

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

JUAN RAMON TORRES,

Plaintiff,

vs.

SGE MANAGEMENT, LLC, STREAM GAS &
ELECTRIC, LTD, STREAM SPE GP, LLC,
STREAM SPE, LTD., IGNITE HOLDINGS,
LTD, CHRIS DOMHOFF, ROB SNYDER,
PIERRE KOSHAKJI, DOUGLAS WITT,
STEVE FLORES, MICHAEL TACKER,
DONNY ANDERSON, TREY DYER, STEVE
FISHER, RANDY HEDGE, BRIAN LUCIA,
LOGAN STOUT AND PRESLEY
SWAGERTY,

Defendants.

Civil Action No. _____

Jury Demanded

ORIGINAL COMPLAINT

Juan Ramon Torres, individually and on behalf of a class of similarly situated individuals, files this complaint against the defendants set out in ¶¶ 3-38 for damages and other relief under the Racketeer Influenced Corrupt Organizations Act 18 U.S.C. §§ 1961 – 1968 (“RICO”).

1. The defendants have created, operated and maintained a pyramid and endless chain scheme. Specifically, the defendants induced Torres and others to invest in the “Ignite Services Program” (“Services Program”) for \$329.00 and purchase an “Ignite Homesite” web page for \$29.00 a month for the right to recruit new individuals to do the same with false promises of enormous profits.

1. PARTIES.

1.1 The plaintiff.

2. Juan Ramon Torres is a resident of Sweeny, Brazoria County, Texas.

1.2 The defendants.

3. SGE Management, LLC is a Texas limited liability company with its principal place of business in Dallas, Dallas County, Texas. SGE Management, LLC may be served through its registered agent, Ray A. Balestri, 2651 N. Harwood, Suite 200, Dallas, Texas 75201.

4. SGE Management, LLC is the General Partner of Stream Gas & Electric, Ltd., SGE Energy Management, Ltd. and Ignite Holdings, Ltd. The manager of SGE Management is Robert L. Snyder.

5. Stream Gas & Electric, Ltd. is a Texas limited partnership with its principal place of business in Dallas, Dallas County, Texas. Stream Gas & Electric, Ltd. may be served through its registered agent, Darrin Pfannenstiel, 1950 N. Stemmons Freeway, Ste 3000, Dallas, Texas 75207. Stream Gas & Electric, Ltd. does business as "Stream Energy."

6. Stream Energy owns 99% of Stream SPE, Ltd. as a limited partner. Stream Energy also owns 100% of Stream SPE GP, Ltd. Stream Energy owns the copyright and presumably manages and runs Stream Energy's website "StreamEnergy.net" and Ignite Holdings, Ltd.'s website "IgniteInc.com."

7. Stream SPE GP, LLC is a former Texas limited liability company with its principal place of business in Dallas, Dallas County, Texas. Stream SPE GP, LLC may be served through its registered agent, Ray A. Balestri, 2651 N. Harwood, Suite 200, Dallas, Texas 75201.

8. Stream SPE GP, LLC owns 1% of Stream SPE, Ltd. as a general partner.

9. Stream SPE, Ltd. is a Texas limited partnership with its principal place of business in Dallas, Dallas County, Texas. Stream SPE, Ltd. may be served through its registered agent, Ray A. Balestri, 2651 N. Harwood, Suite 200, Dallas, Texas 75201.

10. Stream SPE, Ltd. is licensed by the Texas Public Utility Commission as a retail electric provider.

11. Ignite Holdings, Ltd. (f/k/a Ignite Energy, Ltd.) is a Texas limited partnership with its principal place of business in Dallas, Dallas County, Texas. Ignite Holdings, Ltd. may be served through its registered agent, Ray A. Balestri, 2651 N. Harwood, Suite 200, Dallas, Texas 75201.

12. Ignite Holdings, Ltd. does business as “Ignite” and “Ignite Powered by Stream Energy.” Ignite is said to be Stream’s marketing arm.

13. Chris Domhoff may be served at his place of business, 1950 Stemmons Freeway, Suite 3000, Dallas, Dallas County, Texas 75207.

14. Domhoff is a co-founder and partial owner of SGE Management, LLC and all of the entities in which SGE Management, LLC maintains an ownership interest. Domhoff is the founder of Ignite Holdings, Ltd. He oversees SEG Management, LLC’s marketing functions. Together with Douglas Witt, he is the co-architect of the Ignite Compensation Plan (*i.e.*, the Services Program) and its training program.

15. Rob Snyder may be served at his place of business, 1950 Stemmons Freeway, Suite 3000, Dallas, Dallas County, Texas 75207.

16. Snyder is a co-founder and partial owner of SGE Management, LLC and all of the entities in which it maintains an ownership interest. Snyder is the General

Partner of SGE Management, LLC. Snyder is the most powerful person in SGE Management, LLC and all of the entities in which it maintains an ownership interest.

17. Pierre Koshakji may be served at his place of business, 1950 Stemmons Freeway, Suite 3000, Dallas, Dallas County, Texas 75207.

18. Pierre Koshakji is a co-founder of SGE Management, LLC. Koshakji has been directly responsible for all areas of operations support, payment systems, human resources and firm administration with SGE Management, LLC. Koshakji had secondary responsibility for SGE Management, LLC's finances, fundraising, legal matters and regulatory affairs.

19. Douglas Witt may be served at his place of business, 1950 Stemmons Freeway, Suite 3000, Dallas, Dallas County, Texas 75207.

20. Witt is Stream Gas & Electric, Ltd.'s senior Director of Marketing Operations. Witt had responsibility for the oversight of all Ignite operational and field activities (including recruiting, training and events, field leadership and the development and implementation of corporate presentations, marketing materials and management tools). Together with Domhoff, he also is the co-architect of the Ignite Compensation Plan (*i.e.*, the Services Program) and its training program.

21. Steve Flores may be served at his place of business, 1950 Stemmons Freeway, Suite 3000, Dallas, Dallas County, Texas 75207.

22. Flores is Stream Gas & Electric, Ltd.'s Senior Director - Associate Support & Facilities Planning. Flores provided overall strategic and day-to-day oversight for all aspects of Ignite's directors, support operations (including policies, procedures and administrative systems to support Ignite business activity and organizational goals).

23. Michael Tacker may be served at his place of business, 1950 Stemmons Freeway, Suite 3000, Dallas, Dallas County, Texas 75207.

24. Tacker has been Stream Gas & Electric, Ltd.'s Director of Field Development. Tacker had responsibility for directing the firm's entry strategies into new markets with a primary focus on expanding markets for the Ignite organization. In his role, he has acted as an "in the field" mentoring coach to help Ignite directors sell the Services Program.

25. Donny Anderson's residential address is unknown. He may be served at his place of business, 1950 Stemmons Freeway, Suite 3000, Dallas, Dallas County, Texas 75207.

26. Anderson has been a Presidential Director in the Pyramid. As such, he was at the top of the Pyramid and, by definition he was one of the first individuals to sell the Services Program. The plaintiffs do not know whether he paid anything for the right to sell the Services Program.

27. Trey Dyer receives his mail at P.O. Box 775, Baird, Callahan County, Texas 79504-0775. Dyer's residential address is unknown. He may be served at his place of business, 1950 Stemmons Freeway, Suite 3000, Dallas, Dallas County, Texas 75207.

28. Dyer has been an Executive Director in the Pyramid. He is also employed by SGE Management, LLC or one of its subsidiaries as Director of Operations. The plaintiffs do not know whether he paid anything for his right to sell the Services Program. It is alleged that SGE Management, LLC made him a Senior and then an

Executive Director to give him creditability in his operation of the sales of the Services Program and the Pyramid.

29. Steve Fisher may be served at his residence, 4711 Cranbrook Drive E., Colleyville, Tarrant County, Texas 76034.

30. Fisher has been a Presidential Director in the Pyramid. Fisher is a professional salesperson. It is alleged and believed that he is an owner of or employed by SGE Management, LLC or one of its subsidiaries as Director of Operations. The plaintiffs do not know whether he paid anything for his right to sell the Services Program. It is alleged that SGE Management, LLC first placed him in the Pyramid as a Senior and then as an Executive Director to give him creditability in his operation of the sales of the Services Program and the Pyramid.

31. Randy Hedge may be served at his residence, 536 DeQueen Lake Rd., De Queen, Sevier County, Arkansas 71832.

32. Hedge has been a Presidential Director in the Pyramid. As such, he was at the top of the Pyramid and, by definition, he was one of the first individuals to sell the Services Program. The plaintiffs do not know whether he paid anything for the right to sell the Services Program.

33. Brian Lucia may be served at his residence, 3409 Provine Rd., McKinney, Collin County, Texas 75070.

34. Lucia has been an Executive Director in the Pyramid. He is also employed by SGE Management, LLC or its subsidiaries as Director of Operations. The plaintiffs do not know whether he paid anything for his right to sell the Services Program. It is alleged that SGE Management, LLC first placed him in the Pyramid as a

Senior Director and then as an Executive Director to give him creditability in his operation of the sales of the Services Program and the Pyramid.

35. Logan Stout's residential address is unknown. He may be served at his place of business, 1950 Stemmons Freeway, Suite 3000, Dallas, Dallas County, Texas 75207.

36. Stout has been a Presidential Director in the Pyramid. As such, he was at the top of the Pyramid and, by definition, he was one of the first individuals to sell the Services Program. The plaintiffs do not know whether he paid anything for the right to sell the Services Program.

37. Presley Swagerty may be served at his residence, 3410 Merritt Rd., Sachse, Dallas County, Texas 75048.

38. Swagerty has been a Presidential Director in the Pyramid. As such, he was at the top of the Pyramid and, by definition, he was one of the first individuals to sell the Services Program. The plaintiffs do not know whether he paid anything for the right to sell the Services Program.

2. JURISDICTION AND VENUE.

39. The defendants are subject to the jurisdiction of this Court. Each defendant has engaged in continuous and systematic business in Texas. The defendants that do business as limited partnerships or limited liability companies have designated agents for service of process in Texas and have committed fraudulent acts in Texas. The individual defendants also have committed fraudulent acts in Texas. In accordance with 18 U.S.C. § 1965(a) and (b), the defendants are subject to this Court's jurisdiction in that they "transact affairs" in the Southern District of Texas, and "the ends of justice require that other parties residing in any other district be brought before the

Court, the Court may cause such parties to be summoned, and process for the purpose may be served in any judicial district of the United States by the marshal thereof.” 18 U.S.C. § 1965(a), (b) and (c). The Court also has jurisdiction over this action under 28 U.S.C. § 1331 as it presents one or more federal questions and 28 U.S.C. § 1337 because it concerns the regulation of commerce.

40. Venue is proper in this District and this Court has personal jurisdiction over the defendants pursuant to 18 U.S.C. § 1965(a) and 28 U.S.C. § 1391(b) as the defendants are citizens of, residents of, are found within, have agents within, are doing business in, and/or transact their affairs in this District, and the activities of the defendants which gave rise to the claims for relief occurred in this District. Torres and is a resident of this District.

3. THE NATURE OF PYRAMID SCHEMES.

41. Pyramid schemes are inherently illegal. In a pyramid scheme, the perpetrators typically induce others to join the scheme with the promise of large profits and rewards from a putative business. All pyramid schemes must eventually collapse.¹

42. Pyramid schemes are “[s]uch contrivances ... characterized by the payment by participants of money to the company in return for which they receive (1) the right to sell a product and (2) the right to receive in return for recruiting other participants into the program rewards which are unrelated to sale of the product to ultimate users.”²

¹ *Webster v. Omnitrition Int'l. Inc.*, 79 F.3d 776, 781 (9th Cir. 1996) (citing *S.E.C. v. Int'l. Loan Network, Inc.*, 968 F.2d 1304, 1309 (D.C. Cir. 1992)).

² *Id.*

43. “As is apparent, the presence of this second element, recruitment with rewards unrelated to product sales, is nothing more than an elaborate chain letter device in which individuals who pay a valuable consideration with the expectation of recouping it to some degree via recruitment are bound to be disappointed.”³ Federal courts have expressly recognized that “the operation of a pyramid scheme constitutes fraud for purposes of several federal antifraud statutes.”⁴ “Like chain letters, pyramid schemes may make money for those at the top of the chain or pyramid, but ‘must end up disappointing those at the bottom who can find no recruits.’”⁵ As such, “[p]yramid schemes are said to be inherently fraudulent”⁶

4. ADDITIONAL DEFINITIONS.

44. “Stream” means those defendant entities that directly or indirectly are in the business of retail gas and electricity, specifically, each of the following:

- a. SGE Management, LLC;
- b. Stream Gas & Electric, Ltd.;
- c. Stream SPE GP, LLC.; and
- d. Stream SPE, Ltd.

45. “Ignite” means SGE Management, LLC’s so called “multilevel marketing division,” specifically Ignite Holdings, Ltd.

46. The “Pyramid” means Stream’s and Ignite’s multilevel marketing program.

³ *Id.* at 782.

⁴ *Id.*

⁵ *Id.* at 781 (quoting *In re Koscot Interplanetary, Inc.*, 86 F.T.C. 1106, 1181 (1975), *aff’d mem. sub nom.*, *Turner v. F.T.C.*, 580 F.2d 701 (D.C. Cir. 1978)).

⁶ *Id.*

47. "Operators" means the individual defendants who own, are employed by or are paid agents of Ignite, Stream or both, including the following:

- a. Chris Domhoff ("Domhoff");
- b. Rob Snyder ("Snyder");
- c. Pierre Koshakji ("Koshakji");
- d. Douglas Witt ("Witt");
- e. Steve Flores ("Flores");
- f. Paul Thies ("Thies"); and
- g. Michael Tacker ("Tacker").

48. "Presidential Directors" means those individuals that initially sold the Services Program. Presidential Directors are at the very top of the Pyramid. There are twelve Presidential Directors out of 110,000 directors in the Pyramid. That means that each Presidential Director, on average, has 9177 directors in his "downline," *i.e.*, individuals that joined the Pyramid below him. The Presidential Directors are the top .01% of the Pyramid.

49. "Presidential Defendants" are the following Presidential Directors that are named as defendants in this action:

- a. Donny Anderson ("Anderson");
- b. Steve Fisher ("Fisher");
- c. Randy Hedge ("Hedge");
- d. Logan Stout ("Stout"); and
- e. Presley Swagerty ("Swagerty").

50. "Executive Directors" means those individuals that are at the second level of the Pyramid. There are fifty Executive Directors out of 110,000 directors in the

Pyramid. That means that each Executive Director, on average, has 2200 directors in his downline. The Executive Directors are the top .05% of the Pyramid.

51. "Executive Defendants" are the following Executive Directors that are named as defendants in this action:

- a. Trey Dyer ("Dyer"); and
- b. Brian Lucia ("Lucia").

5. HOW THE DEFENDANTS EXPLAIN THE PYRAMID.

52. The defendants induce new recruits to invest in the Services Program through materially false representations about the Pyramid. Generally, these representations are made through video presentations that are included on Ignite's website, IgniteInc.com, and a DVD that Ignite distributes called "The Power Plan." On IgniteInc.com and the DVD, Ignite explains the Pyramid's operation and the potential compensation an investor could receive.

53. At the bottom level of the Pyramid are "Associates" or "Directors." For convenience, both will be called "Directors." A person becomes a "Director" when a current member of the Pyramid, a "Sponsor," recruits him and he invests \$329 in the Pyramid by purchasing the Services Program. Joining the Pyramid and purchasing the Services Program entitles the newly minted Director to (a) sign up recruits who will also pay \$329 to purchase the Services Program and join the Pyramid and (b) sign up customers to use Stream Energy.

54. The way recruits join the Pyramid is by logging into their Sponsor's "Ignite Homesite" and paying \$329 for the Services Program. They are also encouraged to switch to Stream as their electric or gas provider, or both. Most then setup their own Ignite Homesite. Ignite also essentially requires each new Director to make a further

initial investment of \$29 a month for their own “Ignite Homesite.” As Ignite states, “it’s hard to imagine running a successful business without” also purchasing and maintaining an Ignite Homesite.

55. If the Director enrolls four customers within thirty days of his investment in the Services Program, Ignite will pay him a \$100 “bonus.” Alternatively, the Director can obtain credit for two electricity customers by purchasing an Ignite Homesite. Ignite also encourages the Director to be his own customer, *i.e.*, switch to Stream as his gas or electric provider, or both. Thus, to earn the first \$100 bonus, the Director needs only one retail customer and himself, so long as he purchases the Ignite Homesite.

56. Then, if the Director enrolls six additional customers, for a total of ten, within sixty days of his investment in the Services Program, Ignite will pay him a second \$100 “bonus.”

57. If the Director sells the Services Program investment to a new recruit and that recruit enrolls four customers in his first thirty days, Ignite will pay a third \$100 “bonus.” If the Director sells the Services Program investment to an additional two more recruits and those recruits each enroll four customers in their first thirty days, Ignite will pay two more \$100 “bonuses.” Ignite calls this completing the “3 and 10,” three new recruits that purchased the Services Program and ten new customers (or seven if the Director purchased the Ignite Homesite and enrolls himself as a customer of Stream Energy). Upon completion of the “3 and 10,” Ignite has, in total, paid the Director \$500 in “Immediate Income.” Ignite states that by “complet[ing] your 3 and 10 [you] set in motion a cycle of duplication that will fuel the growth of your Ignite business.” By

completing the “3 and 10,” a Director becomes a “Qualified Director,” the second level from the bottom of the Pyramid.

58. The third level from the bottom of the Pyramid is the “Managing Director.” To become a Managing Director, a Director must have twelve Directors in his “downline,” *i.e.*, individuals that joined the Pyramid under him. Ignite pays each Managing Director \$175 for each Director he personally sponsors. Ignite also pays each Managing Director an additional \$75 for each Director below his first downline level, provided each Director enrolls at least one customer within that Director’s first thirty days.

59. At the fourth level from the bottom of the Pyramid is the “Senior Director.” To become a Senior Director, a Managing Director must enroll five new individuals as customers of Stream, sponsor three additional Directors and have two Managing Directors in his downline network. Ignite pays each Senior Director \$275.00 for each Director he personally sponsors. Ignite also pays each Senior Director an additional \$175.00 for each Director in his downline network.

60. The fifth level from the bottom of the Pyramid is the “Executive Director.” To become an Executive Director, a Senior Director must enroll five new individuals as customers of Stream and have two Senior Directors in his downline network. Ignite pays each Executive Director \$325 for each new Director he personally sponsors. Ignite also pays each Senior Director an additional \$225.00 for each Director in his downline network.

61. The sixth level from the bottom of the Pyramid is the “Presidential Director.” Ignite does not disclose what it takes to be a Presidential Director or the compensation that a Presidential Director receives.

62. The Pyramid represents that from the Managing Director level up, “leadership income [is] paid on every [Director] on every level to unlimited depth. That’s geometric growth to infinity.”

6. BACKGROUND: THE PYRAMID REVIVALS.

63. Ignite and Stream, through the Operators, arrange for a variety of meetings, called, among other things, “Power Surge,” “Ignite Opportunity” and “Ignite Academy” (“Ignite Events”). The Presidential and Executive Directors, together with others in the Pyramid, give well-scripted presentations at these Ignite Events that encourage others to invest in the Services Program, or, for those already in the Pyramid, to recruit others to invest in the Services Program.

64. Each speaker is accompanied by music tailored to his or her speech. Perhaps the best explanation of an Ignite Event comes from a *D Magazine* article that described a Power Surge meeting:

THEY HAVE BROUGHT THEIR CHILDREN and their dreams, 2,000 people, give or take, to a ballroom of Houston’s Westin Galleria hotel, on this Saturday afternoon in November.... The people have come for Power Surge, a tent revival-style sales meeting for a Dallas-based power concern called Stream Energy. The people work for Ignite, the multilevel marketing arm of Stream. They recruit customers for Stream—and more salespeople for Ignite.

* * *

Lightning bolts shoot across two enormous video screens displaying the slogan “Get paid when you turn on the lights. ”The Black Eyed Peas’ “Let’s Get It Started ”thunders over the sound system. The crowd sends up a cheer. Then a man named Presley Swagerty leaps onstage, and the room comes to its feet, save for three small children in back, all kneeling in

front of their chairs, concentrating on coloring books. Swagerty is a voluble former high school basketball coach who took his Garland Lakeview Centennial team to the playoffs three times during his four-year tenure. He is now Ignite's highest earner. Swagerty personally has only recruited 18 IAs [Directors], but those 18 have served him well, recruiting more IAs who recruited yet more IAs, until Swagerty wound up with more than 10,000 customers in his downline, each one contributing to his commission check. Swagerty is a celebrity in Ignite circles, posing for photographs with other IAs, sometimes while holding a door-size replica of one of those monthly commission checks. At Power Surge, he had one for \$20,455.50.

65. Swagerty is a Presidential Director known within the Pyramid as "the Coach." At these Ignite Events, Swagerty and other Presidential and Executive Directors give compelling speeches about the vast financial wealth they have received through the Pyramid.

66. One of Presley Swagerty's many presentations is available on the Presidential and Executive Directors' website, plugintoignite.com. In that presentation, Swagerty tells his Ignite story. Before he joined the Pyramid, he could not pay his bills, and sometimes he had unpaid bills and only \$3.22 in his checking account. Faced with this shortfall, he just put the unpaid bills in the bottom drawer of his desk and hoped to pay them next month.

67. Then Swagerty invested in the Services Program and joined the Pyramid. He claims that his involvement in the Pyramid changed his life. His son, Jordo, was able to attend Arizona State and play baseball. Now Swagerty is able to see his son play in Arizona by using the airplane he bought "just so [he] can go and watch Jordo play."

68. Swagerty did not buy his plane through his hard work. He has made his wealth from his early investment in the Pyramid and the labor of those downline from

him in the Pyramid. Moreover, his sale of Stream energy to retail customers is a minor part of Swagerty's success. As Swagerty said,

we only need a handful of customers. Everybody understands this and I think this is the key point for all of us, this is not about any of us running all over creation trying to sign up hundreds and hundreds of customers. We need our little handful; we need ten to twenty in our career

Invest in the Ignite Services Program, and, according to Swagerty, all you need to do is "build a huge team of people that get a handful of customers and that's what makes this whole thing go. Team, getting a bunch, getting a bunch on the team with a handful of customers."

69. One of the methods that Ignite uses to persuade others to join the Pyramid is to show checks received by members of the Pyramid. This is one such picture featuring Holly Diggs with Domhoff:



70. In sum, Ignite, Stream, the Operators, and the Presidential and Executive Defendants put on an impressive show intending to persuade the audience that the Services Program is a great investment that will offer them great wealth.

7. MOST PERSONS DRAWN INTO THE IGNITE PYRAMID HAVE LOST OR WILL LOSE THEIR INVESTMENT.

7.1 The Presidential and Executive Defendants are getting rich at the expense of those that have recently joined the Pyramid.

71. As is expected in any pyramid scheme, those at the very top make more and more money. For example, between July 2005 and June 2006, the highest paid Executive Director received \$819,089.50. By July 2007 to June 2008, the highest paid Executive Director received \$2,148,615.50, an increase of 262%. In contrast, between July 2005 and June 2006, the average Qualified Director received \$460.31. By July 2007 to June 2008, the average Qualified Director received only \$174.06. This is a decrease of 264%. Therefore, while those on the bottom of the Pyramid are progressively receiving less and less, those at the top, including the Presidential and Executive Defendants, are making excessive sums from the illegal Pyramid.

72. The facts reported by Ignite confirm that for those that have joined, a large portion get nothing for their investment in the Services Program. Ignite reported that in 2008 it had 110,000 directors in the Pyramid, *i.e.*, persons that had invested in the Services Program. Of those 110,000 directors, only 74.71% received one commission or bonus check, meaning that 25.29% (approximately 27,819 individuals) have received nothing for their \$329 investment and cost of their Ignite Homesite.

73. Additionally, to be among the 74.71% of directors that did earn a commission - approximately 82,181 Directors - one need only enroll himself and one other as a customer of Stream and purchase the Ignite Homesite. A large number of these 82,181 Directors received a commission or bonus but never recovered their \$329 investment or Ignite Homesite costs.

74. Of the low number of individuals that become Qualified Directors or above, 87.99% never go beyond the Qualified Director level. Ignite reports that Qualified Directors, between July 2007 and June 2008, earned \$10 to \$3202 annually, but on average, they earned only \$173. Moreover, nearly all directors subscribe to an Ignite Homesite at \$29 per month, for an annual cost of \$338. Added to their \$329 investment in the Services Program, many directors will spend \$667 in a single year. Thus, on average, a Qualified Director that sticks with Ignite for one year could lose \$494.

7.2 The future is even grimmer for those that have recently invested in the Services Program and worse for those that will join.

75. In December of 2005, the *Dallas Morning News* reported that Ignite had 20,000 directors that had invested in the Services Program. At that same time, Stream had about 130,000 customers. The ratio of customers to directors was 6.5 to 1. Taking into account that most directors also use Stream Energy, the more likely ratio of retail customers to directors was 5.5 to 1 in December of 2005.

76. In March of 2006, *D Magazine* reported that Ignite had 25,000 directors that had invested in the Services Program. At that same time, Stream Energy had about 150,000 customers. The ratio of customers to directors was 6 to 1. Taking into account that most directors also use Stream Energy, the more likely ratio of retail customers to directors was 5 to 1 in March of 2006. Stream, Ignite, the Operators, and the Presidential and Executive Directors have expressly adopted the *D Magazine* article. Ignite and Stream tout it in their literature and the Presidential and Executive directors tout it on their website, plugintoignite.com.

77. In less than three months, the ratio of retail customers to directors fell by .5%. In just three months, the Pyramid's increased saturation of the retail energy

market left fewer and fewer opportunities to those Directors that have recently invested in the Pyramid.

78. Most currently, Stream's website (streamenergy.net) claims that it has 330,000 customers and Ignite has 110,000 directors. Thus, the current ratio of customers to Directors is 3 to 1. Again removing the directors that are customers of Stream, the more likely ratio of retail customers to directors is 2 to 1. Now one-third of Stream's enrolled customers are not "retail" consumers, but rather investors in the Pyramid.

79. Thus, from December of 2005 to the present (June 2009) the ratio of retail customers to directors has decreased from 5.5 to 1 to 2 to 1. This shows that the saturation of the market is rapidly becoming such that new investors in the Pyramid will never profit and most will even lose their entire investment because there are too few remaining potential investors and customers. As with all pyramid schemes, the Pyramid will collapse.

80. Chris Domhoff, a founder of Stream and Ignite, recognized that the Pyramid is viable only so long as Stream grows. As he was quoted in *D Magazine*, "Yes, there will be a saturation point over a two-year period," he said. "By that point, we hope to launch in other states." Domhoff, Ignite, Stream and the Operators knew that the Pyramid would fail. This fact is never mentioned by anyone in the Pyramid when it is attempting to draw in more investors in the Services Program.

81. The *Dallas Morning News* observed in December of 2005:

'The people at the top of the pyramid are going to be the biggest winners, and the people at the bottom are going to be the biggest losers. And eventually the scheme is going to run out,' said Dan Howard, chairman of the marketing department at Southern Methodist University.

If each of Stream's 20,000 sales agents signs three agents (the number that triggers bonus payments), and those agents sign three more, within six rounds every resident of Texas would be a sales agent.

82. The fact that the Pyramid has now expanded to Georgia will do nothing to stop the saturation of the market and the death of the Pyramid in Texas and eventually Georgia and, theoretically, the entire market. Ignite's "3 and 10" model that allows an Investor in the Services Program to recoup part of their investment depends upon the Director selling to "friends and family." The numbers of Texas investors with "friends and family" in Georgia that are willing to enroll as a customer of Stream or invest in the Services Program is indisputably small. The expansion of Stream to other states and markets simply offers an elusive promise that Ignite's Texas Directors cannot receive. Moreover, as will be shown, the Presidential and Executive Directors are already signing up investors in Georgia, so the benefit of such expansion will go to those highest in the Pyramid.

8. THE DEFENDANTS' SCHEME AND ARTIFICE TO DEFRAUD INCLUDES MANY ACTS OF MAIL AND WIRE FRAUD.

8.1 IgniteInc.com.

8.1.1 "Opportunity."

83. Ignite and Stream operate IgniteInc.com, a website that explains and encourages individuals to invest in the Services Program. The website contains a number of Flash video presentations. The first of these Flash videos is entitled "Opportunity."

84. A paid announcer presents Opportunity. In the presentation, she says that Ignite is "what we believe is the greatest financial opportunity in America today." She

also presents the investment in the Services Program as a “ground floor opportunity and a company with a proven record of performance.”

85. Opportunity concludes by inviting the viewer to “become an associate and start your Ignite business for a onetime fee of \$329.” She also invites the viewer to set up their own Ignite Homesite for \$29.95 a month.

8.1.2 “Compensation Plan.”

86. The same paid announcer presents the Flash video “Compensation Plan.” She explains the compensation just as is stated above.

87. The announcer explains the compensation a Director will receive from the Pyramid for bringing in new investors. For example, she states that:

Our first leadership position is called managing director. As a managing director you earn \$100 in immediate income just like before but now you earn an additional \$75 for a total of \$175 for each [director] you personally sponsor. Furthermore, this additional \$75 is paid on each [director] below your first level in your managing director organization when he or she enrolls only two customers within his or her first thirty days.

88. She then explains that “[t]he power of Ignite’s leadership income plan is that these bonuses are paid on every associate on every level to unlimited depth. That’s geometric growth to infinity.” She also shows a picture of what “infinity” looks like:



89. Finally, she explains the residual income component where a Director is paid between 50¢ and \$1 each month for each customer in his downline. As she states:

once you get directors, and just ten customers, you're getting paid on 130 customers every month. As you continue to duplicate your 3 and 10 you have 27 associates and 270 customers on your third level, 81 associates and 810 customers on your fourth level and 243 associates and 2,430 customers on your fifth level.

8.1.3 "Success Profiles."

90. IgniteInc.com contains "Success Profiles" for Presley and Jeanie Swagerty (Presidential Directors), Steve and Diane Fisher (Presidential Directors) and Brian and Beth Lucia (Executive Directors). Each is a Flash Video presentation that stresses the success and wealth that these individuals have obtained through their investment in the Pyramid.

91. Swagerty says this on his and his wife's success profile:

I got involved with Ignite about a year and a half ago and it has been totally life changing. Never dreamed in such a short period of time it would hit six figures, I'm talking monthly not yearly. When you can make an annual salary on a monthly basis it's been amazing in that regard. Never dreamed that would happen, at least not this soon.

Swagerty continues:

It almost still seems like a dream, you know to pull up to the house. We sit on five acres, it's about 5,000 square feet. We've got four bedrooms, six bathrooms, a game room, a media room, we love the pool area. You know I've always wanted to have a little space and it's kind of neat moving out here like this. My daughter got to go to Baylor because of this business. As a coach I couldn't have afforded to send her to Baylor. But she is at Baylor, my son in private school. Again, my mom in an assisted living place instead of a nursing home and you know it's because of this. You know my daughter's in the business, my son can't wait for his next birthday because he will be in the business and you know, it's one of those deals where it's a family deal.

92. Brian Lucia said this on his and his wife's success profile: "When my best friend approached me with the Ignite opportunity it was a week before we found out we were pregnant. In less than one year's time we replaced her income after 16 years of teaching." Lucia said this as well:

the first associate that we signed underneath us was a buddy of mine who I was in a hotel room in Omaha, Nebraska and I said hey I've a new business I want to you to take a look at. I write this down, had him write down my website, I said takes about 10 minutes to watch a video. He called me in 12 minutes said I'm in.

93. Lucia concludes by saying, "the way the compensation plan is set up, people get that money in their hands quickly."

8.2 PlugIntolgnite.com.

8.2.1 PlugIntolgnite.com was created and maintained by Trey Dyer and other Presidential and Executive Directors, including the Presidential and Executive Defendants.

94. In August of 2007, the Presidential and Executive Directors created, maintained and provided content for “PlugIntolgnite.com,” a website to attract new individuals to invest in the Services Program and join the Pyramid. PlugIntolgnite.com contains an invitation for visitors to contact the Presidential and Executive Directors that run the website. This website also contains materials to assist their downline Directors to recruit new investors. PlugIntolgnite.com has been successful. As of June 2009, PlugIntolgnite.com had more than 79,000 visitors.

95. Like Swagerty, all Presidential and Executive Directors in the Pyramid joined relatively early and are literally earning bonuses for each new recruit signed up in their downline. Moreover, they earn commissions for all of the customers signed up in their downline. Thus, they are very motivated to work to promote and support the Pyramid.

96. Under the “About Us” tab, PlugIntolgnite.com informs visitors of the following:

Plugintoignite.com was started as a simple file sharing page set up for me and a few of my friends, leaders, and team members. Over the last 3 years it has grown tremendously and is now used by much of the Ignite family. The material on the site is designed to compliment, not replace, the already awesome training provided by Corporate. It is made possible by a handful of hard working [Executive Directors] and [Presidential Directors]. We hope you enjoy it and if you would like to see something added drop us an email through the Contact Us link on the home page. Enjoy!!

Follow along with me on twitter at: http://twitter.com/Trey_Dyer.

97. Trey Dyer is an Executive Director and directly maintains PlugIntolgnite.com. Dyer, together, with the Presidential and Executive Directors, jointly pays for and maintains PlugIntolgnite.com.

98. Plugintolgnite.com has several components, including audio recordings of presentations by Presidential and Executive Directors, Ignite and Stream.

8.2.2 “Associate Training” on PlugIntolgnite.com.

99. “New Associate Training” contains presentations to assist new directors in learning how to conduct their Ignite businesses. There are four sections within these training materials.

100. “*Purchase Ignite Homesite and Enroll 2 Customers.*” The section contains one presentation by Brian Lucia, an Executive Director, in which he instructs directors on how to sign up customers for Stream. In the presentation, he tells directors to inform potential customers that Stream’s price for electricity is less than all other companies in Texas. In particular, he tells directors that most people do not know what they are paying, so in the sale, the directors should just say that Stream “is less” and will “save them money.”

101. In fact, Stream is not always the lowest price electricity in Texas. The Pyramid and its participants all know that Stream is not always the lowest priced electricity in Texas. Yet, the defendants proliferate this lie in order to profit from the Pyramid. And, once a Stream customer, an individual cannot leave Stream until after one month.

102. “*Sponsor 3 to 5 Associates.*” This section contains three presentations on how to get three to five individuals to invest in the Services Program and join the Pyramid. The first presentation is by Logan Stout. Stout is a Presidential Director that

Ignite touts as its number two money earner. Stout's presentation is entitled "Recruiting with Logan Stout." In the presentation, he emphasizes the need to recruit new investors in the Services Program, "which is something you have to do." He states that his income from involvement in the Pyramid is "passive income." As Stout stated, "I have folks in my Executive Director group that have thousands of people underneath them and they don't even work the business. They don't even work the business."

103. Stout also says, "the majority of my business has been built from cold market recruiting." Indeed, the bulk of his speech is about how to use "cold market recruiting" to find investors for the Pyramid.

104. The second presentation, by Swagerty is entitled "The Coach Shares His Secrets on Recruiting." He explains that he has made \$117,000 in a recent month, but he has only signed up twenty customers for Stream. Of the \$117,000, he states that only \$10.00 is income from his twenty customers. His income from the Pyramid is almost entirely passive and his presentation, like Stout's, emphasizes cold marketing.

105. The third presentation is by Randy Hedge, a Presidential Director, also known within the Pyramid as "the Cowboy." His presentation is entitled "Recruiting with Randy Hedge" and is an inspirational and humorous presentation on how to attract investors. Hedge also stresses that "it, ain't getting them [to be] customers, let's be honest." It is getting new recruits for the Pyramid.

106. "*Help Your 3 to 5 Associates do the Same.*" This section contains four more presentations on how to get a Director's three to five new investors to each bring in three to five new investors. The first presentation is by Quincy Jones, an Executive Director, and is entitled "72 Hour Danger Zone." He has several thousand "associates."

He emphasizes the need to use the telephone to call folks to invite them to invest in the Pyramid. He specifically mentions that Swagerty is on frequent conference calls to “share this business [*i.e.*, the Pyramid].”

107. Jones closes by comparing his work in bringing new investors into the Pyramid to Harriet Tubbman’s work. She saved slaves; Ignite saves financial futures.

108. Fisher, Hedge and Stout also make presentations on how to expand the Pyramid.

109. Fisher makes the goal clear. After gathering four customers, Directors are to recruit individuals to invest in the Services Program and join the Pyramid. As Fisher says:

Once you’ve got your 4 [customers] in 24 [hours], I take my associates out of the customer gathering business at that point, when they’ve got their four customer points I say ok, you’re done gathering customers for a little while, we’re gonna do what’s important and that is to start building this team [*i.e.*, gather new investors].

110. Fisher next stresses the need to assure that those you are attempting to recruit have \$329. He defines a qualified person as follows: “[i]f we were gonna go spend 45 minutes with them showing them the business presentation and they like what they see, you know they could write a check for \$329 or they could put it on a credit card, the money is not gonna be an issue.”

111. Fisher used the telephone to contact new recruits:

The first person that I called was Coach Bob Ledbetter, anyone in here know Coach Bob Ledbetter? Great man. Coach Ledbetter was a friend of mine. We used to meet for breakfast about once a month once every other month and just get caught up with each other and I called Coach, he was the first person I called in this business. I said Coach I wanna meet you for breakfast, I said meet me at the McDonald’s by my house, I wanna buy you breakfast. I was cheap.

112. Hedge's presentation follows Fisher's. Hedge notes that some folks will oppose the investment in the Services Program as it is "a pyramid." He attempts to address this concern by stating, "Hey look, has any of y'all heard that [allegation that Ignite is a pyramid scheme]? Has anyone ever, let's get something straight, I don't care if you call it an octagon, parallelogram, rectangle, they're sending me a check."

113. Hedge also proposes that selling investments in the Pyramid is God's work.

God's given you opportunity to share this I can tell you my personal story in my life, I was praying for something. I didn't know it was this. Matter of fact, when Presley came I remember saying no God I want something real I promise you you ain't got no friends or family right now settin at home praying, Dear Lord, have one of my friends bring one of them electric pyramid deals to me.

Hedge continues:

Million dollars, you know my best friend's [Swagerty] already made almost four million with this, the guy I told no, the guy I laughed at, the guy spit on my brother and Christ, the guy who was there for me in my worst of times in my life, being knowing and loving him 15 years, Presley came to me and I said no. I made, I almost made a profession out of being a jerk.

114. It is noteworthy that PlugIntolgnite.com's New Associate Training spends seven times more time instructing its directors on how to persuade individuals to invest in the Pyramid than it does instructing them on how to sell Stream gas and electricity.

8.2.3 Conference Calls ("The Coach and Cowboy Half Hour") on PlugIntolgnite.com.

115. The two individuals most responsible for PlugIntolgnite.com, other than Dyer, are Swagerty a/k/a "Coach" and Hedge a/k/a "Cowboy." Coach and Cowboy have their own weekly telephone conference call that is available to all who call 646-519-5800 and enter Access Code 5098#. The purpose of these conference calls is to bring new investors into the Pyramid and to sponsor, support and assist others to do the

same. The following telephone conference calls occurred on the dates stated below, and each included the Coach and Cowboy, as well as the stated “guest(s)” (as reported on PlugIntolgnite.com):

- a. 6-7-2009 Special Guest, ED Ryan Morris was on the call with the Cowboy. Another great call!!! In this call, the organizers represented the investment in the Services Program was “recession proof” and it involved “no luck.” They also said that “[i]f you graph [the income], it is almost a straight upward line.” They also state that this “can and will happen” if the investors “work hard.”
- b. 5-31-2009 Special Guest, ED Stefan Rodriguez was on the call. Great Call!!!
- c. 5-3-2009 Special Guests, EDs Brian Childers and Pete Meadows talk shop!
- d. 4-19-2009 The Coach, The Cowboy and Childers spell it out!!! On this call, the organizers state that if you invest in Ignite, you will “[n]ever have to say you don’t have money anymore.”
- e. 4-5-2009 Special guests, Executive Directors, Beth and Charlie Jones.
- f. 3-22-2009 Special guests, Executive Director Scott Williams and Presidential Director Tim Rose!! Here, the organizers represent that “... every day is a Saturday ... [when you are a director] you aren’t stressing over everything financially.”
- g. 3-15-2009 Special guest, Presidential Director Terry Yancey!!
- h. 3-1-2009 The Coach, the Cowboy and Childers spell out what it takes!!
- i. 2-22-2009 The Coach, the Cowboy and Childers recap Ignition 2009.
- j. 2-15-2009 The Coach, the Cowboy and Childers. What a call!
- k. 2-8-2009 The call featured new ED David Trujillo and the Ignition 2009 agenda by ED Brian Lucia.

- l. 1-25-2009 The call had some technical difficulties at first but were resolved a few minutes in.
- m. 1-18-2009 The call featured EDs Dave Regis, Bryan Childers, and Ryan Morris.
- n. 1-11-2009 The call featured ED Bryan Childers and SD Jim Gurtner. Great Call!
- o. 12-21-2008 The call featured special guests EDs, Bryan Childers, Tim Rose and Randall Blackmon.
- p. 12-14-2008 The call featured special guests EDs, Bryan Childers and Kenny Isbell. Great call!!!
- q. 11-23-2008 The Coach and Cowboy with special guests Executive Directors Martha Troy and Kenny Isbell.
- r. 11-16-2008 The Coach and Cowboy with special guest Executive Director Brian Lucia.
- s. 10-19-2008 The Coach and Cowboy discuss the next big run for our business.
- t. 10-12-2008 The Coach and Cowboy and myself talk about how to be successful in Ignite.
- u. 10-5-2008 The Coach and Cowboy talk about excitement and what it takes to win!!!
- v. 9-28-2008 The Coach hosted with guests Executive Director, Martha Troy, and myself, Trey Dyer.
- w. 9-21-2008 The Coach and Cowboy livin the life!!
- x. 9-14-2008 Special Guest on the call were new Executive Directors, Louis and Michelle Miori.
- y. 9-7-2008 The Coach and Cowboy tell it like it is.
- z. 8-24-2008 Special Guest on the call was New Executive Director Ryan Morris
- aa. 8-18-2008 EDs, Brian Lucia and Greg McCord hold court.
- bb. 8-4-2008 EDs, Brian Lucia and Greg McCord discuss success strategies.

- cc. 8-3-2008 Special Guests are EDs Tim Sparkman and Kenny Isabell.
- dd. 7-28-2008 Promotions and Tools and Rates, Oh My!!!!!!! The perfect Storm!!!
- ee. 7-20-2008 Special Guest is Director of Field Development, Darryl Smith.
- ff. 6-29-2008 Special Guest is Executive Director Debbie Smith.
- gg. 6-22-2008 Special Guests were Executive Directors, Dave Regis and Randall Blackmon.
- hh. 6-15-2008 The Coach, Presley Swagerty and Cowboy, Randy Hedge, host the call.
- ii. 6-8-2008 The Cowboy, Randy Hedge, hosts the call. Great Call!!
- jj. 6-1-2008 The Coach, Presley Swagerty and Cowboy, Randy Hedge, host the call.
- kk. 5-11-2008 The Cowboy, Randy Hedge, host the call with special guests, Executive Directors, Terry and Shelba Yancy.
- ll. 5-4-2008 The #1 Money Earner, Presley Swagerty, hosts the call.
- mm. Corporate Conference Call on Enrolling Customers in Georgia Doug Witt, Director of Operation, Darryl Smith, Director of Field Development [sic] and Brian Lucia, SD, head Trainer, give us the nitty gritty on customers.
- nn. 4-20-2008 Director of Operations, Doug Witt gives some insight on rates and gathering customers in Georgia.
- oo. 4-13-2008 The Coach and Cowboy tell us how it is.
- pp. 3-30-2008 Newest ED Richard Tuite and ED Tim Sparkman talk about their success.
- qq. 3-16-2008 The Coach and Cowboy talk shop!
- rr. 3-4-2008 Team Desires Greg McCord and Brian Lucia discuss the 3 month 10.6 deal and the March promotion.

This is a great call, a little long at 50 minutes, but well worth it!!!!

- ss. 3-9-2008 Women of Power, EDs Susan Fisher, Desiree McKellar, and Jamie Piersol tell it like it is.
- tt. 3-2-2008 The Coach talks about how to get started on the right track!
- uu. 2-24-2008 The Coach and Cowboy spell it out!
- vv. 2-19-2008 Senior Director, Brian Lucia and #4 Money Earner ED Greg McCord clarify the new promotion. Here the organizers state "I would love to put \$350 on the blackjack table in Vegas and get back \$400 every time, because that is what we are doing here."
- ww. 2-10-2008 Guests were Senior Director, Brian Lucia and #2 Money Earner ED Logan Stout.
- xx. 1-27-2008 Hosts were Executive Directors Tim Sparkman, Randall and Michelle Blackmon, Donny Anderson, and Corporate Trainer, Senior Director, Brian Lucia.
- yy. 1-20-2008 Hosts were Executive Directors Debbie Smith and Trey Dyer and Corporate Trainer, Senior Director, Brian Lucia.
- zz. 1-13-2008 Hosts were #4 Money Earner, Executive Director Greg McCord and Corporate Trainer, Senior Director and all around nice guy, Brian Lucia.
- aaa. 1-6-2008 Special Guests were Executive Director Mark Florez and Future ED, Brian Lucia.
- bbb. 12-30-2007 Special Guests were Executive Directors Tim Sparkman and Martha Troy.
- ccc. 12-16-2007 Special Guests were Executive Director Randall Blackmon and Senior Director Kenny Isabell.
- ddd. 12-9-2007 Special Guests were Executive Directors Terri Hatch and Dave Regis.
- eee. 12-2-2007 Special Guests were All New Executive Directors from Houston. Randall Blackmon, Ted Hasson, and Bob Perkins.

- fff. 11-25-2007 What a fun call! Guests tonight were Tim Sparkman, Debbie Smith, Susan Fisher, and Greg McCord. Excellent Call!!!!
- ggg. 11-11-2007 What a fun call! Guests tonight were Kirk Newsom, Debbie Smith and myself. There were some great ideas tossed around. Great call!!!!
- hhh. 11-4-2007 What a fun call! Guests tonight were #4 Money Earner Greg McCord and myself. We had a great time role playing and talking about how we got started and what worked!!
- iii. 10-28-2007 The call was awesome tonight! EDs Tim Sparkman, Martha Troy, and Dave Regis had a roundtable discussion on what they do that works!! Great call!!
- jjj. 10-21-2007 Special Guest is #4 Money Earner Greg McCord. Great Call!
- kkk. 10-14-2007 Special Guest Executive Director Dave Regis gives his insight. The computer rebooted during the first part of the call so this is a partial recording. Still excellent!!
- lll. 10-7-2007 Presley "The Coach" Swagerty flies solo and gives some classic training.
- mmm. 9-30-2007 Special Guest Executive Director "The Kid", Tim Sparkman tells his story and discusses his successes and failures in the business.
- nnn. 9-23-2007 Special Guest is Darryl Smith, Director of Field Development. Darryl talks about the latest Ignite Academy in Houston.
- ooo. 9-16-2007 Special Guest is ED Sally Dyer. Sally does some role playing with the Coach and Cowboy.
- ppp. 9-9-2007 The Coach and The Cowboy talk about attitude and commitment and role play, setting up appointments. Very good call!!
- qqq. 9-2-2007 Special Guest #4 Money Earner Greg McCord
- rrr. 8-26-2007 Special Guest Top Ten Money Earner Joel Claybrook

- sss. 8-19-2007 Special Guest Top Ten Money Earner Legendary Coach Bob Ledbetter
- ttt. 8-12-2007 Special Guests are Ignites 30th Executive Directors Karen and Darrell Boeske
- uuu. 8-5-2007 Special Guest is Ignites 29th Executive Director Bob Aulds
- vvv. 7-29-2007 Special Guests are Ignites 28th Executive Directors Dave and Kathy McKinney
- www. 7-22-2007 Special Guest is Ignites 27th Executive Director Martha Troy
- xxx. 7-15-2007 Special Guest Director of Field Development Darryl Smith
- yyy. 7-1-2007 Special Guest Top Ten Money Earner Legendary Coach Bob Ledbetter
- zzz. 6-24-2007 Special Guest Top Ten Money Earner Tim Rose
- aaaa. 6-17-2007 Special Guest is Ignites 26th Executive Director Quincy Jones
- bbbb. 6-10-2007 Special Guest is Ignites 25th and Baird's 2nd Executive Director Debbie Smith
- cccc. 5-13-2007 The Coach and the Cowboy share their vision.
- dddd. 3-25-2007 Special Guest is Executive Director Willa Gipson
- eeee. 3-18-2007 Special Guest is #3 Money Earner Executive Director Steve Fisher. Fisher states "you know you are having the time of your life when your weekly check is five figures." He then states "I make more with Ignite in a week than I made in 6 months with American Airlines ... and I had to work hard during those 6 months." Finally, he states that "Financial independence is getting paid on the efforts of others, whether you show up to work or not."
- ffff. 2-11-2007 Special Guest is Executive Director Domenic Carlucci
- gggg. 1-28-2007 Special Guest is Ignites Top Female Money Earner Executive Director Susan Fisher

hhhh. 1-21-2007 Special Guest is Top Ten Money Earner Mark Flores.

116. In total, there have been eighty-six “Coach and Cowboy” recorded conference calls to date. Each organizer and invited listener in these conference calls used the “wire,” *i.e.*, a telephone. On each call, Torres alleges that there was at least one organizer and at least one invited listener on the conference call since the organizer would have terminated the call if no invited listeners attended.

117. In addition, the Presidential and Executive Directors have made each of these eighty-six conference call recordings available on PlugIntolgnite.com. Torres and Robison allege that at least three persons, other than the sponsors of these recordings have used the “wire,” *i.e.*, the internet, to listen to the conference call on the basis that there have been over 79,000 visitors to PlugIntolgnite.com.

118. To summarize, each of these Executive Directors has participated in one or more of the “Coach and Cowboy” conference calls: Donny Anderson, Bob Aulds, Randall and Michelle Blackmon, Karen and Darrell Boeske, Domenic Carlucci, Brian Childers, Sally Dyer, Susan Fisher, Mark Flores, Ted Hasson, Terri Hatch, Kenny Isbell, Beth and Charlie Jones, Quincy Jones, Brian Lucia, Bob Perkins, Jamie Piersol, Greg McCord, Desiree McKellar, Dave and Kathy McKinney, Pete Meadows, Louis and Michelle Miori, Ryan Morris, Dave Regis, Stefan Rodriguez, Debbie Smith, Tim Sparkman a/k/a “The Kid,” Logan Stout, Martha Troy, Richard Truite, David Trujillo and Scott Williams.

119. In addition to the persons listed above, Presidential Directors Terry Yancey and Tim Rose participated in the “Coach and Cowboy” presentations. Likewise,

Jim Gurtner and Kenny Isabell, Senior Directors, have also participated in these presentations.

120. Ignite and Stream also directly participated in the “Coach and Cowboy” presentations. Specifically, between April 20 and May 5, 2008, Doug Witt, Director of Operations, and Darryl Smith, Director of Field Development, spoke on “Enrolling Customers in Georgia.” On July 20, 2008, September 23, 2007 and July 15, 2007, Darryl Smith, Director of Field Development, spoke in support of the Pyramid.

121. Brian Lucia, an Executive Director in the Pyramid, is also employed by Ignite and Stream as a “Corporate Trainer.”

8.2.4 “Ignite Academy Clips” on PlugIgnite.com.

122. Ignite sponsors the “Ignite Academy,” which consist of large meetings where it seeks new investors in the Services Program and trains directors to do the same. The Presidential and Executive Defendants have made each of these presentations available to visitors at PlugIntolignite.com.

123. At the Ignite Academy in Atlanta, Georgia, April 12, 2008, the following Presidential or Executive Directors made these presentations:

- a. Randy Hedge (a/k/a, “The Cowboy”) presented the “Business Building Action.”
- b. Randy Blackmon presented the “72 Hour Danger Zone.”
- c. Steve Fisher presented “Steve Fisher on Belief.”

124. At the Ignite Academy in Atlanta, Georgia, April 26, 2008:

- a. Trey Dyer presented the “72 Hour Danger Zone.”
- b. Steve Fisher presented the “Business Building Action Plan.”
- c. Susan Fisher presented “Recruiting with Susan Fisher.”

- d. Brian Lucia presented “Gathering Customers” and “Customer Guidelines.”

125. At the Ignite Academy in Houston, Texas, December 8, 2007, the following Presidential or Executive Directors made these presentations:

- a. Brian Lucia presented “Goalsetting.”
- b. Susan Fisher presented “72 Hour Danger Zone.”
- c. Presley Swagerty presented “Business Building Action Plan with Presley Swagerty.”
- d. Susan Fisher presented “Recruiting with Susan Fisher.”
- e. Presley Swagerty presented “Presley Swagerty on Belief.”

126. In Arlington, Texas, September 29th, 2007:

- a. Quincy Jones presented the “72 Hour Danger Zone.”
- b. Steve Fisher presented the “Business Building Action Plan.”
- c. Presley Swagerty presented “Recruiting with Presley Swagerty.”
- d. Greg McCord (a/k/a the “Space Monkey”) presented “Power Center.”
- e. Domenic Carlucci presented “Team Building.”

127. At the Ignite Academy in Houston, Texas, September 22, 2007, the following Presidential or Executive Directors made these presentations:

- a. Wendell Campbell presented “72 Hour Danger Zone.”
- b. Debbie Smith presented “Recruiting with Debbie Smith.”
- c. Randy Hedge presented “Business Building with Randy Hedge.”
- d. Brian Lucia presented “Gathering Customers” and “Customer Basics.”
- e. Chris Domhoff, Ignite CEO, a/k/a “Our Leader,” presented his vision and celebrated the new Executive Directors.
- f. Wendell Campbell presented “Team Building with Wendell Campbell.”

- g. Darryl Smith, Ignite's Director of Field Development and "Our Corporate liason" talked about "where we've been and where we are going."
- h. Brian Lucia presented "Communication Skills Part 1" and "Communication Skills Part 2."
- i. Randy Hedge presented "Wrapping it all up."

128. At the Ignite Academy in Abilene, Texas, August 25, 2007, the Presidential or Executive Directors made these presentations:

- a. Randy Hedge presented "Recruiting with Randy Hedge" and "Follow the Plan with Randy Hedge."
- b. Coach Bob Ledbetter presented "Coach Bob Ledbetter on Belief."
- c. Sally Dyer presented "72 Hour Danger Zone."
- d. Brian Lucia presented "Communication with Brian Lucia" and "CUSTOMERS!!"
- e. Kirk Newsom presented "Power Center with Kirk Newsom."

8.2.5 "Presentation Tools" on PlugIntolgnite.com.

129. PlugIntolgnite.com contains, under "Presentation Tools," the following information provided by Ignite and Stream Energy:

- a. the "Ignite Opportunity Flash Presentation," an official corporate flash presentation;
- b. the "Ignite Quick Start Training Presentations," an official corporate PowerPoint presentation that instructs new investors on how to "[e]nroll on your sponsor's Ignite Homesite," "[s]et up your personal Ignite Homesite," "[w]atch the Ignite Opportunity Video" and "qualify" potential investors by, among other things, assuring that they have \$329.00 to invest;
- c. the "Ignite Compensation Worksheet," an official corporate Adobe file that can be used to explain the Pyramid's compensation plan;
- d. the "Power Plan Workbook," the "Ignite Bible!!!," an official corporate Adobe file to "teach these simple steps everyday and you'll build a huge, duplicating "Money Machine!!!".

- e. the “8 X 10 Flip Chart,” an official corporate presentation that summarizes the “Ignite Opportunity Flash Presentation”; and
- f. the “Texas Energy Screen Saver Presentation,” an official corporate PowerPoint presentation that is to be “used before a meeting.”

130. PlugIntolgnite.com also displays Ignite and Stream’s logos, materials and trade dress to such a degree that it would be impossible for any casual or prudent observer to distinguish Ignite and Stream from PlugIntolgnite.com.

131. The Presidential and Executive Directors have made each of these documents available on PlugIntolgnite.com. Torres alleges that at least three persons, other than the Presidential and Executive Directors, have used the “wire,” *i.e.*, the internet, to access these documents on the basis that there have been over 79,000 visitors to PlugIntolgnite.com, and used the documents to further support the Pyramid.

132. To summarize, each of the Presidential and Executive Defendants has participated in one or more of the presentations that is available to visitors via the internet.

8.3 TeamExtremeTraining.com.

133. Trey Dyer also maintains TeamExtremeTraining.com. The site refers visitors to PlugIntolgnite.com:

Need training?

PlugIntolgnite.com

If you want the most comprehensive training out there (outside of the Power Center) then visit PlugIntolgnite.com. There you will find tips from the top money earners along with helpful files and documents to help get your business in high gear!

134. TeamExtremeTraining.com also sponsors the “Coach and Cowboy” conference calls. TeamExtremeTraining.com invites the public to these conference calls by dialing 646-519-5800 and entering Access Code 5098#.

135. TeamExtremeTraining.com also sponsors a Monday night conference call entitled “Team Extreme/Desire Conference.” TeamExtremeTraining.com invites the public to this conference call by dialing 646-519-5800 and entering Access Code 5098#. The invitations state, “Join #4 Money Earner Greg McCord, Corporate Trainer Executive Director Brian Lucia, and myself [Trey Dyer] for a conference call each Monday night designed to give you vital information for the success of your business.” On the following Mondays, these conference calls occurred: November (2008) 24; December (2008) 1, 8, 15, 22 and 29; January (2009) 5, 12, 19 and 26; February (2009) 2, 9, 16 and 23; March (2009) 2, 9, 16, 23 and 30; April (2009) 6, 13, 20 and 27; May (2009) 4, 11, 18 and 25; and June (2009) 1, 8 and 15.

136. TeamExtreme, Dryer, Greg McCord or Lucia participated as an organizer or participant in one or more of these conference calls. In total, there have been thirty-one Team Extreme/Desire Conference calls to date. Each organizer and the invited listener in these conference calls used the “wire,” *i.e.*, a telephone. On each call, Torres alleges that there was at least one organizer and at least one invited listener on the conference call since the organizer would have terminated the call if no invited visitors attended.

137. Team Extreme also sponsors a webinar conference call and web presentation entitled “Mission to Ignition Webinar.” Team Extreme, through its website

TeamExtremeTraining.com, and through other methods, invites the public to join this “GoToMeeting” at gotomeeting.com/register/521712548.

138. These Mission to Ignition Webinar conference calls and web presentations occurred on the following Sundays: February (2009) 10, 17 and 24; March (2009) 3, 10, 17, 24 and 31; April (2009) 7, 14, 21 and 28; May (2009) 5, 12, 19 and 26; June (2009) 2, 9 16 and 23.

139. In total, there have been twenty Mission to Ignition Webinar conference calls to date. Each organizer and invited listener in these Webinar conference calls used the “wire,” *i.e.*, a telephone and the internet. On each Webinar, Torres alleges that there was at least one organizer and at least one invited listener and viewer on the conference call since if no invited visitors attended, the organizer would have terminated the call and the GoToMeeting. Specifically, in a GoToMeeting, the program shows the organizers the number and names of the participants.

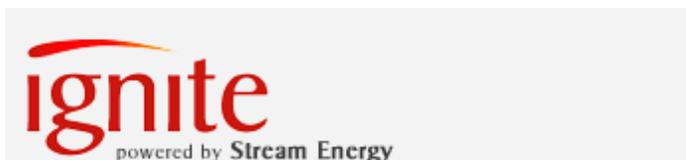
8.4 IgniteOnline.Webex.com.

140. Dyer’s third incarnation is IgniteOnline.Webex.com. He, and the other Presidential and Executive Defendants have sponsored the following “Webex” meetings, each requiring a person to participate by phone and internet:

- a. May 30, 2009, “Who wants to go MD??”
- b. May 2, 2009, “TEAM EXTREME TRAINING – 2009.”
- c. March 7, 2009, “30 DAYS TO MD, WHAT A BLAST!!!”
- d. February 7, 2009, “ROAD TO IGNITION 2009.”

141. Dyer is not acting alone with the Presidential and Executive Defendants. Ignite and Stream fully support his and the Presidential and Executive Defendants’ efforts.

- a. IgniteOnline.Webex.com is copyrighted as follows: “© 2009 Stream Gas & Electric, LTD. All Rights Reserved.”
- b. Ignite and Stream allow Dyer and the Presidential and Executive Defendants to use their logos and trademarks, specifically the following, which links directly to IgniteInc.com:



- c. The site also provides this service mark:

Turning Energy Into IncomeSM

9. IGNITE’S “TURNING ENERGY INTO INCOME.”

9.1 Contents of the “Turning Energy Into Income” box.

142. Ignite’s Directors give potential recruits a red box of materials called “Turning Energy Into Income” (the “Red Box”), which contains the following:

- a. a welcome letter from Chris Domhoff, Founder, Ignite;
- b. “Proven Results: Ignite and Stream Energy,” an explanation of Stream Energy’s financial success from 2005 to the present;
- c. a packet of handouts explaining the Services Program;
- d. “The Compensation Plan;”
- e. “EMPOWER,” an apparent magazine priced at \$4.95 with a “Free Dual Disc” that contains various presentations explaining the Services Program (which appears in the form of a mailer);
- f. “The Power Plan Training Workbook – *The Proven Way To Start Your Ignite Business!*”;
- g. “The Power Plan Training DVD”;
- h. Ignite “Policies and Procedures”; and

- i. “Independent Associate Application and Agreement.”

9.2 The Workbook.

143. The Power Plan Training Workbook (the “Workbook”) provides instructions for new Directors in the business of the Pyramid. The first thing the Workbook instructs a new Director to do is to become a “Qualified Director” and “get paid on your personal [Directors].” As the Workbook materials state, “[u]ntil you are qualified to get paid there is no reason for you to do anything else in your business. Make this your #1 priority. And by-the-way, completing Phase I will also trigger your first check.”⁷ The Workbook then explains “how to start sponsoring associates and build your team.”

144. The Workbook also requires a director to commit that they will follow the Power Plan System:

Follow the System – Achieving success in your Ignite business is very simple; follow the system provided in the Power Plan Workbook. The Power Plan will work if you work the Power Plan. Follow the system and you will have the experience of the entire Ignite leadership as your guide. Change the system and you lose those benefits. In other words, don’t try to reinvent the wheel. ***You are paid to imitate not to create.***

145. The Workbook warns that “the fastest way to slow down your growth is to change or add something to the system; so don’t do it.”

146. The Workbook also warns “don’t talk to anyone about your new business yet!” Instead, the Workbook makes clear that the newly minted Director is not to explain the program to anyone, instead he is to get potential recruits to attend meetings, called an “Ignite Opportunity”:

⁷ *Webster*, 79 F.3d 782 (noting that “Omnitrition encouraged [Webster] to “get a supervisor as soon as possible”).

Step 8 – Setting Appointments

Learning how to set appointments to see the Ignite Opportunity is critical to growing your business. *Your #1 objective is to set appointments with the people on your contact list so they can see the Ignite business presentation.* If you're not getting people in front of the presentation then you're not doing the business.

The biggest mistake new associates make is to say too much while inviting a contact to see a presentation. The purpose of the "invitation" is only to set an appointment to see a "presentation"; not to answer questions or explain the business. That will come during the presentation. When you mix the invitation with the presentation, we call that falling in to the "Valley of Death"; and it's hard to recover once you find yourself there. So always keep the invitation separate from the presentation. By focusing on setting an appointment and avoiding distractions you will keep yourself out of the "Valley of Death" and see your number of appointments increase dramatically.

147. Indeed, the Director's role in getting others to invest into the Services Program is all but completely passive. The Workbook instructs the Director to bring qualified recruits to see the Ignite Opportunity presentation, not to sell the Ignite Services Program:

It will help you to remember that you are in 100% of the sorting business, not the selling business. In other words, you are not trying to "sell" Ignite to anyone. They will sort themselves in or out of the business once they see a presentation and have 100% of the information necessary to make a decision. It's usually a timing thing for most people. What you have to do is be strong in your belief that no one can make a decision until they have seen a full business presentation. Then it's up to them to decide what they want to do.

148. The Workbook gives the director a number of ways to invite potential recruits to an Ignite Opportunity meeting.

The Invitation

The best approach to invite a contact to see the Ignite Opportunity is a direct one such as, "Let's get together, I have a business deal/venture I'd like to get your opinion on." Everyone likes to give their opinion.

Money is always an attention getter so you might say, “I’ve found a way to get paid on thousands of energy bills every month. Let’s get together, I’d like to get your opinion on it.” Or “Do you ever look at new ways to make extra money?”

Often people will want to know what it is, so don’t be evasive. “The name of the company is Ignite and it’s about deregulated energy. Let’s get together and I’ll show you how to get paid on thousands of energy bills every month.”

What you say is really not as important as how you say it. Enthusiasm is your greatest asset. If you’re excited then your contact will be excited too. Again, just get him or her in front of a presentation and the opportunity will sell itself, just like it did for you. And remember to have a sense of urgency.

149. The Workbook emphasizes that the Director’s priority should be to get new recruits to invest in the Services Program, not sign up for Stream energy. As Ignite states, if a person does not want to attend an Ignite Opportunity presentation, “[d]on’t forget to ask him or her to be your customer if he or she doesn’t want to be an associate. Go for an associate first, but he or she can always get started as a customer.”

150. The Workbook stresses that the real financial benefit that a Director receives is from getting new associates and a few customers. The Workbook states “But the genius of the Ignite concept is that you only have to enroll a few customers yourself, yet you can get paid on hundreds and even thousands of customers as a result of a team of people enrolling just a few customers each, just like you.”

9.3 Empower magazine.

151. Ignite purchased an “EMPOWER” magazine edition in 2009. EMPOWER is given to prospects and, from its appearance, looks like an independent magazine that just happens to feature Ignite. The EMPOWER edition purchased by Ignite contains

many articles about Ignite, but also contains a few advertisements for noncompeting products as well as charities.

152. The *EMPOWER* edition, in fact, is nothing more than an advertisement paid for by the Pyramid. The edition contains promotional statements by Ignite, Stream and all other defendants. It also includes a “Free DualDisc Inside.”

9.4 Empower magazine “Free Dual Disc.”

9.4.1 The first presentation is called “The Power to Do More.”

153. The video presentation builds around a plot centering on a middle-aged man (a paid announcer) and starts the night before his retirement party. He is retiring because of his success with Ignite. He that “It’s simple, easy and generates recurring income for me and my family every single month.”

154. The announcer explains that Stream has grown to over \$1 billion in total revenues. He then states that Stream “still ha[s] only a small percentage of the multi-billion dollar energy market. I guess you could say it’s the best of both worlds, a proven track record in a market that’s still intact.”

155. The presentation also shows a number of Presidential and Executive Directors at a hotel retreat in Mexico. These individuals are shown by the pool, the beach and at a lavish party. It shows that these Presidential and Executive Directors are successful and wealthy.

156. Stout, a Presidential Defendant, says this on the video:

We are a licensed retail electric provider. We are a licensed natural gas marketer. When you talk about credibility, talk about integrity, we can look people in the eye and say, look we are licensed with the government to provide a commodity to the consumer. We are an energy company, that’s what we are.

Stout continues:

I got involved with Ignite quite frankly to make an extra \$1000 a month. That was the difference between us living in an apartment and getting to buy a house. I mean that was the difference. I had no idea what we would be blessed with through this company so it's been pretty phenomenal.

157. Steve Fisher, a Presidential Defendant said this on the video:

It's a huge thing for us to have that kind of credibility behind us so when we go talk to our friends and our family and people that we do business with, we've got a company behind us that has a proven track record of success.

And we were able to take five vacations this year and nice vacations, something we would have never been able to do in the past but we created family memories with our daughter before she leaves to go to college and it's just been, it's been an incredible life change for us.

158. Greg McCord, a Presidential Director said this on the video: "The recognition from the outside, not just a biased opinion on us or other associates as coming from the outside is really for a new associate perfect timing because they can hit the ground immediately with that confidence."

159. Earnest Franklin, an Executive Director, said this on the video: "We have everything in place. We'll teach you word for word, step by step, how to get your business from point A to point B."

160. Donny Anderson, a Presidential Defendant, said this on the video:

One of the greatest enjoyments we've had in our business is helping other people achieve success for themselves. It's clearly a business where the more you help someone else succeed, the more you are going to succeed. And that's a real special thing to be able to help someone succeed and fulfill their dreams and obligations.

161. Yolanda and Kevin Harris, Executive Directors; Hedge, a Presidential Defendant; David Regis, an Executive Director; and Swagerty, a Presidential Defendant also participated in the "Power to do More" presentation. Domhoff, also participated.

162. The paid announcer, near closing, says this:

Ignite has a training system that anyone can follow. Why don't you begin by taking a look at that starter kit. A great thing about Ignite is that you are in business for yourself but not by yourself, you can make your own schedule, work from home, and you've got the support of both the corporate office and the field whenever you need it. Now when Nicholas gets paid I get paid too. So you can imagine why I'm motivated to help him get off to a great start.

9.4.2 The Steve Fisher Presentation.

163. The DVD also contains video of Steve Fisher, a Presidential Defendant, making a presentation to potential recruits. Fisher states that he decided to invest in the Services Program based on the "presentation you are getting ready to see," even though that presentation did not exist when he invested in Services Program. Fisher was in fact involved with Ignite at the inception of the Pyramid and has, by that fact and his experience, a detailed understanding of the Pyramid.

164. Fisher states that "You'll see over the next few minutes how Ignite has helped thousands of people just like you take advantage of this energy deregulation and provide what we believe is the *greatest financial opportunity in America today.*" For Fisher, there is no doubt this statement is true for him and other Presidential Directors. However, Fisher, Ignite, Stream and all Presidential and Executive Defendants know that for most persons an investment in the Pyramid will fail.

165. Fisher represents that an investment in the Services Program allows an investor to make money based on the labor of others. As Steve says,

At Ignite we only do two simple things. We enroll a handful of customers through our warm market, people that we know, people that we do business with, and then we teach others how they can get paid to do the same. We have a very simple marketing plan called 3 and 10. That's three business associates and ten customers and by duplicating this 3 in 10 model you can end up getting paid on hundreds or even thousands of energy bills each and every month. It's that simple. Now, to start your

business with Ignite is \$329, with that you get all the tools and training and support that you need to successfully launch your business.

166. Fisher invites recruits to sign up for an Ignite Homesite. Other than allowing the Director's potential recruits to sign up, the recruits:

see a twelve minute video flash presentation that's just a slam dunk and they can join as business partners right on your website where you get credit for it. This website is \$19.95 [now \$29.00] per month and it's the only overhead that we have as Ignite business owners.

167. Fisher represents that the Services Program offers the potential to be paid large sums of Residual Income:

When [you] get those four customers in thirty days, you're paid that \$100 bonus. Now we use three as an example because that completes what we call the power unit which is you simply getting those three business partners and those ten energy accounts. By duplicating that over and over and over again you can end up getting paid on literally thousands of energy bills every month.

168. Thus, a Director is getting "paid on forty customers each and every month even though [he] personally ha[s] only gathered ten." Fisher does not disclose that between July 2007 and June 2008, 25.29% of the investors in the Services Program never received any income. He does not disclose that during the same months in 2005-2006, 35.55% of investors received nothing. He does not disclose that Domhoff, a founder of Ignite, stated that 20% of investors never recoup their investment (and that statement is itself untrue as it greatly overstates the percentage of investors that recover their investment).

169. Fisher states that, as a Managing Director, you get more from your investment, "you're paid that \$75 leadership bonus for every one that joins your Managing Director organization below that first level and gathers just two energy

accounts in their first thirty days and these leadership bonuses are paid to unlimited depth.”

170. Fisher continues his “unlimited depth” promise by taking it even further.

As an Executive Director:

you’re paid an additional \$225 leadership bonus, that’s \$325 for everyone you personally sponsor, \$225 for every one that joins your executive director organization below that first level and gathers those two energy accounts. And guys the significance of these leadership bonuses are in the fact that they are paid to unlimited levels. ***That’s geometric growth to infinity.***

171. Fisher is promising a benefit from a very rapidly growing number of new investors in the Ignite Services Program that will grow to infinity.

172. Fisher then invites individuals to invest in Ignite. He states that the investment offers “incredible income potential” when he knows that to be untrue. He invites all that are “about to jump out of [their] skin because of what [they] just saw” to invest in the Services Program:

Just go the website of the person that invited you to look at Ignite and click on join Ignite and you can enroll as a director right on their website and you can immediately set up your own Ignite home site right then and be the first one to go to your website and become a Stream Energy customer where you get credit for it and I want to challenge you, get plugged into training as soon as possible

10. FRAUDULENT REPRESENTATION TO THE PUBLIC UTILITY COMMISSION OF TEXAS.

173. On June 1, 2009, Stream SPE, Ltd. filed its “Annual Report for Retail Electric Providers (REPs)” for calendar year 2008 with the Public Utility Commission of Texas. In that report, Stream made the following representation to the PUC: “Ignite Associates [a/k/a Directors] through our multi-level marketing channel are prohibited from engaging in cold marketing without first obtaining an additional certification which

requires in-depth training on PUC customer protection rules in a specialized workshop where they are also given proper attire, including badges.”

174. Pierre Koshakji, Stream SPE, Ltd.’s Senior Managing Director-Administration swore, under penalty of perjury, “that all of the statements and/or representations made in [the Annual report] are true, complete, and correct.” This statement is false.

11. LINKS TO IGNITE HOMESITES PROLIFERATE ACROSS THE WORLD WIDE WEB.

11.1 Website.

175. As shown, Ignite, Stream, the Operators and the Presidential and Executive Defendants stress the importance of recruiting new individuals to invest in the Services Program and join the Pyramid. Members of the Pyramid market the Services Program to the public through the internet. Two examples of internet marketing are the websites created by the Presidential and Executive Directors, PlugIntolignite.com and TeamExtreamTraining.com.

176. Other members of the Pyramid have copied the examples set by the Presidential and Executive Defendants and Directors. For example, a number of Directors are attempting or have attempted to get others to join their downline through *Yahoo!* Groups and a variety of other websites. Some have created their own websites. All of these individuals subscribe or subscribed to an Ignite Homesite. They use these other websites to draw potential investors to their Ignite Homesite.

177. These various websites demonstrate two important features of the Pyramid. First, of the many persons who made the effort to advertise for investors in the Services Program, only a handful are still maintaining their Ignite Homesites.

Second, the representations that Ignite, Stream, the Operators and the Presidential and Executive Directors have made when selling the investment in the Services Program are being repeated throughout the internet. Ignite, Stream, the Operators and the Presidential and Executive Directors have done nothing to stop the proliferations of their representations. Obviously, as stated above, they freely make these representations to gather new investors and encourage others to do the same. As such, the representations that the Directors make in their various uses of internet websites to attract investors are directly attributable to Ignite, Stream, the Operators and the Presidential and Executive Defendants to an equal degree as if they had written the words themselves and published them on the internet.

11.2 Yahoo! links.

178. *Yahoo!* Group “launchnow,” created in about 2005, attracted 4 members. Cuong (512-589-4895) advertised to sell the Services Program, provided a link to his Ignite Homesite (www.launchnow.igniteinc.biz) and stated: “Get paid to turn on your lights today. Help others save money on electricity at no cost to to switch. It’s simple and growing fast. Don’t miss this one! click on www.launchnow.igniteinc.biz now!” Cuong continues to operate his Ignite Homesite.

179. *Yahoo!* Group “lower_electric-bill,” created in about 2007, attracted 3 members. Joe (214-448-0499) advertises the Services Program, provides a link to his Ignite Homesite (1972.igniteinc.biz) and states:

Save money monthly by lowering your residential electric bill. Creating powerfull residual income thanks in part to the Texas deregulated electrical policy. Check out my web site for more details.
<http://1972.igniteinc.biz>.

Joe continues to operate his Ignite Website.

180. *Yahoo!* Group “jdac_no1,” created in about 2008, attracted 2 members. Johnathan (214-715-2329) made this statement: “We are committed to helping others gain financial Freedom through true residual income while staying at home and enjoying the family through HOME BASE BUSINESS www.jdac.igniteinc.biz.” This *Yahoo!* Group provides a link to the user’s live Ignite Website.

181. In addition to the above three *Yahoo!* Groups with links to Ignite Homesites, there is ample evidence of many other Directors who have tried to market the Services Program and Stream gas and electricity, but have since dropped their Ignite Homesites. Evidently, they were not successful in their efforts or at least it was not worth the \$29.95 per month to maintain their Ignite Homesite.

182. *Yahoo!* Group “Igniteofeasttexas,” created in about 2008, attracted 64 members with this statement: “Have you heard of IGNITE? You should look into it. I am doing it on the side as a Residual Income Stream Contact me for a DVD or I will send you a link to see a video online. you can contact me at <http://twood.igniteinc.biz> or hottexan75766@yahoo.com.” This *Yahoo!* Group provides a link to the user’s dead Ignite Homesite.

183. *Yahoo!* Group “Igniteurfuture,” created in about 2007, attracted 9 members with this statement:

Own your own business by helping customers save 10-20% on their electric bills in Texas. Start your own home based business now! We will be seeking gas customers and business partners in Georgia by mid-summer, 2007. The next 2 states we will be going to are New York and Illinois! We are the 5th largest Retail Electric Provider (REP) licensed by the Public Utility Commission of Texas (PUCT) with annual sales of nearly half a billion dollars! This is a Multi Level Marketing(MLM) business with a simple business plan to save money on your electric or gas bills. You can earn money on thousands of other electric and/or gas customers. You do not have to get thousands of customers in this business. You can get

started by just helping yourself and your family and friends. We incorporate a simple business plan of 3 & 10. Get 10 customers and 3 business partners. Teach and help your business partners the 3 & 10 plan and you are on your way to building residual income that can give you extra money each month or life-changing money! Remember that everyone needs electricity and/or gas! To get more information and sign up for energy: <http://dthomps.igniteinc.biz> To get more info and sign up for your own business: http://dthomps.igniteinc.biz/opp_presentation.asp This has been a life changing adventure for many and while the business plan is simple, you must work consistently and talk to everyone you meet about this golden opportunity. We hope you join us for the ride of your life!

This *Yahoo!* Group provides a link to the user's dead Ignite Homesite.

184. *Yahoo!* Group "ClearChoiceelectricityderegulation," created in about 2006, attracted 8 members with this statement:

The great American dream is to own your own business and take control of your financial future. The perfect vehicle for the 21st century entrepreneur is the deregulated electricity industry. The Ignite Opportunity has combined the power of business ownership and deregulated electricity to create the greatest financial opportunity in America today. If you want to make money or save money or both, then Ignite is your answer. "Ignite your future"; and make your dreams a reality. Signup at : <http://clearchoice.igniteinc.biz>

This *Yahoo!* Group provides a link to the user's dead Ignite Homesite. The user's statement that the Services Program is "the greatest financial opportunity in America today" is a false statement.

185. *Yahoo!* Group "texansletsmakesomeseriousmoney," created in about 2007, attracted 7 members with this statement:

Are you like me tired of searching the internet for a great oppertunity to make money. Well guess what I Have Found It. If you are a go getter wating to get rewarded monetarely wise for all your hard work then this is for you. Set your own hours, the harder you work the more money you can make. ITS GREAT at last IGNITE is here to make all our dreams come true. So dont waste any more time and lets get stared. I will help you the whole way. Email me at fflores@gkcl.net and lets start making some serious money. VIST MY WEBSITE FOR MORE INFO AT WWW.FIDELFLORESIII.IGNITEINC.BIZ

This *Yahoo!* Group provides a link to the user's dead Ignite Homesite.

186. *Yahoo!* Group "ignite_groups," created in about 2007, attracted 6 members with this statement: "Looking for a business with minimal startup, high customer demand and you earn income based on your personal or business electric usage. To learn more go to: <http://paulettegadison.igniteinc.biz> Paulette." This *Yahoo!* Group provides a link to the user's dead Ignite Homesite.

187. *Yahoo!* Group "seriousmoneymakersonly," created in about 2007, attracted 5 members with this statement:

Welcome. We are a group of people who are serious about making our current economical situations and our futures better, financially. We are networkers who are concerned about making life better for our families and their futures. We want to live comfortably now and later. We want to be able to secure finances for our children and our children's children. If you are interested, you are more than welcome to join our group. A real hot moneymaker right now is Ignite by stream energy. Go to wildahatchett.igniteinc.biz. You can view what channel 8 news has to say about it. If you are interested, leave a message on that site.

This *Yahoo!* Group provides a link to the user's dead Ignite Homesite.

188. *Yahoo!* Group "texasteamwork1," created in about 2007, attracted 3 members with this statement: "Texas people making money and helping others. jenniferlgordy.igniteinc.biz." This *Yahoo!* Group provides a link to the user's dead Ignite Homesite.

189. *Yahoo!* Group "thepowervine," created in about 2008, attracted 3 members with this statement:

You talk to friends and family most days. You might even be one who can strike up conversations with strangers anywhere. How hard is it to discuss the cost of electricity? How about just simply suggesting they switch to Stream Energy where they might just save some money on their Gas (Georgia) or Electric (TX) bill? This is the easy job that everyone is looking for. Tell people how to save and switch just like you would with any other

company you truly appreciated... except here you make money for it! ***
<http://thepowervine.igniteinc.biz> *** Go to the site and see what you can
make by helping others save!

This *Yahoo!* Group provides a link to the user's dead Ignite Homesite.

190. *Yahoo!* Group "small-business-advertising," created in about 2006,
attracted 2 members with this statement:

INVESTMENT \$329 WEB PAGE www.blc.igniteinc.biz Email is
canfieldbryce@yahoo.com OVERVIEW OF EVENTS 1. Texas
deregulated electricity in 1999 with passage of SENATE BILL 7. 2.
January 2, 2002, The market officially opened for Texans to switch from
four major electric companies. 3. IGNITE Inc. powered by Stream
Energy has chosen to BUILD ITS CUSTOMER BASE by FRANCHISING.
4. IGNITE signed up its 1st customer in Feb. 2005. THIS IS AN
INEXPENSIVE GROUND FLOOR OPORTUNITY. For Details check out
the web site www.blc.igniteinc.biz.

This *Yahoo!* Group provides a link to the user's dead Ignite Homesite.

191. *Yahoo!* Group "charlrob_1," created in about 2007, attracted 2 members
with this statement:

I'm looking to form a network of business partners that wouldn't mind
getting paid residual income when people pay their electric bills every
month. This includes a special promotion we have going on this month
only. Please allow me to set an appointment with you so that we can
discuss this. Whether you have a question about how I can help you save
money on your electric bill, or you would like to discover for yourself how
to become financially independent feel free to go to my website:
<http://charlrob.igniteinc.biz>

This *Yahoo!* Group provides a link to the user's dead Ignite Homesite.

192. *Yahoo!* Group "Martin1234," created in about 2007, attracted 1 member
with this statement: "<http://www.angella.igniteinc.biz> Business opportunity, are switch
electric companies." This *Yahoo!* Group provides a link to the user's dead Ignite
Homesite.

193. *Yahoo!* Group “debopower,” created in about 2007, attracted 1 member with this statement:

IF You live in TEXAs and would like to save on your Utility bill, I work for a compnay called Stream Energy powered by Ignite. We beat any utility rate that you have. Two ways to join. First switch or become a Director by joining the team or both. I have been with the company for a while and noticed significant decrease in my utilities. For more information visit www.debopower.igniteinc.biz We have upcoming seminars all over Texas. My contact info can be found on the left of the screen. all seminars are free and give detailed information on how you can make money by switching/and joining. Ignite is licenced by the state of Texas to drill and is in the Better Business Bureau. Check out the web site and spread the news. I will be updating the group with up coming seminars, time and location.

This *Yahoo!* Group provides a link to the user’s dead Ignite Homesite.

194. *Yahoo!* Group “merlyng,” created in about 2008, attracted 1 member with this statement: “MY WEBSITE: <http://merlyngorozco.igniteinc.biz>.” This *Yahoo!* Group provides a link to the user’s dead Ignite Homesite.

195. *Yahoo!* Group “texasopp,” created in about 2007, attracted 1 member with this statement:

Deregulation in Texas is making BIG \$\$\$ when it come to Energy! Exciting new company using direct marketing to sell electricity, not only does everyone use it they’ll save some money with us too! Let me show you how to get paid to turn on the lights! Visit my site at: acs.igniteinc.biz.

This *Yahoo!* Group provides a link to the user’s dead Ignite Homesite.

196. *Yahoo!* Group “keyopportunity,” created in about 2008, attracted 1 member with this statement:

Live in Texas and want a cheaper electric bill or in Georgia and want a cheaper gas bill then Holla at you boi and check out my site. This is not spam, just trying to help others make in todays high priced World. Save money this year just go to <http://solomonkey.igniteinc.biz> Wanna join me and help others save just let me know and you to can have your own site and start help others overcome this energy crisis.

This *Yahoo!* Group provides a link to the user's dead Ignite Homesite.

197. *Yahoo!* Group "igniteyourfuture," created in about 2007, attracted 1 member with this statement:

<http://www.tituspierce.igniteinc.biz> The great American dream is to own your own business and take control of your financial future. The perfect vehicle for the 21st century entrepreneur is the deregulated electricity industry. The Ig*nite Opportunity has combined the power of business ownership and deregulated electricity to create the greatest financial opportunity in America today. If you want to make money or save money or both, then Ignite is your answer. "Ignite your future"; and make your dreams a reality. Learn how you can save money on your electric bill. Keep the same safety and reliability, and benefit from competition, too! Find out how you can make money on your electric bill. Wouldn't you like to get paid every time you turn on the lights?
<http://www.tituspierce.igniteinc.biz>

This *Yahoo!* Group provides a link to the user's dead Ignite Website.

198. *Yahoo!* Group "momsanddadsworkfromhome," created in about 2007, attracted 1 member with this statement:

Moms and dads do you want to work from home and spend more time with your family and friends. Make a great income helping your family and friends save money on something they use every day electricity and natural gas. This business has been a blessing for my family and can be for yours too. I love my job. It is worth your time to check this out. Best part is no selling, no large investments and no quotas to meet. Check out my website at www.donnastiles.igniteinc.biz my email is dlstiles123@yahoo.com.

This *Yahoo!* Group provides a link to the user's dead Ignite Website.

11.3 Various other websites linked to an Ignite Homesite.

199. Many other directors have placed other advertisements on the web outside of Yahoo.

200. SearchSight.com, <http://searchsight.com/2560530-info.html>. On this web page, LaVerne (254-628-8268) has an ad that directs visitors to <http://www.myhome.igniteinc.biz>, and states:

English Español Home Opportunity Energy Company Request Info Join Ignite This Site Hosted by: LaVerne Davis 254-628-8268 Email Find out how you can make money on your energy bill. Wouldn't you like to get paid every time you turn on the power? Learn how you can save money on your energy bill....

The ad contains a link to the advertiser's live Ignite Homesite.

201. Myspace.com, <http://www.myspace.com/igniteinc>. On this web page, Mathew lists his employment as "Independent Ignite Associate" with an annual income of between \$60,000 to \$75,000. He writes "If your interested in helping people save money and making supplemental cash income, please contact me!!!" It is currently unknown whether Mathew's Ignite Homesite is dead or live.

202. Ernesto & Shirley (832-814-9605) pay Google to refer recruits to their Ignite Homesite toes.igniteinc.biz. The Google ad states "Earn Extra Money, Get paid when you turn on your lights. Link below to learn how." The ad contains a link to the advertiser's live Ignite Homesite.

203. Uneed Corportation (404-909-1160) pays Google to refer recruits to its Ignite Homesite. The Google ad states "Big Ignite Opportunity With Savings on TX & GA Energy Bills!" The ad contains a link to the advertiser's live Ignite Homesite.

204. Spencer (214-685-9032) pays Google to refer recruits to his Ignite Homesite. "Turn Energy Into Income Get Paid Residual Income When People Pay Their Gas & Light Bills. lightbills.igniteinc.biz." The ad contains a link to the advertiser's live Ignite Homesite.

205. Tribe.net. Marissa (832-217-8956) advertises to sell the Services Program. She attracted "Chris" who stated he thought Ignite was a "Great Opportunity." The ad contains a link to the advertiser's live Ignite Homesite.

206. Tribe.net. Thom (214-683-8466) (powerfortexas.igniteinc.biz, which can be also be accessed through his second website, energypeople.us) advertises to sell the Services Program. Thom represented that Ignite was an "excellent business opportunity. Sell nothing new, just what you already use." The ad contains a link to the advertiser's live Ignite Homesite.

207. Tribe.net. "Paul" in Houston advertises to sell the Services Program and states:

I recently took the opportunity to become an associate with Ignite and am pleased with the program. The price for Stream is always lower than the other REPs (Retail Electric Providers) which makes it an easy sell. To view information for yourself go to www.pharries.igniteinc.biz and it will give you all the pertinent information you need to make an educated chose for your electricity service. - Paul , posted 02/20/07

Paul's statement is false because Stream is not always lower than other retail electric providers. The ad contains a link to the advertiser's live Ignite Homesite.

208. Tribe.net. "Alice" in Dallas advertises to sell the Services Program and states:

lowest electric rates in texas,excellent service

Is your electric bill high? Compare and see for yourself how you can save money by making the switch to Stream Energy. Go to our wed site Texasbright.igniteinc.biz If need any more information call Alice Bowman at 817 847 7214 or 817 233 0330. Lets bring down the cost of electric. - alice , posted 04/01/05

Alice's statement is false because Stream does not have the lowest electric rates in Texas. The ad contains a link to the advertiser's live Ignite Homesite.

209. Answers.yahoo.com. Joe (214-448-0499) advertises to sell the Services Program and states: "Just doing my part to help people add a little scratch to their bank account and save a lil bit on their electric bill." Joe refers visitors to 1972.igniteinc.biz. The ad contains a link to the advertiser's live Ignite Homesite.

210. Clipmarks.com. PUZZLERF advertises to sell the Services Program and states:

New and cheaper priced utilities for Texas and Georgia.

igniteinc.biz — Ignite offers a cheaper alternative to your current electric provider in Texas, and natural gas in Georgia. You can save a couple bucks on your monthly bill. Or join the affiliate program to earn money while you help your friends save money. Just type PUZZLERF in the blank field and hit submit to check it out. Redirect caused problems with digg

The ad refers visitors to www.pharries.igniteinc.biz, the advertiser's live Ignite Homesite.

211. Craigslist.com. Sam (214-257-0500) describes himself as an "IGNITE Independent Associate" who is a member of the "'EmPower Group." His email is power4me2@gmail.com and his Ignite Homesite is power4me2.igniteinc.biz. Sam's ad states:

We Are Looking For Housewives, College Students, Retirees, Full-Time/Part-Time Employees, Business Owners Or Anyone Who Is Interested In Owning There Own Business!

We Need Business Partners In Texas & Georgia! Stop Living Pay Check To Pay Check! Let Me Show You How To Add Another Source Of Income From The Very Profitable Energy Industry.

Anyone Can Do This Business! You Can Do It From Home, Work, On The Road, Part-Time or Full-Time Your Choice! You Have Total Freedom To Run Your Business As You Wish!

The Franchise Fee To Start Your Own Energy Business Is \$329 And For That Fee You Get Access To A Multi-Billion Dollar Electric Market In Texas & Natural Gas Market In Georgia!

I Am An IGNITE Independent Associate Who Sells Residential/Commercial Electricity In Texas & Natural Gas In Georgia.

- IGNITE Inc. Has Paid Over 100 Million Dollars In Commissions To Its Business Partners Since It Was Started In 2005!
- You Make 3 Types Of Income With Your Energy Business Residual Income (which is the most important), Immediate Income & Leadership Income.

If You Are Seriously Looking For A Recession Proof Business Then You Have Found It! The Information Is Free To See!

Visit My Website www.power4me2.igniteinc.biz for all the details. Please Click On The Opportunity Tab And Watch All The Videos.

After You Have Visited My Website And Would Like Additional Information. Please Contact Me Via Email So I Can Provide You With Information On One Of Our "Business Get Togethers."

212. Gracedirectory.com. Rich and Leslie (770-962-2848) advertise "**Employment:** Full-Time/Part-Time. This is an entrepreneurial opportunity with low startup expenses. It is possible to earn residual income on 1,000's of energy bills. To check out this business go to: richleslie.igniteinc.biz." They also have Ignite's permission to use this logo:



The ad contains a link to the advertisers' live Ignite Homesite.

213. Sta.rtp.biz. Benjamin states "!!Urgent!! Business Partners needed in the Energy Business. Call 706-993-6434. Speak with Independent Associate or go to

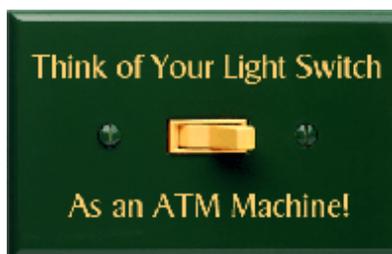
www.roquegroup.igniteinc.biz.” The advertisement contains a link to the advertiser’s live Ignite Homesite.

214. Independent website. Cliff Robertson decided to sell investments in the Services Program through his Dallas real-estate business, movetodayrealty.com.

Robertson states:

Why give all of your money to the electricity company? Save some money and take your kids out for ice cream. When you rent from us, you can save even more money by lowering your electricity rates. Move Today Realty owner Cliff Robertson offers you a way to Save Money and Make Money on your electricity bills.

Mr. Robertson offers his unique view of Ignite:



Ignite also allowed Mr. Robertson to use its logo on his website. Robertson suggests that you “Jump to <http://www.crobertson.igniteinc.biz> to save money right now.”

215. Collegeschool.net. John and Jennifer (713-589-9338) advertised to sell the Services Program and stated:

We are a homeschooling family of a now-six-year-old daughter. We have a home-based business opportunity to offer that works very well with the homeschooling environment. We travel the world bringing history and geography to life. Our company is in its third year of business, and we are seeing incredible results, not only in our financial life, but our personal and educational life as well. How many six year olds do you know of who have more stamps in their passports that most adults? Check out our webpage and if it resonates with you, complete the form and we will get back to you with details. Or give John or Jennifer a call at 713-589-9338. www.jjsparks.igniteinc.biz

John and Jennifer no longer operate their Ignite Homesite.

216. Dreamoutloudtoday.com. Latoya advertises to sell the Services Program, provides a link to her Ignite Homesite (www.integrityunlimited.igniteinc.biz) and states:

Re: Inspire and Be Inspired!

My vision for this year is to be blessed to be a bigger blessing to others. I believe that "now is the time for the Saints of the Most High to rise up and possess the Kingdom." I am that saint and this is the time. My vision is to walk clearly with God, knowing His voice. My vision is to accomplish advancement up to executive director in my business this year as well. In turn, my family will be blessed with a stable income in this unstable economy and I will be able to spend more time in the field blessing others.

Latoya continues to operate her Ignite Homesite.

217. Inetgiant.com. Marty (770-733-4398) advertises the Services Program. In her advertisement, she provides a link to her Ignite Homesite and states:

Hello, Ignite was founded in Dallas, Texas in December 2004 and is on track to be the fastest company to make over a billion dollars in revenue. That would make us the fastest growing company in American business history. To put it in perspective Wal-Mart did in 18 years, Google and E-Bay did it in 7 years and Yahoo did it in 6 years and they all sale throughout the world. We were only located in Texas for the past 4 years and we added Georgia in mid 2008. We have about 5.5% of the electricity market share in Texas. Are you a teacher at heart? Would you like to help people save money on electricity? You can do both!! Once you learn how to help people save money with the training we provide, then we want you to teach new associates how to do the same thing. You can promote quickly!! You don't have to be a good sales person. You only need to have only 10 energy customers as a Managing Director. See our business plan for details. Now that you know you don't have to be a good sales person, are you a team player? Do you like to manage people? Can you train and motivate people? Looking for hard working, dedicated people who like helping people. Training Provided. No Energy Experience Necessary. Come take a look at our one year retirement plan. Thanks for giving yourself an opportunity to retire young and avoid having to look for another job again because everyone you know...uses energy. Quite honestly, everyone you don't know uses energy. I call that recession proof. We are looking for a business partner, not offering a job. Look, if you want to change your life, you have to start thinking different, hanging out with wealthier people, and people who have achieved success. Let me ask

you...If you look at someone who has been doing what you're doing for 5 or 10 years longer, are they where you want to be? I didn't think so. Get in touch with me and let's start working on your new future. Marty Ducay
Director 770-733-4398 Ignite Independent Associate

Marty continues to operate her Ignite Homesite.

218. Twitter.com. Louis (713-303-716) offers residents in Texas low power rates, and residents in Georgia low gas rates through his Ignite Homesite, LPorterSr.igniteinc.biz. Louis continues to operate his Ignite Homesite.

219. Llightup4life.com. David (361-438-1971) advertised to sell the Services Program, provided a link to his Ignite Homesite (lightup4life.igniteinc.biz) and stated:

LIGHTUP4LIFE

AWESOME RESIDUALS FROM A PUBLIC UTILITY COMPANY BASED OUT OF DALLAS, TEXAS. THIS IS THE BEST MLM APPROACH IN THE NATION'S HISTORY. I AM LOOKING INDIVIDUALS WHO ARE WILLING TO GET OUT WHAT THEY PUT INTO IT. THIS IS THE NEWEST STYLE AND THE MOST UP TO DATE COMPANY AS WELL AS THE FASTEST GROWING RETAIL ELECTRIC PROVIDER ACROSS THE COUNTRY. AND ALL I HAVE TO SAY IS THAT YOU HAVE NOTHING TO LOSE AND EVERYTHING TO GAIN, PLUS, THE WORST CASE SCENARIO IS YOU WILL EARN YOUR MONEY BACK WITH VERY LITTLE EFFORT.

The great American dream is to own your own business and take control of your financial future. The perfect vehicle for the 21st century entrepreneur is the deregulated electricity industry. The Ignite Opportunity has combined the power of business ownership and deregulated electricity to create the greatest financial opportunity in America today. If you want to make money or save money or both, then Ignite is your answer. "Ignite your future" and make your dreams a reality.

David continued:

Our Vision

With the advent of energy deregulation, Texans now have greater options than ever before when it comes to their electricity provider. Now, they have the power to turn on greater savings, better customer service, and the use of renewable energy. And according to a survey conducted by the

Public Utility Commission of Texas, the majority of customers find the process of changing electricity providers to be very easy.

These factors have created very dynamic and exciting circumstances for customers and the entrepreneurs who would compete for their patronage. And to meet the needs of both, a unique and inventive company was founded – Ignite.

Ignite embraces a philosophy we call "The Power of Business Ownership" – the combination of the unlimited potential of network marketing with the ever-present need that all customers have for energy service.

Ignite customers are provided electricity by our parent company, Stream Energy, who delivers more than just low rates. Our advantage over other electric providers is our community of Ignite Independent Associates who serve as personal energy points of contact. When you make the switch to Ignite, your Independent Associate offers you tailored one-to-one customer service you're not likely to find elsewhere.

As an Ignite Independent Associate, you benefit from our easy-to-understand, heavily incented compensation plan. It has several features that make it immediately attractive to both the discerning entrepreneur and the first-time business owner.

As a customer-focused company, Ignite pays you immediate income for helping your customers save money on their electric bills. And our leadership bonuses are based on your efforts at helping other Associates follow your example – namely, assisting their customers by providing lower energy rates.

Our leadership ladder is comprised of just four positions, so that it is even easier to achieve promotions and financial success than with many other compensation plans you may have seen. And we've loaded our residual income payouts with flat commissions that aren't dependent on usage levels, but rather on the number of customers you bring in and help others bring in. Plus, we pay residual income to you on all customers in your leadership organization, to unlimited levels.

With the Ignite Compensation Plan, you don't have to be a professional network marketer to make our opportunity truly work for you.

Whether you are an energy customer looking for better rates and service, or an aspiring entrepreneur looking to create a better way of life, you can depend on Ignite to help you electrify your possibilities.

David no longer operates his Ignite Homesite.

220. Naymz.com. Joshua advertised to sell the Services Program, provided a link to his Ignite Homesite (teamc.igniteinc.biz) and stated: "Find out how you can make money on your energy bill. Wouldn't you like to get paid every time you turn on the power? Learn how you can save money on your energy bill. Keep the same safety and reliability, and benefit from competition, too!" Joshua's Ignite Homesite is dead.

221. Myspace.com. Alicia (325-396-5600) advertises the Services Program, provides links to her Ignite Homesites (GetBeachMoney.IgniteInc.biz, hequan.igniteinc.biz and SwitchOnStreamEnergy.IgniteInc.biz) and states:

If Not Ignite, What? If Not Now, When? "No Excuses, No Fear...FREEDOM!"-Presley "The Coach" Swagerty The #1 MONEY EARNER IN IGNITE GO TO MY WEB-SITE www.SwitchOnStreamEnergy.IgniteInc.Biz Join Ignite and Be A Customer What Is It? Ignite is a Start Up Energy Business. Why Is It Good? You Can Make Money and Get Customers To Save On Energy Bills Every Month. How is This Possible? Everybody Pays Their Electric Bill Before Anything Else, This Creates Residual Income For Everybody Who Knows How To Work The System. Be In The Group That Is Glad They Did Or In The Group That Wished They Had. You Can Make Excuses Or You Can Make Money, You Can't Do Both. Whether Or Not You Can Or Can't, Either way You Are Right Want Information? Email: GetBeachMoney@Gmail.Com

Alicia's Ignite Homesite is live.

222. Craigslist.com. Gary (469-569-0570) advertises the Services Program (a "Recession Proof Business is Expanding!! - \$329"), provides a link to his Ignite Homesite (SwitchOnStreamEnergy.IgniteInc.Biz) and states:

ATTENTION: Looking For A Recession Proof Business?? Stop Living From Pay Check To Pay Check!! Want To Help Others AND Make Money?

Housewives, College Students, Retirees, Full-Time/Part-Time Employees, Business Owners And All Who Are Interested In Owning There Own Business!

Business Partners Needed With Contacts In Texas & Georgia! I Will Show You How To Add Another Source Of Income From The Energy Industry.

All Homes and Businesses Use Electricity. And, in Georgia, You Can Hook Up People With Natural Gas. When They Do, Shouldn't You Profit?? I Can Show You How To Make Money Turning On People's Lights and Gas!!

Anyone Can Do This Business!! You Can Do It At Home, On The Road, Part-Time or Full-Time.

STREAM ENERGY Is The Parent Company Of IGNITE, Inc & IGNITE, Inc Is The Marketing Arm Of Stream Energy.

I Am An IGNITE Independent Associate Who Sells Residential/Commercial Electricity In Texas & Natural Gas In Georgia. You Have Heard About Stream Energy. I Can Show You How To Make Money Turning On People's Lights and Gas!!

* * *

Visit My Website SwitchOnStreamEnergy.IgniteInc.Biz for all the details. Please Click On The Opportunity Tab And Watch All The Videos.

After You Have Visited My Website And Would Like Additional information, Please Contact Me So I Can Provide You With All the Information On How You Can Join Us And Change Your Future."

Get Paid When You Turn On The Lights and Gas!!

Gary's Ignite Homesite is live.

223. Kudzu.com. Mary (314-477-1230) advertises the Services Program, provides a link to her Ignite Homesite (mclong.igniteinc.biz) and states:

Show people, just like you, how to make money and savemoney on their utility bill. We offer gas in Ga. and electric in Tx.

Visit my website at: www.mclong.igniteinc.biz

Get paid immediate income for helping you and your customers save money on their utility bills. As an Independent Associate, let me show you how this is possible. Independent entrepreneurs are offered a very attractive business opportunity ? one that offers immediate income, leadership bonuses and unlimited residual income.

Mary's Ignite Homesite is live.

224. Independent website. David (361-438-1971) advertised to sell the Services Program, provided his Ignite Homesite (ightup4life.igniteinc.biz) and stated:

The great American dream is to own your own business and take control of your financial future. The perfect vehicle for the 21st century entrepreneur is the deregulated electricity industry. The Ignite Opportunity has combined the power of business ownership and deregulated electricity to create the greatest financial opportunity in America today. If you want to make money or save money or both, then Ignite is your answer. "Ignite your future" and make your dreams a reality.

David's Ignite's Homesite is dead.

12. THE PLAINTIFFS.

225. In 2007, Buddy Barnett introduced Torres' in-laws and other church members to the Ignite Opportunity, which he claimed, "God had sent to him to enlist as many people as possible." Torres and his brother-in-law, Matthew Pekar, thereafter met with Barnett at a Mexican restaurant in Angleton, Brazoria County, Texas where Barnett explained the Ignite Opportunity to Torres and Pekar.

226. Thereafter, Torres and Pekar purchased the Services Program and an Ignite Homesite. The next day, Torres had buyer's remorse and, together with his wife, decided to cancel the membership. He immediately met with Barnett at Brazosport College (where Pekar worked at the time), Barnett explained that he did not know how to cancel. Torres then tried calling a cancellation hotline provided by Ignite. The hotline did not provide a clear method to cancel, and Torres was unable to cancel within 3 days.

227. After that, Torres, understanding that it was too late to cancel, began diligently trying to comply with the Ignite program (e.g. by going door to door). He was

able to recover about \$150 over the course of a few months, and then he gave up when he realized he had no chance of success. After the first month of paying for the Ignite Homesite, he cancelled the credit card that Ignite billed, and his website subscription ended.

13. CLASS ACTION ALLEGATIONS.

228. Torres brings this suit as a class action pursuant to Federal Rule of Civil of Procedure 23.

229. Torres brings this action individually and on behalf of a class of all persons who are or were Ignite Directors from January 1, 2005 until the present (the "class"). Excluded from the class are the defendants and their spouses.

230. The members of the class number in the thousands and the joinder of all class members in a single action is impracticable.

231. There are questions of law and/or fact common to the class, including but not limited to:

- a. Whether the defendants were operating an unlawful pyramid scheme;
- b. Whether class members paid money to the defendants in exchange for (1) the right to sell a product and (2) the right to receive, in return for recruiting others into the program, rewards which were unrelated to the sale of the product to retail consumers;
- c. Whether class members were required to make an investment into the pyramid scheme;
- d. Whether the defendants engaged in acts of mail and/or wire fraud in direct violation of RICO; and
- e. Whether and to what extent the defendants' conduct has caused injury to the business or property of the plaintiff and the class.

232. These and other questions of law and/or fact that are common to the class predominate over any question affecting only individual class members.

233. Torres' claims are typical of the claims of the class in that they became Ignite Directors because of the pyramid scheme.

234. Torres will fairly and adequately represent the interests of the class because his claims are typical of those of the class and his interests are fully aligned with those of the class. Torres has retained attorneys that are experienced and skilled in complex class action litigation.

235. Class action treatment is superior to the alternatives, if any, for the fair and efficient adjudication of the controversy alleged herein, because such treatment will permit a large number of similarly situated persons to prosecute their common claims in a single forum simultaneously, efficiently and without unnecessary duplication of evidence, effort, and expense that numerous individual actions would engender.

236. Torres knows of no difficulty the Court will likely encounter in the management of this action that would preclude its maintenance as a class action.

14. THE DEFENDANTS HAVE ENGAGED IN MAIL AND WIRE FRAUD.

14.1 The defendants engaged and engage in a "scheme and artifice" to defraud and to obtain money by false pretenses from Torres and the class.

237. The defendants have used false and fraudulent pretenses to deceive the plaintiff and the class. They have lied. They have engaged in materially misleading nondisclosures and concealments of facts and information. In all respects, the defendants have conducted their affairs to unlawfully, intentionally, willfully and with intent to defraud, that is, knowingly and with specific intent to deceive, in order to cause

financial gain to themselves, profits and benefits for themselves and for others, all to the detriment of Torres and the class.

238. First, the Pyramid is, by its very nature, a *per se* scheme and artifice to defraud and obtain money by false pretenses. As detailed in this complaint, all defendants have promoted the Pyramid and therefore have engaged in a scheme and artifice to defraud.

239. Second, the defendants defrauded investors when selling the Services Program and promoting the Pyramid through numerous false statements with the purpose and the intention of defrauding and obtaining money from the investors. Examples of these statements include:

- a. Creating the false impression that Ignite's multilevel marketing program and its Services Program investment is legal.
- b. Creating the false impression that under the Pyramid, the majority of investors will profit from their investment.
- c. Creating the false impression that investing in the Services Program is "the greatest financial opportunity in America today" and an "incredible income potential" when it is a pyramid scheme that will fail and most investors will lose their money.
- d. Creating the false impression that investing in the Services Program is a "ground floor" opportunity when it is not.
- e. Creating the false impression that investors in the Services Program can receive income for all downline associates to "unlimited depth" and can grow to "infinity."
- f. Creating the false impression of a certain money-making venture by failing to reveal that under the Pyramid, the majority of investors will lose their investment.
- g. Creating the false impression that there are many available investors in the Services Program when there are not.
- h. Creating the false impression that the success stories featured by Ignite were typical or even possible when they were neither.

- i. Falsely creating the impression that *Empower* was a legitimate magazine when it was not.

240. Third, the defendants have defrauded investors when selling the Services Program and promoting the Pyramid and intentionally created the false impression of legitimacy when omitting material facts for the purpose of and with the intention of defrauding and obtaining money from the investors. Examples of these omissions include:

- a. Failure to reveal that Ignite's multilevel marketing program and its Services Program investment is an illegal pyramid scheme.
- b. Failure to reveal that under the Pyramid, the majority of investors will lose their investment.
- c. Failure to reveal that between July 2005 and June 2008 and July 2007 and June 2008 the Executive Directors' income increased by 262% while, during the same period, the Qualified Directors' income decreased by 264%.
- d. Failure to reveal that the Texas market for the Services Program is quickly becoming saturated and that any other expansion of the market will quickly become saturated as well.
- e. Failure to reveal that the Texas market for Stream retail customers is quickly becoming saturated, *i.e.*, between December of 2005 and June of 2008, the ratio of retail customers to directors fell from 5.5 to 1 to 2 to 1.
- f. Failure to reveal that Domhoff, Ignite, Stream, the Operators and the Presidential and Executive Directors expected that the Texas market for investors in the Services Program and customers would be saturated by 2007.
- g. Failure to reveal that new Texas Directors will have to gather investors in the Services Program and retail customers from Georgia and other states because the Texas market is saturated.
- h. Failure to reveal that 25.29% of investors in the Services Program have received no income from selling the Services Program.
- i. Failure to reveal Domhoff's estimate that 20% of investors in the Services Program will not recoup their investment.

- j. Failure to reveal that the stated success and wealth that Presley and Jeanie Swagerty, Steve and Diane Fisher and Brian and Beth Lucia have earned from their investment in the Pyramid is (i) no longer possible and (ii) that Swagerty and Fisher are among the top 3 money earners out of 110,000 Directors, or among the top .0027% of the Pyramid.
- k. Failure to reveal that the *Empower* magazine used to sell investments in the Services Program was a paid advertisement and not a third party validation.

241. Fourth, the defendants have represented that their multilevel marketing program complies with Texas law when it does not.

14.2 To execute their scheme and artifices, the defendants have used and caused to be used wire and mail communications in interstate commerce on numerous occasions.

242. As stated in this complaint, the defendants have transmitted or caused to be transmitted by means of wire and mail communication in interstate commerce many writings, signs, signals, pictures and sounds for the purpose of promoting their scheme to defraud and their Pyramid, each constituting a separate and distinct violation of 18 U.S.C. §§ 1341 & 1343.

243. As examples only, SGE Management, LLC, Stream Gas & Electric, Ltd., Stream SPE GP, LLC, Stream SPE, Ltd. and Ignite Holdings, Ltd. have established IgniteInc.com, a website that transmits information and causes others to transmit information over the internet (wire). Likewise, they have distributed the “Red Box” and “The Power Plan” DVD by UPS (mail) to many individuals. Domhoff, Snyder, Koshakji, Whitt, Flores, Thies and Tacker are directly responsible for IgniteInc.com and the distribution of “The Power Plan” DVD.

244. Anderson, Fisher, Hedge, Stout, Swagerty, Dyer and Lucia have established PlugIntolignite.com and TeamExtremeTraining.com, websites that

transmitted information and caused others to transmit information over the internet (wire). Each has contributed content to PlugIntolgnite.com to foster the sale of the Services Program and to support the Pyramid. Similarly, Anderson, Fisher, Hedge, Stout, Swagerty, Dyer and Lucia have paid for, supported and participated in the “Coach and Cowboy Half Hour.” They have also paid for, supported and participated in “Team Extreme/Desire Conference Calls” and “Mission to Ignition Webinar” calls and web presentations. Dyer also used twitter.com to encourage others to invest in the Services Program and join the Pyramid.

245. Fisher called Bob Ledbetter to invite him to invest in the Services Program and to join the Pyramid.

246. Lucia called a “buddy” of his to invite him to invest in the Services Program and join the Pyramid.

14.3 Pattern and continuing threat.

247. The facts stated in this complaint demonstrate that the defendants’ pattern of racketeering activity is well established. They have taken every imaginable step to sell the Services Program investment and to grow the Pyramid, all for their financial benefit. They each also expect to continue to receive income from the Pyramid. With each new investor, the defendants increase the value of their investment in and control of the Pyramid. Even as Torres files this complaint, the defendants continue to maintain websites and schedule meetings to sell the Services Program to others. Specifically, they have each used their income from the Pyramid to attract others to invest in the Services Program and join the Pyramid for their financial benefit. The defendants have stated their intentions to continue to grow the Pyramid in Texas, to Georgia and throughout the United States. Indeed, their conduct and growing resources show the

potential for them to do so. It is beyond doubt that their conduct shows a continuing threat of their respective racketeering activities.

14.4 Enterprise.

248. There are several “Enterprises”:

- a. Ignite is an Enterprise.
- b. SGE Management, LLC, Stream Gas & Electric, Ltd., Stream SPE GP, LLC, Stream SPE, Ltd. and Ignite Holdings, Ltd. are an Enterprise, specifically a *de facto* corporation acting as a single legal entity.
- c. The Pyramid is an Enterprise, here, a group of individuals associated in fact. All defendants, while not gathered under any single legal entity, together operate the Pyramid by drawing in new victims to invest in the Services Program.

COUNT ONE:

**THE INCOME DERIVED FROM THE PATTERN OF RACKETEERING ACTIVITY:
18 U.S.C. §§ 1961(5), 1962(a)**

249. SGE Management, LLC is the highest entity in the Stream and Ignite business. It derived its income from Stream Gas & Electric, Ltd. and Ignite Holdings, Ltd.

250. Stream Gas & Electric, Ltd. derived its income from Stream SPE, Ltd. and Stream SPE GP, Ltd.

251. Stream SPE, Ltd. directly derived its income from investors in the Services Program that also purchased their gas and electricity from Stream, SPE, Ltd. It also derived income from retail customers that purchased gas and electricity from Stream SPE, Ltd. and who became customers through members of the Pyramid.

252. Ignite derived income from each individual that invested in the Services Program. It directly collected the money paid by each investor in the Services Program.

253. Domhoff, a beneficial owner of SGE Management, LLC, has directly benefited from the sales of the Services Program investment to directors, the sales of gas and electricity to directors and the sales of gas and electricity to retail customers enrolled by those directors.

254. Snyder, a beneficial owner of SGE Management, LLC, has directly benefited from the sales of the Services Program investment to directors, the sales of gas and electricity to directors and the sales of gas and electricity to retail customers enrolled by those directors.

255. Koshakji, a beneficial owner of SGE Management, LLC, has directly benefited from the sales of the Services Program investment to directors, the sales of gas and electricity to directors and the sales of gas and electricity to retail customers enrolled by those directors.

256. Witt is believed and alleged to have derived income as a partial beneficial owner in SGE Management, LLC or some entities owned by that company. He is known to have derived a salary from SGE Management, LLC and all or some of the entities owned by that company. More specifically, he derived income from creating the "Ignite Compensation Plan" (*i.e.*, the Services Program investment) and its accompanying training program.

257. Flores is believed and alleged to have derived income as a partial beneficial owner in SGE Management, LLC or some entities owned by that company. He is known to have derived a salary from SGE Management, LLC and all or some of the entities owned by that company. More specifically, he derived income from his oversight of all aspects of Ignite's directors and operations supporting the directors.

258. Tacker is believed and alleged to have derived income as a partial beneficial owner in SGE Management, LLC or some entities owned by that company. He is known to have derived a salary from SGE Management, LLC and all or some of the entities owned by that company. More specifically, he derived income from expanding markets for and assisting directors to sell the Services Program.

259. Anderson has derived income from his downline directors' sales of the Services Program to new investors. A portion of his income has been derived from his downline directors' purchases of gas and electricity from Stream SPE, Ltd. He has also derived income from his downline directors' enrollment of retail customers that purchase gas and electricity from Stream SPE, Ltd.

260. Dyer is believed and alleged to have derived income as a partial beneficial owner in SGE Management, LLC or some entities owned by that company. Dyer has been a Director of Operations for SGE Management, LLC. He has derived income from SGE Management, LLC. He has derived income from his downline directors' sales of the Services Program to new investors. A portion of his income has been derived from his downline directors' purchases of gas and electricity from Stream SPE, Ltd. He has also derived income from his downline directors' enrollment of retail customers that purchase gas and electricity from Stream SPE, Ltd.

261. Fisher has derived income from his downline directors' sales of the Services Program to new investors. A portion of his income has been derived from his downline directors' purchases of gas and electricity from Stream SPE, Ltd. He has also derived income from his downline directors' enrollment of retail customers that purchase gas and electricity from Stream SPE, Ltd.

262. Hedge has derived income from his downline directors' sales of the Services Program to new investors. A portion of his income has been derived from his downline directors' purchases of gas and electricity from Stream SPE, Ltd. He has also derived income from his downline directors' enrollment of retail customers that purchase gas and electricity from Stream SPE, Ltd.

263. Lucia is believed and alleged to have derived income as a partial beneficial owner in SGE Management, LLC or some entities owned by that company. Lucia has been a Trainer for SGE Management, LLC. He has derived income from SGE Management, LLC. Lucia has derived income from his downline directors' sales of the Services Program to new investors. A portion of his income has been derived from his downline directors' purchases of gas and electricity from Stream SPE, Ltd. He has also derived income from his downline directors' enrollment of retail customers that purchase gas and electricity from Stream SPE, Ltd.

264. Stout has derived income from his downline directors' sales of the Services Program to new investors. A portion of his income has been derived from his downline directors' purchases of gas and electricity from Stream SPE, Ltd. He has also derived income from his downline directors' enrollment of retail customers that purchase gas and electricity from Stream SPE, Ltd.

265. Swagerty has derived income from his downline directors' sales of the Services Program to new investors. A portion of his income has been derived from his downline directors' purchases of gas and electricity from Stream SPE, Ltd. He has also derived income from his downline directors' enrollment of retail customers that purchase gas and electricity from Stream SPE, Ltd.

COUNT TWO:

**ACQUISITION AND MAINTENANCE OF AN INTEREST IN AND CONTROL OF
AN ENTERPRISE ENGAGED IN A PATTERN OF RACKETEERING ACTIVITY:
18 U.S.C. §§ 1961(5), 1962(b)**

266. SGE Management, LLC acquired (*i.e.*, created) and maintained its interest in and control over Stream SPE, Ltd. and Ignite Holdings, Ltd.

267. SGE Management, LLC acquired (*i.e.*, created) and maintained its interest in the sale of the Services Program. Without SGE Management, LLC's support of the sales of the Service Program and the Pyramid, both the sales of the Services Program and the Pyramid would collapse.

268. Ignite maintained the Pyramid to assure that the sales of the Services Program would continue as long as possible. Ignite reinvested its income received from investors in the Services Program to, among other things, (a) pay the directors a head hunting fee for each new investor; (b) pay for materials used by it and its directors to recruit new investors; (c) pay for Ignite Events to recruit new investors; (d) pay for IgniteInc.com to recruit new investors; and (e) pay the salaries of Dyer and Lucia.

269. Domhoff, as one of the three founders of SGE Management, LLC, made the initial investment in Ignite and the Pyramid. Domhoff uses his income to sponsor Ignite Events, to maintain Ignite and Stream's websites (igniteinc.com and streamenergy.net) and to prepare promotional materials (the Red Box), all to attract new investors to purchase the Services Program and to join the Ignite Pyramid. Together with Witt, Domhoff is the co-architect of the Ignite Compensation Plan and its training program, *i.e.*, the Services Program.

270. Snyder, as one of the three founders of SGE Management, LLC, made the initial investment in Ignite and the Pyramid. Snyder has used his income to sponsor Ignite Events, to maintain Ignite and Stream's websites (igniteinc.com and streamenergy.net) and to prepare promotional materials (the Red Box), all to attract new investors to purchase the Services Program and to join the Ignite Pyramid.

271. Koshakji, as one of the three founders of SGE Management, LLC made the initial investment in Ignite and the Pyramid. Koshakji used his income to sponsor Ignite Events, to maintain Ignite and Stream's websites (igniteinc.com and streamenergy.net) and to prepare promotional materials (the Red Box), all to attract new investors to purchase the Services Program and to join the Ignite Pyramid.

272. Stream created and has maintained control of Ignite. Ignite, in turn, does Stream's bidding, *i.e.*, operating the Pyramid and managing the sales of investments in the Services Program to the public.

273. Ignite directly collected the money paid by each investor in the Services Program. Ignite used that income to maintain the Pyramid to assure that the sales of the Services Program would continue as long as possible. Ignite used the income from individuals that invested in the Services Program to, among other things, (a) pay its directors a head hunting fee for each new investor; (b) pay for materials used by it and its directors to recruit new investors; (c) pay for the Ignite Events to recruit new investors; and (d) pay for IgniteInc.com to recruit new investors.

274. Domhoff, Snyder, Koshakji, Witt, Flores and Tacker made the initial investment in Ignite and the Pyramid.

275. Ignite, Stream and the Operators use their income to sponsor Ignite Events, to maintain websites (igniteinc.com and streamenergy.net) and to prepare promotional materials (the Red Box), all to attract new investors to purchase the Services Program and to join the Ignite Pyramid.

276. The Presidential and Executive Defendants use their income to attend Ignite Events, to conduct conference calls and maintain websites, all to attract new investors to purchase the Services Program and to join the Ignite Pyramid.

COUNT THREE:

**CONDUCT AND PARTICIPATION IN A RICO ENTERPRISE
THROUGH A PATTERN OF RACKETEERING ACTIVITY:
18 U.S.C. §§ 1961(5), 1962(c)**

277. Every act by SGE Management, LLC and by the entities owned by that company is an act by SGE Management, LLC. Specifically, SGE Management, LLC ultimately controls Ignite Holdings, Ltd. and its sale of the Services Program. SGE Management, LLC also ultimately controls Stream SPE, Ltd. and its sale of gas and electricity. SGE Management, LLC not only conducts and participates in the Pyramid, it is in complete control of the Pyramid.

278. Every act by Stream Gas & Electric, Ltd. and by the entities owned by it is an act by Stream Gas & Electric, Ltd. Specifically, Stream Gas & Electric, Ltd ultimately controls Stream SPE, Ltd. and its sale of gas and electricity.

279. Every act by Stream SPE GP, LLC and the entity owned by it is an act by Stream SPE GP, LLC. Stream SPE GP, LLC directly controls Stream SPE, Ltd.

280. Stream SPE, Ltd. is directly responsible for the sale of gas and electricity to the directors and retail customers.

281. Ignite Holdings, Ltd. directly manages the Pyramid. It is a direct participant in racketeering activity and is a racketeering Enterprise.

282. Domhoff has participated in advertising the Services Program investment and supporting the Pyramid. He is the co-architect of the Services Program. Specifically, he attended the Ignite Event in Mexico, participated in the filming of the DVD and spoke favorably about the Services Program and the Pyramid. He has spoken favorably about the Services Program and its Pyramid during the Coach and Cowboy Half-Hour.

283. Snyder created, conducted and participated in SGE Management, LLC by being its ultimate leader and its largest owner.

284. Koshakji created, conducted and participated in SGE Management, LLC by being one of its ultimate leaders and owners.

285. Witt has participated in recruiting, training and Ignite Events, field leadership and the development and implementation of corporate presentations, marketing materials and management tools all to assist the directors to sell the Services Program. He is the co-architect of the Services Program.

286. Witt has participated in providing overall strategic and day-to-day oversight for all aspects of Ignite's directors, including support operations (policies, procedures and administrative systems to support Ignite business activity and organizational goals).

287. Tacker has participated as an "in the field" mentoring coach to help Ignite directors sell the Services Program.

288. Anderson has participated in advertising the Services Program investment and supporting the Pyramid. He has participated in the Coach and Cowboy Half-Hour. He attended the Ignite retreat in Mexico for the purpose of participating in a sales video promoting the Services Program. Anderson spoke favorably for the Services Program and the Pyramid knowing that the purpose of his words was to encourage others to invest in the Services Program.

289. Dyer has participated in advertising the Services Program investment and supporting the Pyramid. Specifically, he has created, supported and participated in PlugIntolignite.com and TeamExtremelignite.com. He is responsible for and created the "Coach and Cowboy" half-hour. Dyer spoke favorably about the Services Program and the Pyramid knowing the purpose of his words was to encourage others to invest in the Services Program.

290. Fisher has participated in advertising the Services Program investment and supporting the Pyramid. He attended the Ignite retreat in Mexico for the purpose of participating in a sales video promoting the Services Program. Moreover, he has spoken in support of an investment in the Services Program and the Pyramid.

291. Hedge has participated in advertising the Services Program investment and supporting the Pyramid. He attended the Ignite retreat in Mexico for the purpose of participating in a sales video promoting the Services Program. Moreover, he has spoken in support of an investment in the Services Program and the Pyramid on many occasions.

292. Lucia has participated in advertising the Services Program investment and supporting the Pyramid. He attended the Ignite retreat in Mexico for the purpose of

participating in a sales video promoting the Services Program. Moreover, he has spoken in support of an investment in the Services Program and the Pyramid on many occasions.

293. Stout has participated in advertising the Services Program investment and supporting the Pyramid. He attended the Ignite retreat in Mexico for the purpose of participating in a sales video promoting the Services Program. Moreover, he has spoken in support of an investment in the Services Program and the Pyramid on many occasions.

294. Swagerty has participated in advertising the Services Program investment and supporting the Pyramid. He attended the Ignite retreat in Mexico for the purpose of participating in a sales video promoting the Services Program. Moreover, he has spoken in support of an investment in the Services Program and the Pyramid on many occasions.

295. As stated, Ignite, Stream, the Operators and the Presidential and Executive Defendants each have extensively participated in supporting the Pyramid. They have expended their efforts to attract new investors to purchase the Services Program and to join the Pyramid

COUNT FOUR:

**CONSPIRACY TO ENGAGE IN A RICO ENTERPRISE
THROUGH A PATTERN OF RACKETEERING ACTIVITY:
18 U.S.C. §§ 1961(5), 1962(d)**

296. Ignite, Stream, the Operators and the Presidential and Executive Defendants have participated in a conspiracy to engage in Counts One, Two and Three.

297. As stated above, each of the defendants has participated in the Pyramid and their participation is necessarily a combination of more than two individuals. In addition, the following "Nonparties" have joined with the defendants to participate in the Pyramid:

a. Presidential Directors

- i. Mark & La Dohn Dean;
- ii. Susan Fisher;
- iii. Mark Florez;
- iv. Bob & Sue Ledbetter;
- v. Greg & Heather McCord;
- vi. Tim & Shannon Rose; and
- vii. Terry & Shelba Yancey.

b. Executive Directors

- i. Lynn Almond;
- ii. Bob Aulds;
- iii. Diana L. Bernal;
- iv. Ray & Rebecca Bickerstaff;
- v. Randall & Michelle Blackmon;
- vi. Karen Kaye & Darrell Boeske;
- vii. Wendell & Amy Campbell;
- viii. Domenic Carlucci;
- ix. Bryan & Julie Childers;
- x. Joel Claybrook;
- xi. Brian & Megan Coleman;
- xii. Ernest Franklin;
- xiii. Winston Gipson;
- xiv. Willa Gipson;
- xv. Elridge & Dawn Guillory;
- xvi. Kevin & Yolanda Harris;
- xvii. Ted & Terry Hasson;
- xviii. Terri Hatch;
- xix. Kenny Isbell;
- xx. Charlie & Beth Jones;
- xxi. Quincy Jones;
- xxii. Quin Lloyd;
- xxiii. Miles & Desiree McKellar;
- xxiv. Dave & Kathy McKinney;
- xxv. Pete & Amy Meadows;
- xxvi. Louis & Michelle Miori;
- xxvii. Byron & Lisa Montgomery;

- xxviii. Perry Morren;
- xxix. Ryan Morris;
- xxx. Kirk & Lynn Newsom;
- xxxi. Christina Patterson
- xxxii. Ernesto & Matilda B. Perez;
- xxxiii. Bob Perkins;
- xxxiv. Jamie Piersol;
- xxxv. Carlos & Mixsy Ramirez;
- xxxvi. Dave & Diana Regis;
- xxxvii. Stefan & Nancy Rodriguez;
- xxxviii. Debbie Smith;
- xxxix. Jim & Lori Spargur;
- xl. Tim & Ranees Sparkman;
- xli. Bob & Melissa Spragins;
- xl. Elbert & Labeedah Thomas;
- xl. Melanie Thurmon;
- xl. Martha Troy;
- xl. Richard Tuite;
- xl. Jim & Fran Will;
- xl. Dr. Terry Wille; and
- xl. Scott & Amy Williams.

298. As stated above, the defendants' and the Nonparties' creation, support or maintenance of the Pyramid is illegal and they have carried it out illegally.

299. As stated above, the defendants and the Nonparties had a meeting of the minds on the object or course of action, specifically to create, support and maintain the Pyramid for their financial benefit.

300. As stated above, each of the defendants and many of the Nonparties have committed one or more overt acts to achieve or further the unlawful objects and purposes of the Pyramid.

301. The defendants used false and fraudulent pretenses to deceive persons of ordinary prudence and due care, and made material nondisclosures and concealments of fact and information that were important to *understand* their pyramid scheme. The defendants conducted their affairs to unlawfully, intentionally, willfully and with intent to

defraud, for their own financial gain and benefited and for the financial gain and benefit of others, to the detriment of Torres.

15. PRAYER FOR RELIEF.

Torres and the plaintiff class request the following relief:

- a. Certification of the class;
- b. A judgment against the defendants;
- c. Damages in the amount of the financial losses incurred by Torres and the class as a result of defendants' conduct and for injury to their business and property, all as a result of defendants' violations of 18 U.S.C. § 1962(a), (b), (c) and (d) and that such sum be trebled in accordance with 18 U.S.C. § 1964(c);
- d. Temporary and permanent injunctive relief enjoining the defendants from further unfair, unlawful, fraudulent and/or deceptive acts, including, but not limited to, supporting the Pyramid;
- e. The costs of investigation and litigation reasonably incurred, as well as attorney fees in accordance with 18 U.S.C. § 1964(c).
- f. For general, compensatory and exemplary damages in an amount yet to be ascertained; and
- g. For such other damages, relief and pre- and post-judgment interest as the Court may deem just and proper.

16. DEMAND FOR A JURY TRIAL.

Torres demands a jury trial.

Filed this 30th day of June 2009.

Respectfully submitted,

By: /s/ Scott M. Clearman
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