

**STATE OF WASHINGTON
KING COUNTY SUPERIOR COURT**

STATE OF WASHINGTON,
 Plaintiff,
 v.
 LLR, INC.; LLR LULAROE, INC.;
 LENNON LEASING, LLC; MARK A.
 STIDHAM; DEANNE S. BRADY A/K/A
 DEANNE STIDHAM; and JORDAN K.
 BRADY,
 Defendants.

NO. 19-2-02325-2 SEA
 CONSENT DECREE
[CLERK’S ACTION REQUIRED]

I. JUDGMENT SUMMARY

- | | | |
|-----|----------------------------------|---|
| 1.1 | Judgment Creditor | State of Washington |
| 1.2 | Judgment Debtors | LLR, Inc.; DeAnne S. Brady, Mark
A. Stidham, Jordan K. Brady |
| 1.3 | Principal Judgment Amount | \$4,750,000 |
| 1.4 | Post Judgment Interest Rate: | 12 percent per annum |
| 1.5 | Attorneys for Judgment Creditor: | Joseph K. Kanada
Breena M. Roos
Katharine F. Barach
Benjamin J. Brysacz
Assistant Attorneys General |
| 1.6 | Attorneys for Judgment Debtor: | Anthony Todaro
Lianna Bash |

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

II. INTRODUCTION

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

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

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

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

The Court, finding no just reason for delay;

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

3 **III. GENERAL**

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

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

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

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

18 **IV. DEFINITIONS**

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

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

23 i. In any communication that is solely visual or solely audible, the
24 disclosure must be made through the same means through which
25 the communication is presented. In any communication made
26

1 through both visual and audible means, such as a television
2 advertisement, the disclosure must be presented simultaneously in
3 both the visual and audible portions of the communication even if
4 the representation requiring the disclosure is made in only one
5 means.

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

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

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

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

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

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

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

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V. INJUNCTIONS

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

A. PROHIBITED MARKETING

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

B. BAN ON CERTAIN BUSINESS PRACTICES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12 **C. REPRESENTATIONS AND DISCLOSURES**

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

- 19 A. That participants will or are likely to achieve substantial sales, income, or
20 profit;
21 B. Except to the extent such statements comply with Paragraph 5.6, the
22 amount of sales, income, or profit that participants have actually earned;
23 C. The amount of time or effort required to earn an amount of compensation
24 or to advance in the Business Opportunity; and
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1 D. The reason participants do not earn substantial compensation, including
2 representations that participants fail because they do not devote
3 substantial or sufficient effort or are not active.

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

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

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

22 VI. COMPLIANCE

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

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

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

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

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

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

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

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

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

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

23 iv. Data sufficient for Washington to confirm that Defendants are
24 complying with the limitations and requirements set forth in
25 Paragraph 5.4.C;
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1 v. Data sufficient for Washington to confirm the accuracy of any
2 Washington Income Disclosure Statements;

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

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

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

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

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

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

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

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

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

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

22 **VII. MONETARY PAYMENT**

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

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

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

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

10 **VIII. ENFORCEMENT**

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

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

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

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

23 8.5 Nothing in this Consent Decree shall be construed to limit or bar any other
24 governmental entity or person from pursuing other available remedies against Defendants or any
25 other person.
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1 8.6 Under no circumstances shall this Consent Decree, or the name of the State of
2 Washington, this Court, the Office of the Attorney General, the Consumer Protection Division,
3 or any of their employees or representatives be used by Defendants or any of its respective
4 owners, members, directors, successors, assigns, transferees, officers, agents, servants,
5 employees, representatives, and all other persons or entities in active concert or participation
6 with Defendants, in connection with any selling, advertising, or promotion of products or
7 services, or as an endorsement or approval of Defendants' acts, practices, or conduct of business.

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

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

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

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

8 a. For the Attorney General:

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

17 b. For Defendants:

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

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

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

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

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

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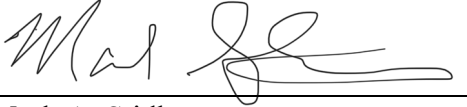
APPROVAL BY COURT

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

Judge Samuel S. Chung

1 **Approved:**

2 For Defendants LLR, Inc.; LLR LuLaRoe, Inc.; Lennon Leasing, LLC; and Mark A. Stidham

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February 2, 2021

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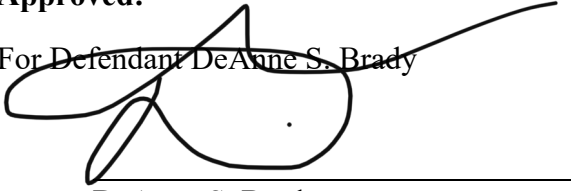
Mark A. Stidham
5 CEO and Co-Founder
6 LLR, Inc. and LLR LuLaRoe, Inc.

Date

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1 **Approved:**

2 For Defendant DeAnne S. Brady



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

February 2, 2021

Date

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Approved:

For Defendant Jordan K. Brady

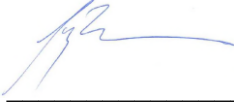


Jordan K. Brady

02/01/2021

Date

1 **Counsel for Defendants**

2 

February 2, 2021

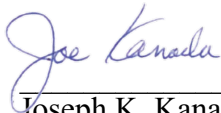
3 _____
4 Anthony Todaro
5 Lianna Bash
6 DLA PIPER LLP (US)
7 701 Fifth Avenue, Suite 6900
8 Seattle, WA 98104-7029
9 Tel.: 206-839-4800
10 Fax: 206-839-4801
11 Email: anthony.todaro@dlapiper.com
12 lianna.bash@dlapiper.com

_____ Date

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

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

1 **For Plaintiff State of Washington**

2 

3 2/1/2021

4 Date

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

2 ROBERT W. FERGUSON
3 Attorney General

4 

5 _____
JOSEPH K. KANADA, WSBA #55055
6 BREENA M. ROOS, WSBA #34501
KATHARINE F. BARACH, WSBA #51766
7 BENJAMIN J. BRYSAZ, WSBA #54683
Assistant Attorney General
8 Attorneys for Plaintiff State of Washington
800 Fifth Avenue, Suite 2000
9 Seattle, WA 98104
(206) 464-6684

Approved as to Form by:

DLA PIPER (US)



_____ ANTHONY TODARO, WSBA #30391
LIANNA BASH, WSBA #52598
701 Fifth Avenue, Suite 6900
Seattle, WA 98104
206-839-4800

Attorneys for Defendants

CERTIFICATE OF SERVICE

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

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

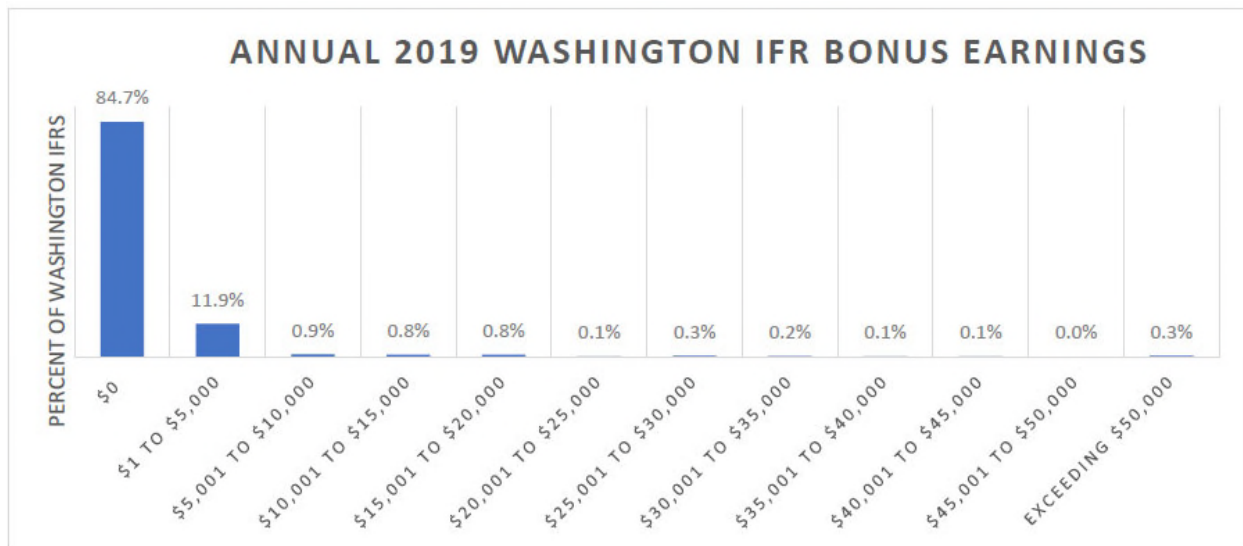
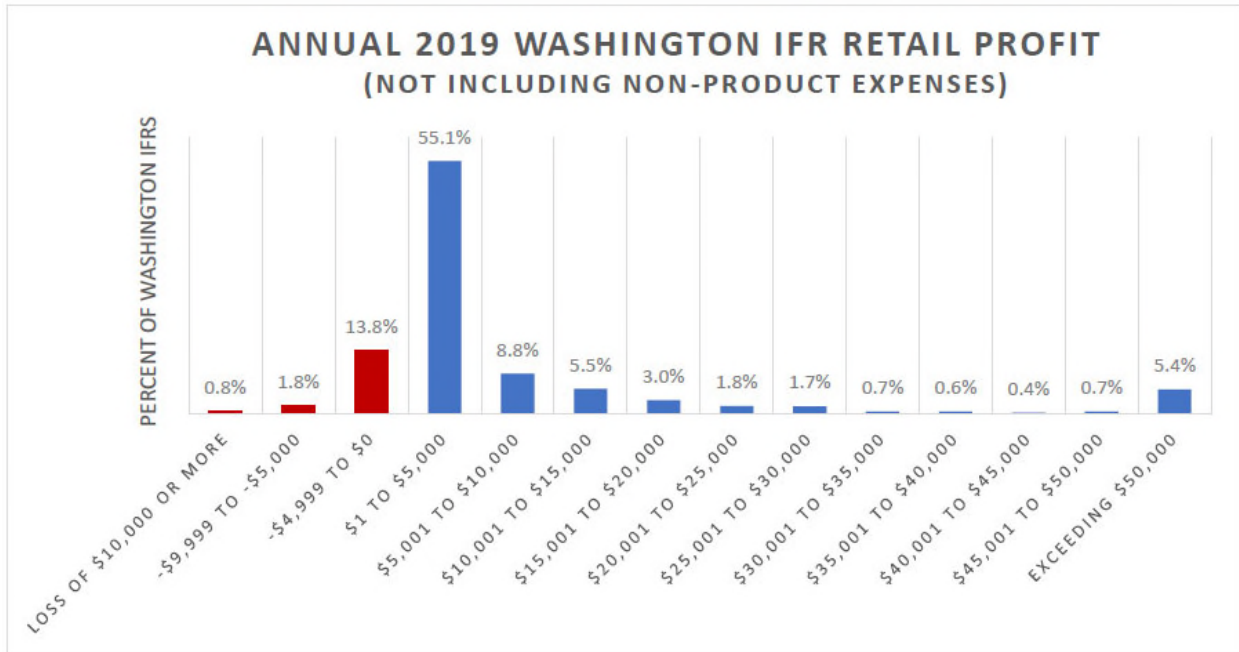
I certify, under penalty of perjury under the laws of the State of Washington, that the foregoing is true and correct.

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

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

Appendix A: LuLaRoe 2019 Income Disclosure Statement

The charts below provide details regarding the annual retail profit¹ and the annual IFR bonus earnings for Washington Independent Fashion Retailers (also known as IFRs) for the period of time from January 1, 2019 through December 31, 2019. [XX]% of Washingtonians who joined in 2018 as IFRs cancelled their participation or became inactive within a year of joining.



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

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

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