

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF ILLINOIS
EAST ST. LOUIS DIVISION

FAYE MORRISON, and)
)
KWAME THOMPSON,)
Individually and on behalf of)
Similarly situated individuals,)
)
Plaintiffs,)

vs.)

Cause No. 08-cv-565-GPM

YTB INTERNATIONAL, INC.,)
A Delaware corporation,)
Issue Summons for Service at:)
113 Barksdale Professional Center,)
Newark, Delaware 19711-3258)

YOURTRAVELBIZ.COM, a/k/a)
YTB.COM, a Delaware Corporation,)
Issue Summons for Service at:)
113 Barksdale Professional Center,)
Newark, Delaware 19711-3258)

YTB TRAVEL NETWORK, INC.,)
A Delaware Corporation,)
Issue Summons for Service at:)
113 Barksdale Professional Center,)
Newark, Delaware 19711-3258)

YTB TRAVEL NETWORK OF)
ILLINOIS, INC., an Illinois Corporation,)
Serve at:)
Raymond Stillwell, Registered Agent)
5213 Mae Drive, Suite B)
Godfrey, Illinois 62035)

REZCONNECT TECHNOLOGIES, INC.,)
A Delaware corporation,)
Issue Summons for Service at:)
113 Barksdale Professional Center,)
Newark, Delaware 19711-3258)

J. LLOYD TOMER, an individual;)
Serve at:)

5 Tranquility Rd,)
 Edwardsville, Illinois 62025-4902)
)
 J. SCOTT TOMER, an individual;)
 Serve at:)
 1 Country Club View)
 Edwardsville, Illinois 62025-4902)
)
 J. KIM SORENSEN, an individual;)
 Serve at:)
 1352 Biscay Drive)
 Edwardsville, Illinois 62025-5102)
)
 ANDREW CAUTHEN, an individual;)
 Serve at:)
 232 Country Club View)
 Edwardsville, Illinois 62025-3612)
)
 MICHAEL BRENT, an individual;)
 Issue Summons for Service at:)
 560 Sylvan Ave.)
 Englewood Cliff, New Jersey 07632)
)
 DOES 1-100, Inclusive)
 Defendants.)

COMPLAINT

COME NOW, Plaintiffs Faye Morrison and Kwame Thompson, individually and on behalf of similarly situated individuals, and for their Complaint against YTB International, Inc., YourTravelBiz.com, Inc., a/k/a YTB.com, YTB Travel Network, Inc., REZconnect Technologies, Inc., YTB Network of Illinois, Inc., J. Lloyd “Coach” Tomer, J. Scott Tomer, J. Kim Sorensen, Andrew Cauthen, Michael Brent and “Does” 1 through 100 (collectively herein “Defendants”) state:

INTRODUCTION

1. Defendants operate an illegal pyramid sales scheme and employ an illegal chain referral sales technique in violation of the Illinois Consumer Fraud and Deceptive Business

Practices Act. They purport to sell travel services, but their business is primarily based upon the inducement of additional persons to serve as “travel agents.” Plaintiffs have filed this action individually and on behalf of persons similarly situated to recover money illegally obtained by Defendants through their deceptive business practices.

JURISDICTION AND VENUE

2. Jurisdiction in this case arises from the 28 U.S.C.A. § 1332(d). This is a nationwide class action in which the matter in controversy exceeds the sum of \$5,000,000.00 and the Plaintiffs are from different states than one or more of the Defendants.

3. Venue in this Court is appropriate under 28 U.S.C.A. § 1391(b) and (c) because one or more of the Defendants reside in the Southern District of Illinois and because Defendants do business in this District.

PLAINTIFFS

4. Plaintiff Faye Morrison (“Morrison”) is an individual residing in St. Louis, Missouri.

5. Plaintiff Kwame Thompson (“Thompson”) is an individual residing in Atlanta, Georgia.

6. Plaintiffs Morrison and Thompson acted as both Independent Marketing Representatives (“IMRs”) and Referring Travel Agents (“RTAs”) for Defendants.

7. Plaintiffs’ class consists of over 1,000 members and is so numerous that joinder of all members is impracticable.

8. The questions of law and fact are common to the class, including but not limited to:

a. Whether Defendants’ business constituted an illegal pyramid sales scheme as defined by 815 ILCS 505/1(g);

b. Whether Defendants' actions constituted an illegal chain referral sales technique in violation of 815 ILCS 505/2A(1).

c. Whether Plaintiffs suffered actual damages as a result of Defendants' violations of 815 ILCS 505/2A(1).

d. Whether Plaintiffs suffered actual damages as a result of Defendants' violations of 815 ILCS 505/2A(2).

e. Whether Plaintiffs' damages were proximately caused by Defendants' violations of 815 ILCS 505/2A(1).

f. Whether Plaintiffs' damages were proximately caused by Defendants' violations of 815 ILCS 505/2A(2).

9. The claims of Plaintiffs' class are typical to the class in that all Plaintiffs' claims arise out of Section 505/2A of the Illinois Consumer Fraud and Deceptive Business Practices Act and concern the same illegal business practices by Defendants.

10. Plaintiffs will fairly and adequately protect the interests of the class.

11. Even if individual class members could afford to prosecute this litigation alone, individual litigation magnifies the delay and expense to all parties and to the court system of resolving the controversies at issue in Plaintiffs' Complaint.

12. This is the first civil suit filed by these class members against the named Defendants.

13. The Southern District of Illinois is the most desirable forum for this action because the large majority of Defendants reside in this District, all of the subject contracts were executed in this district, most of the alleged illegal activity occurred in this District, and because the State of Illinois has an interest in preventing violations of its consumer fraud statute.

14. Plaintiffs do not anticipate difficulties in managing a class action. In comparison to individual actions by class members, a class action presents fewer management difficulties

and provides the benefits of unitary adjudication, economies of scale and comprehensive supervision by a single court.

DEFENDANTS

15. YTB International, Inc. is a Delaware corporation with its principal place of business in Wood River, Illinois.

16. YourTravelBiz.com, Inc. is a Delaware corporation with its principal place of business in Wood River, Illinois.

17. YTB Travel Network, Inc. is a Delaware corporation with its principal place of business in Wood River, Illinois.

18. REZconnect Technologies, Inc. is a Delaware corporation with its principal place of business in Englewood Cliffs, New Jersey.

19. YTB Network of Illinois, Inc. is an Illinois corporation its principal place of business in Wood River, Illinois.

20. J. Lloyd "Coach" Tomer is a founder of YTB International, Inc. as well as the Chairman of its Board, and resides in Edwardsville, Illinois.

21. J. Scott Tomer is a founder of YTB International, Inc. as well as its chief executive officer, and resides in Edwardsville, Illinois.

22. J. Kim Sorensen is a founder and president of YTB International, Inc., and also serves as the CEO of YTB Travel Network, Inc.

23. Andrew Cauthen is the president and chief executive of YourTravelBiz.com, Inc., and resides in Edwardsville, Illinois.

24. Michael Brent is the CEO of REZconnect Technologies, Inc., and resides in Englewood Cliffs, New Jersey.

25. Does 1-100 were active participants in Defendants' corporations and are responsible for Plaintiffs' damages. Plaintiffs are unaware of their true names and will amend this Complaint to add the true names of Does 1-100 once those names are ascertained.

FACTS

26. YTB International, Inc. is the parent company of three wholly owned subsidiaries, YourTravelBiz.com, Inc., YTB Travel Network, Inc. and REZconnect Technologies, Inc.

27. YTB Network of Illinois, Inc. is a subsidiary of YTB Travel Network, Inc.

28. YTB International, Inc. conducts business primarily through its three wholly owned subsidiaries.

29. The subsidiaries of YTB International, Inc. and their subsidiaries are agents of YTB International, Inc.

30. Each of the three wholly owned subsidiaries, YourTravelBiz.com, Inc., YTB Travel Network, Inc. and REZconnect Technologies, Inc. was formed to separate YTB International, Inc. into three basic divisions.

a. The YTB Marketing subsidiary, YourTravelBiz.com, Inc., markets online ostensible travel agencies on behalf of YTB International, Inc. via the activities of Independent Marketing Representatives ("IMRs").

b. The YTB Travel subsidiary, YTB Travel Network, Inc., along with its subsidiary, YTB Network of Illinois, Inc., are ostensible travel agencies which books online travel transactions through "Referring Travel Agents" ("RTAs").

c. REZconnect Technologies, Inc. operates as a travel vendor relationship management company for the ostensible travel agencies formed by other subsidiaries.

31. Each of YTB Travel Network, Inc.'s subsidiaries and their subsidiaries operate as divisions of its parent company, YTB International, Inc.

32. Plaintiffs were RTAs and IMRs. Their class consists of those similarly situated that were RTAs, IMRs or both.

33. The majority if not all RTAs are IMRs, and vice versa.

34. RTAs were required to pay a “one time license fee” of \$449.95 and a “monthly license fee” of \$49.95.

35. IMRs were not required to pay initial or monthly fees.

36. Until IMRs had recruited a specified amount of RTAs, IMRs were required to purchase marketing materials from YourTravelBiz.com, Inc.

37. RTAs were required to open travel websites which directed customers to buy travel through YTB Travel Network of Illinois, Inc.

38. RTAs were promised 60% of the commissions paid to YTB Travel Network of Illinois, Inc.

39. IMRs, on the other hand, earned money by recruiting RTAs.

40. IMRs were paid at least \$50 for each RTA enrolled.

41. Once an IMR personally enrolled 4 RTAs, that IMR would qualify for “overrides,” which were optional additional direct sale commissions for each RTA enrolled.

42. IMRs received incentives from Defendants to become RTAs themselves as well as monetary compensation.

43. If an IMR was also an RTA, he could include himself as one of his 4 RTAs for the purpose of receiving “overrides.”

44. IMRs would also receive 50% of the travel commissions earned by RTAs they enrolled.

45. If an IMR has “personally sponsored” three other IMRs and had a total of six RTAs, that IMR would earn \$100 for each additional person enrolled as an RTA and \$50 for every RTA enrolled by a sponsored IMR.

46. After the first six RTAs, an IMR would receive a bonus of \$1,000 each time they personally enrolled an additional 6 RTAs.

47. Defendants represented that IMRs could earn up to \$31,000 in a year, not including “overrides” and matching bonuses, if an IMR and those IMRs he personally sponsored enrolled 100 RTAs.

48. If an IMR who also acted as an RTA recruited a certain number of RTAs, that IMR would be “refunded” his RTA monthly license fee.

49. RTAs were required to utilize the services provided by REZconnect Technologies, Inc., including but not limited to their online services.

50. All three wholly owned subsidiaries of YTB International, Inc., YourTravelBiz.com, Inc., YTB Travel Network, Inc. and REZconnect Technologies, Inc., marketed themselves together.

51. While on paper the wholly owned subsidiaries and their subsidiaries appear to have to have independent purposes and functions, these legal fictions operate as a single unit, profiting from each other’s business.

52. The subsidiaries of YTB International, Inc. provided incentives to do business with other subsidiaries of its parent company and their subsidiaries.

53. The three wholly owned subsidiaries of YTB International, Inc. and their subsidiaries marketed their services together.

54. In 2007, Plaintiffs and their class paid over \$103 million to Defendants for websites and “licensing rights.”

55. In 2007, Plaintiffs and their class made only \$13 million in travel commissions from Defendants.

56. In 2007, Defendants generated net revenue of over \$141 million dollars.

57. Seventy three percent of Defendants’ net revenue in 2007 was generated from the sale of websites, initial fees and monthly fees.

58. Ten percent of Defendants’ net revenue in 2007 was generated through the sale to consumers of training and marketing materials.

59. Only fourteen and one half percent of Defendants’ net revenue in 2007 was generated from the sale of travel.

60. Sixty two percent of Plaintiffs’ class failed to earn even a single commission on the sale of travel services, including their own personal travel.

CHOICE OF LAW

61. Defendants’ contracts with Plaintiffs and their class contained an express choice of law provision that indicated that the laws of the State of Illinois would govern their contracts.

62. The State of Illinois has significant contacts or a significant aggregation of contacts to the claims asserted by each member of the plaintiff class, creating State interests.

63. Plaintiffs and their class had reason to anticipate that Illinois law would govern their consumer fraud claims.

FIRST CAUSE OF ACTION

**Violation of §505/2A(2) of the Illinois Consumer Fraud and
Deceptive Business Practices Act**

64. Plaintiffs reincorporate and restate paragraphs 1-63 of Plaintiffs' Complaint.

65. In violation of 815 ILCS 505/2A(2), Defendants' business constituted an illegal pyramid sales scheme as defined by 815 ILCS 505/1(g).

66. Defendants intended Plaintiffs and their class to rely upon their deceptive business practices.

67. Defendants' deceptive business practice occurred in the course of trade or commerce.

68. Plaintiffs and their class suffered actual damages in excess of One Hundred Million Dollars (\$100,000,000.00) as the proximate result of Defendants' deceptive business practices.

WHEREFORE, Plaintiffs and their class ask this Court to enter a judgment in excess of *One Hundred Million Dollars (\$100,000,000.00)* to compensate their actual damages, and punitive damages in an amount that the Court sees fit.

SECOND CAUSE OF ACTION

**Violation of §505/2A(1) of the Illinois Consumer Fraud and
Deceptive Business Practices Act**

69. Plaintiff reincorporates and restates paragraphs 1-63 of Plaintiffs' Complaint.

70. In violation of 815 ILCS 505/2A(1), Defendants' actions constituted an illegal chain referral sales technique.

71. Defendants intended Plaintiffs and their class to rely upon their deceptive business practices.

72. Defendants' deceptive business practice occurred in the course of trade or commerce.

73. Plaintiffs and their class suffered actual damages in excess of One Hundred Million Dollars (\$100,000,000.00) as the proximate result of Defendants' deceptive business practices.

WHEREFORE, Plaintiffs and their class ask this Court to enter a judgment in excess of ***One Hundred Million Dollars (\$100,000,000.00)*** to compensate their actual damages, and punitive damages in an amount that the Court sees fit.

Respectfully Submitted,

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