18 and shipping costs when Plaintiffs and the Class canceled their Consultant status.

19 110. Defendants’ breach of its contracts with Plaintiffs and the Class caused
20 and will cause Plaintiffs and the Class to suffer damages.

21 **COUNT V**

22 **Breach of the Covenant of Good Faith and Fair Dealing**
23 **On Behalf of Plaintiffs and the Class**

24 111. Plaintiffs hereby reallege and incorporate all the preceding paragraphs
25 herein by reference.

26 112. Plaintiffs and the Class entered into contractual agreements with
27 Defendants to become Consultants and Defendants had a contractual obligation to
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1 refund 100% of inventory costs, along with shipping expenses, to Plaintiffs and the
2 Class.

3 113. Plaintiffs and the Class performed their obligations under these
4 agreements.

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

7 115. Defendants breached its duties of good faith and fair dealing to the
8 Plaintiffs and the Class by, among other things, failing and refusing to provide the
9 100% refund on inventory, without time limitations or expiration, and the shipping
10 costs when Defendants had repeatedly agreed to do so.

11 116. Defendants also breached its duties of good faith and fair dealing by
12 failing to inform Plaintiffs and the Class of Defendants’ intentions to dishonor their
13 obligations with respect to inventory refunds prior to, at the time of, and/or following
14 each Consultants’ cancelation.

15 117. Defendants’ breach of its duties of good faith and fair dealing with
16 Plaintiffs and the Class caused and will cause Plaintiffs and the Class Members to
17 suffer damages.

18 **COUNT VI**

19 **Conversion**

20 **On Behalf of Plaintiffs and the Class**

21 118. Plaintiffs hereby reallege and incorporate all the preceding paragraphs
22 herein by reference.

23 119. Plaintiffs and the Class became Consultants for Defendants and
24 purchased inventory at wholesale from Defendants with the purpose of reselling those
25 items to direct customers.
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1 120. Plaintiffs and the Class returned, or attempted to return inventory, when
2 closing out their businesses and/or otherwise required replacement or refund of their
3 respective inventories.

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

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

10 123. Defendants' actions are not subject to any type of appeal process. Rather,
11 Plaintiffs and the Class are simply deprived of their investment without recourse.

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

17 125. Defendants' actions and inactions constitute conversion of Plaintiffs'
18 and the Class' financial investment, *i.e.*, the inventory Plaintiffs and the Class
19 purchased.

20 126. Defendants continue to retain Plaintiffs' and the Class' investment and
21 exercise control over that inventory for their own use and to Plaintiffs' and Class'
22 detriment.

23 127. Defendants' continued retention of Plaintiffs' and the Class' inventory
24 constitutes an unjust benefit to Defendants at Plaintiffs' and the Class' expense.

25 **PRAYER FOR RELIEF**

26 WHEREFORE, Plaintiffs, individually and on behalf of the Class, pray for
27 judgment against Defendants as follows:
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- A. That the Court determine that this action may be maintained as a class action with the named Plaintiffs appointed as the Class Representatives;
- B. For the attorneys appearing on the above-caption to be named Class counsel;
- C. For nominal, actual, and compensatory damages, according to proof at trial;
- D. For restitution of all monies, expenses, and costs due to Plaintiffs and the Class;
- E. For disgorged profits from the unlawful and unfair business practices in violation of Business & Professions Code §§17200, *et seq.* and §§17500, *et seq.*;
- F. For reasonable attorneys’ fees, expenses, costs, and interest pursuant to California Code of Civil Procedure §1021.5, and as otherwise allowed by law;
- G. For equitable relief pursuant to Business & Prof Code §§17500, *et seq.*, and as otherwise allowed by law;
- H. For declaratory relief as deemed proper;
- I. For pre-judgment and post-judgment interest to the extent allowable by law; and
- J. For such other and further relief as the Court deems just and proper.

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DEMAND FOR JURY TRIAL

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

Dated: October 13, 2017

HAEGGQUIST & ECK, LLP
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AARON M. OLSEN (259923)



By: _____

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