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7
8 UNITED STATES DISTRICT COURT
9 NORTHERN DISTRICT OF CALIFORNIA

10 MICHELLE SKURKIS, TRINADH
BYLIPUDI, et al.,

11 Plaintiffs,

12 v.

13 ARMANDO MONTELONGO, JR.; REAL
14 ESTATE TRAINING INTERNATIONAL,
15 LLC, dba ARMANDO MONTELONGO
16 SEMINARS; PERFORMANCE
17 ADVANTAGE GROUP, INC.; LICENSE
BRANDING, LLC; and entities and
individuals not yet identified,

Defendants.

Case No. 4:16-cv-00972-YGR

FIRST AMENDED COMPLAINT

JURY TRIAL DEMAND

**[REDACTED VERSION OF DOCUMENT
SOUGHT TO BE SEALED]**

1 **INTRODUCTION**

2 1. Armando Montelongo, Jr. (“Montelongo”) has made hundreds of millions of
3 dollars selling real estate education programs to Americans who long for financial security in
4 uncertain times. But although Montelongo styles himself as the “epitome of the American
5 dream,” he is, for his students, a nightmare.

6 2. Acting through his many corporate shells, Montelongo sells worthless, dangerous,
7 and unlawful advice about real estate investing; takes advantage of the students’ trust to loot their
8 retirement accounts; sells them properties at inflated prices without disclosing his stake in them;
9 encourages them to pursue their real estate investments using his allies, who also victimize the
10 students; and harasses those who dare to speak out against him.

11 3. By this action, 163 former students now seek to remedy the financial devastation
12 wreaked by Montelongo’s predation.

13 **FACTUAL BACKGROUND**

14 **A. ARMANDO MONTELONGO AND HIS SEMINARS**

15 4. Montelongo began his career as a real estate investor in Texas in 2001 and began
16 offering real estate investment seminars in 2005. He rose to national prominence between 2006
17 and 2008 as a star on the A&E reality show “Flip This House,” and when he departed the show
18 used his stardom to expand his seminar offerings nationwide. He now offers his seminars through
19 a web of companies, including defendants Real Estate Training International, LLC dba Armando
20 Montelongo Seminars, Performance Advantage Group, Inc., and License Branding, LLC.
21 Montelongo and these entities (collectively, with Montelongo, the “Defendants”), along with other
22 entities and individuals not yet known to the plaintiffs, operate together an enterprise called here
23 the “Armando Montelongo Seminars,” or “AMS.”

24 5. What Defendants claim to offer through AMS’s education programs is a
25 “methodical step-by-step system for building wealth in real estate” modeled on Montelongo’s own
26 experiences. One of their websites (armandomontelongo.com) claims: “I was fortunate enough to
27 find millionaire mentors without whom I would have lost a lot of time, money, and hope. They

1 helped me accomplish my goals and reach my dreams. This is why I am happy to share my
2 secrets and help others succeed. Coming from living in my in-law's garage and \$50,000 in debt, I
3 know what it's like to struggle. I am the epitome of the American dream. I turned my misfortunes
4 into millions, and I can help you do the same." That same website also claims that the AMS
5 system is bulletproof: "Armando's step-by-step methodical system works in any financial market,
6 at any given time."

7 6. The Defendants offer the AMS system through several education seminars (or
8 "events"). According to their website, they sell the following products:

9 a. The "preview event," "taught by Armando's personal partners, provides an
10 inside look at the house flipping business and teaches you about proven house
11 flipping techniques. Network with successful partners and learn why anytime
12 is the time for real estate. Learn about how to make money by flipping houses,
13 build a retirement income through cash flow properties, and about how to keep
14 your wealth through asset protection. At the Preview Events, you will:
15 Network with Armando's hand-picked partners. See the options you can begin
16 in real estate. Learn Armando's step-by-step system to investing and so
17 much more!"

18 b. The "foundation event" (sometimes called the "three-day event") is "an
19 intensive, information packed workshop that gives you the foundation to build
20 your own house flipping business. Learn all about how to find and fund your
21 deals, how to use the techniques and rules Armando actively uses, and how to
22 overcome common difficulties in real estate. [¶] The three day event covers all
23 important topics for beginning real estate investors. You will learn the ABC's
24 of real estate investing, such as: After repair value vs. fair market value[;] The
25 1% Rule versus Mixed Rate[;] Various options for fixing and flipping[.] Upon
26 completion of this in-depth, accelerated seminar, you'll be equipped all the
27 groundwork necessary for flipping properties."

1 c. The “bus tour” is a “three day event filled with Armando’s most successful and
2 exclusive partners and students. At the bus tour, you will learn first-hand about
3 house flipping techniques and easy fixes for profit and personal tips and advice
4 from Armando Montelongo. [¶] This is your opportunity to network with other
5 investors, money lenders, and students from all across the US. Learn how to
6 properly assess properties with Armando and his most successful students as
7 your guide. A one-of-a-kind event taught by Armando himself[;] Get hands-on
8 training from a team of mentors[;] Network with other investors, money
9 lenders, & students[;] Learn how to have a successful business[.] It took
10 Armando a decade to establish his phenomenal house-flipping system. Learn it
11 from the bus tour in just 3 days!”

12 d. “Continuing education” services, including the “asset protection” program,
13 which Defendants claim teaches “the most essential tools for protecting your
14 finances,” “healthy, strategic, and beneficial business planning,” “[i]nformation
15 on corporate structure and management,” and “the latest information on how to
16 save tax money for your business”; the “market domination” program, which
17 Defendants claim provides “the most efficient ways to flip in any market at this
18 two day event,” “training on how to flip and find deals in the smallest markets,”
19 and “where the top real estate markets in the nation are,” and gives students the
20 chance to “[n]etwork with sellers and investors to get tips from markets
21 nationwide”; the “cash flow” program, which Defendants claim teaches
22 students “to manage rental properties,” “the system for rehabbing different
23 types of rental properties[.]” “how to work with the always changing
24 commercial market[.]” and how to “[a]ccelerate your real estate portfolio with
25 commercial flips”; and the “master mentor” program, which Defendants claim
26 gives students “access to Armando’s real estate hotline for any of your
27 questions,” “personal coaching and training on investment techniques,” and

1 “concepts and techniques created [sic] your personal mentor,” and permits them
2 to “follow up with a mentor to find what works best for your business.”

3 7. The AMS enterprise has been hugely successful. In 2011, Inc. 500 listed
4 Montelongo’s group of companies as the 19th fastest growing business in the nation, and in 2013,
5 Montelongo claimed to Forbes magazine that his seminars would bring in \$100 million that year
6 alone from 350,000 students attending over 3,500 events.

7 **B. DEFENDANTS’ FRAUDULENT SCHEME**

8 8. Although the ostensible purpose of the AMS programs is to educate students about
9 how to gain economic security and independence by flipping houses, their real aim and result is to
10 enrich Montelongo and his related entities and allies at the students’ expense. The “seminars” or
11 “events” are not genuine educational offerings, but ruses to sell more AMS products, engage in
12 self-dealing transactions with the students whose trust Montelongo cultivates, and expose the
13 students to predation by AMS allies.

14 **i. The Defendants’ Coercive and Deceptive Sales Tactics**

15 9. Defendants market the AMS programs extensively through websites, email
16 campaigns, television, and social media in the hopes of luring students to attend the programs,
17 where they will be deceived into purchasing additional AMS products. These programs include
18 free preview events, foundation courses, and bus tours held throughout the United States,
19 including in the Northern District of California.

20 10. At the free preview event, the students are sold the approximately \$1,500 to \$2,700
21 “foundation” course (as well as a \$797 to 997 “tax lien” product); at the foundation course they
22 are sold bus tour packages priced between \$18,000 and \$54,000, usually held within the new few
23 weeks in the same area; and on the bus tours they are sold additional \$5,000 to \$27,000 “asset
24 protection,” \$25,000 “market domination,” \$5,000 “cash flow,” and \$25,000 “master mentor”
25 programs.

26 11. Defendants sell their products using coercion and deception. At the group events,
27 students are crowded together into rooms or buses, where they are pounded with loud music,

1 flashing lights, and chanting; told not to take breaks or leave the room lest they miss a critical
2 piece of information; and deprived of food and sleep by seminars that run until late in the night
3 without cease, and which begin again early the next morning.

4 12. This atmosphere is built on the model of a cult. Former AMS insiders report that,
5 before he expanded his seminars in 2008, Montelongo studied a film about “mind control cults,”
6 and used it to develop the AMS programs. At the end of the events, when the students are
7 physically and mentally exhausted, they are inveigled by promises that, if they purchase the next
8 AMS product in line that very day, they will finally get the information that will make them
9 successful in real estate investing (*i.e.*, the information they were told they would get in the event
10 they already purchased). Having committed thousands of dollars to the AMS programs, and
11 desperate to recoup their investment, many students comply and purchase more high-priced
12 products.

13 13. Defendants also engage in outright lies to sell their products, for example, creating
14 fake personal success stories—different employees reuse the same slides of rehabilitated houses,
15 each claiming them as his or her own—and planting employees at events to pose as students who
16 have taken the courses before, and have returned for more “valuable education.”

17 14. As another example of the Defendants’ sales tactics, they claim to offer students a
18 “Triple Your Money Back Limited Guarantee,” under which the Defendants purportedly promise
19 to refund students’ money if they follow the AMS system and yet do not make three times their
20 purchase price back from real estate investments. This guarantee is persuasive, and a significant
21 factor in convincing many students to purchase AMS programs. This guarantee is, however, a
22 sham. AMS insiders report that the Defendants do not intend to honor these guarantees, and direct
23 their sales agents not to sign the guarantees on behalf of the Defendants in the belief that would
24 render them unenforceable.

25 15. To further their scheme, the Defendants encourage students to contact their credit
26 card companies and report that they already have the income that they hope to make from flipping
27 houses—hundreds of thousands of dollars that they are not earning, and that Defendants know the

1 students have no realistic chance of earning—in order to raise their credit limits, and purchase
2 more AMS products. Montelongo justifies this practice to his students as incurring “education
3 debt,” which he claims is “good debt.”

4 16. The Defendants also encourage students to transfer money in their employer-
5 controlled or other secure retirement accounts to self-directed IRAs held by companies allied with
6 Montelongo and the Defendant entities. Until at least mid-2015, the Defendants’ chosen company
7 was Preferred Trust Company, LLC (“Preferred Trust”), run by Kurt “the Shirt” Weinrich. Since
8 that time, Weinrich has continued to be Defendants’ chosen self-directed IRA provider, apparently
9 through a new entity the identity of which the Students do not yet know.

10 17. Defendants’ alliance with Preferred Trust benefited them, Preferred Trust, and
11 Weinrich at the expense of the students. Preferred Trust charges extremely high fees for its
12 services. As but one example of many, a San Diego resident put \$5,000 in a Preferred Trust self-
13 directed IRA and, within three years, was charged \$4,200 in fees—even though she had done
14 nothing with her account. Weinrich also permits Montelongo access to confidential information
15 about the students’ finances that Defendants use to prey upon them.

16 18. During the asset protection events, Defendants ask students to share their financial
17 information (including about their Preferred Trust accounts) in the name of educating the students,
18 and then use that information to learn the balances on those accounts in order to target sales.
19 Montelongo’s response to a positive account balance is visceral and habitual: Multiple former
20 employees report that he shouts angrily, saying, “That’s my money! You’re not doing your job to
21 get that in my pocket!” His employees comply, using their knowledge of the students’ finances to
22 sell them more AMS education or encourage them to invest in properties (frequently with AMS-
23 allied developers).

24 19. Montelongo and his employees give themselves cover for their deception by
25 instilling fear in the students to discourage them from questioning Montelongo and his system, and
26 attacking or silencing those who attempt to speak out. For example, early on in a group event,
27 when someone asks a question, Montelongo will berate the speaker, deriding him or her for

1 wasting the other students' time. Cowed, few others will dare to interrupt again. At other points
2 in an event, Montelongo will mention his in-house legal team, and claim that no one could
3 possibly sue him and win. The text of these remarks is that anyone who would cross Montelongo
4 on a business deal would lose; the subtext is that any student who crossed him would, too.

5 20. As another example, the Defendants carefully monitor their private Facebook
6 groups, immediately deleting anything critical of not only AMS or Montelongo, but also of
7 anyone else who is a member of the group—even if that person has cheated other students of
8 money—and forcing out those who continue to dissent. And in late 2013, when the news show
9 20/20 taped an interview with a student who complained that she and her husband had been ripped
10 off by the Defendants, Montelongo had her followed by a private investigator (as one of his
11 employees admitted). When Montelongo provided a student who was a “success story” to the
12 news show, that student began recounting the wealth he had earned by following the AMS system,
13 and then broke down and admitted it was a lie. Montelongo harassed this student, too—calling
14 him personally and demanding he sign a declaration affirming that he had been successful.

15 **ii. The Defendants' Worthless, Dangerous Offerings**

16 21. These high-pressure sales tactics and promises of future fortune do not come with
17 any educational substance. The core of AMS's “methodical step-by-step system” is so simple it
18 can be taught in a sentence: Take out high-interest debt to purchase dilapidated homes, make
19 cosmetic repairs, and then quickly flip them to the next investor. It is also a recipe for financial
20 disaster, at least since the real estate crash of 2006 to 2012 and at least in some markets, including
21 depressed markets where Defendants sell their products and extoll the merits of home flipping. As
22 just a partial list of the system's failings:

- 23 a. A central tenet of the AMS sales pitch is that students do not need their own
24 money to purchase, rehabilitate, and sell houses, and can instead obtain funding
25 from private and hard money lenders. But these lenders generally require that
26 at least 20% of the project cost be fronted by the borrower.

27

- 1 b. The “65% rule” Montelongo claims provides the ideal price for any property
2 (take 65% of the planned sale price of the property once it has been
3 rehabilitated, and then deduct repairs and holding costs to determine your offer
4 price) does not account for local variations in market conditions, material
5 prices, or labor prices, making it useless (or worse) in many regions of the
6 country, including California and this district.
- 7 c. The similarly central “price reduction strategy”—submit an all-cash, no-
8 contingency offer with a very short closing period, and then, once the property
9 is in contract, demand a price reduction based on a new inspection and
10 announce that, instead of cash, the deal will be funded by a hard money
11 lender—has become anathema to realtors, who will often not even submit
12 students’ bids once they realize they are using the AMS system, and cannot be
13 used with all types of properties (*e.g.*, auction sales).
- 14 d. Homes cannot be reliably sold in a short window for prices high enough to
15 cover the debt (especially when that debt is financed by high-interest hard
16 money lenders, as the AMS system directs), leaving students with either
17 unsaleable homes that end up in foreclosure or losses on their deals.
- 18 e. Federal and state regulations (*e.g.*, a Fannie Mae requirement prohibiting sales
19 of homes to FHA buyers unless the property has been held for 90 days) have
20 altered the legality and profitability of house-flipping, but the system—which
21 has reportedly not been updated in 10 years—does not reflect them.
- 22 f. So many investors have entered the rehabilitation market (both the thousands of
23 students AMS churns out annually and well-funded private equity investors)
24 that prices for properties have increased, and margins have decreased. As a
25 result, many students are unable to find suitable investment properties, and are
26 left with debts from the AMS seminars and their retirement withdrawals, and no
27 potential of recouping their losses.

1 22. Thus, contrary to Defendants’ central claim, the “system” does not “work[] in any
2 financial market, at any given time.” This is not a result of inadvertence. Former employees
3 report that Montelongo teaches them to ensure that students “feel like they have received some
4 content, but do not actually know what to do on Monday.”

5 **iii. Defendants’ Self-Interested Business Dealings with their Students**

6 23. The Defendants also victimize their students by engaging in self-dealing
7 transactions with them, frequently without disclosing their own interests. For example, before a
8 bus tour event, Montelongo will use an affiliate to purchase properties in the area, and then sell
9 them to students at inflated prices (sometimes twice as much as he paid) at tables situated at the
10 back of the venue, without disclosing that he has an interest in the sales or receives a share of the
11 profits. (One student fortuitously overheard Montelongo discussing this scheme when she dialed
12 in early to a planned group call.)

13 24. As another example, Montelongo solicited large amounts of student money for an
14 investment in a marina near Sarasota, Florida called the Olde Fish House Marina. It may have
15 reaped benefits for Montelongo—the AMS website describes it as a “successful casual dining
16 establishment,” but the students who invested with him sustained heavy losses.

17 **iv. Defendants’ Exposure of Students to Predation by their Allies**

18 25. The Defendants also harm students by encouraging them to work with AMS
19 allies—“mentors” who are paid to provide the students with supposedly in-depth advice on
20 rehabilitating particular types of properties and changing market conditions, but who often lack the
21 experience to provide insight, take advantage of the students’ trust to enrich themselves, or simply
22 fail to respond to student questions; “hard money lenders” or “gap funders” who lend money to
23 the students to purchase their homes at extremely high rates; and “developers” who solicit
24 investments from students to be used in rehabilitation deals.

25 26. Although the Defendants handpick mentors, lenders, and developers, recommend
26 to students that they work with those particular individuals, and benefit from these
27 recommendations by appearing to offer students a comprehensive, practical program for real estate

1 investing, Defendants refuse to take responsibility when those allies cause students harm—such as
2 when mentors give bad (or no) advice, lenders overcharge, and developers run the students’
3 projects into the ground or simply abscond with the students’ money. Some of these allies have
4 reportedly come under criminal investigation, including [REDACTED] (a resident of California and
5 this district), [REDACTED]

6 [REDACTED]

7 **C. THE HARM TO THE STUDENTS**

8 27. The Defendants’ conduct has damaged students in multiple ways.

9 28. First, the students pay thousands of dollars (and sometimes tens of thousands of
10 dollars) for real estate investment education that, contrary to the Defendants’ promises, does not
11 give them the skills necessary to succeed “in any financial market, at any given time,” but is
12 instead a jumble of empty, contradictory aphorisms and outdated, risky strategies that might have
13 been useful in 2005, when Montelongo launched his seminars, but that have failed to keep up with
14 the changing market and legal landscape; and that ignores critical distinctions between various
15 states’ treatment of mortgages, costs of construction, taxes, and insurance requirements.
16 Sometimes, Defendants even fail to provide the promised services at all, charging students for
17 AMS programs, and then providing neither the purchased services nor refunds.

18 29. Second, the students incur interest on the credit card debt that Defendants
19 encourage them to incur, and penalties and fees on the self-directed IRAs that Defendants
20 encourage them to use.

21 30. Third, the Defendants provide dangerous and unlawful tax advice—for example,
22 that the students can reduce their tax burden by naming their infant children and elderly parents as
23 “employees” in order to deduct their “salaries” from their house-flipping revenues, and that the
24 AMS seminars are fully tax deductible.

25 31. Fourth, the students pay significant travel and meal expenses to attend the AMS
26 seminars (as Defendants would reasonably foresee given the markets they target and the locations
27 of the events).

1 32. Fifth, the Defendants engage in self-dealing transactions with the students in ways
2 designed to cause the students additional pecuniary harm.

3 33. Sixth, the Defendants recommend that the students work with particular mentors,
4 contractors, realtors, developers, property managers, and lenders, even when they know or should
5 know that these third parties are likely to cause the students harm through their negligence or
6 intentional wrongdoing.

7 34. Seventh, the financial devastation wrought by the AMS programs has taken a heavy
8 emotional toll, destroying friendships, wrecking marriages, driving students into clinical
9 depression, and even resulting in suicide.

10 **D. THE STUDENT PLAINTIFFS**

11 35. The 163 student plaintiffs who bring this complaint (“the Students”) are all victims
12 of the Defendants’ fraudulent scheme. Each purchased one or more of the AMS foundation event,
13 bus tour, asset protection, market domination, cash flow, and master mentor products; attended
14 those events and attempted to employ the “advice” they received; and suffered financial injury as a
15 result, including the money they paid directly to the Defendants, the expenses they incurred to
16 attend the events, the investments they lost due to the Defendants’ empty “system,” predation by
17 the Defendants’ allies, penalties from their use of retirement funds, interest on consumer debt used
18 to purchase AMS seminars, damage to their credit rating, bankruptcy, and (in some cases) severe
19 emotional distress. The individual Students and their cities and states of residence are listed in
20 Exhibit A.

21 **E. RICO ALLEGATIONS**

22 36. The persons culpable for the pattern of racketeering activity and conspiracy to
23 commit it are defendants Montelongo; Real Estate Training International, LLC dba Armando
24 Montelongo Seminars; Performance Advantage Group, Inc., and License Branding, LLC, and
25 entities and individuals not yet known to the Students.

26
27

1 37. The enterprise operated by these culpable persons is referred to here as “Armando
2 Montelongo Seminars,” or “AMS,” and is comprised of Montelongo, the defendant companies,
3 and the unknown entities and individuals.

4 38. The activity of the enterprise and the racketeering acts described here affect
5 interstate commerce, because the AMS enterprise is primarily located in Texas, and yet conducts
6 business and defrauds students throughout the United States.

7 39. The Defendants have engaged in racketeering activity by violating three predicate
8 statutes.

9 40. First, in violation of 18 U.S.C. § 1961, the Defendants have committed at least the
10 following instances of wire fraud:

- 11 a. On October 18, 2011, Montelongo posted on his Facebook page a link and
12 photos from the “AM Bus Tour September 2011” page.
- 13 b. On January 28, 2012, Montelongo posted on his Facebook page photos from a
14 bus tour in Cerritos, California.
- 15 c. On March 13, 2012, Montelongo posted on his Facebook page photos from a
16 bus tour in Pomona, California.
- 17 d. On July 13, 2012, Montelongo posted on his Facebook page photos from a bus
18 tour.
- 19 e. On September 22, 2012, Montelongo sent an email blast titled “Executive
20 Summary - Day 6 of 6 High Level Investment Strategy.”
- 21 f. On September 24, 2012, Montelongo sent an email blast titled “Armando Says
22 –‘This Is a First Ever.’”
- 23 g. On September 26, 2012, Montelongo sent an email blast titled “Armando's
24 Double Header Reminder.”
- 25 h. On October 2, 2012, Montelongo sent an email blast titled, “Best Opportunity
26 Ever.”

27

- 1 i. On November 3, 2012, Montelongo posted on his Facebook page photos
2 showing “Three full days of Armando teaching his AMazing students how to
3 Dominate their Market.”
- 4 j. On March 12, 2013, Montelongo posted on his Facebook page photos from a
5 bus tour captioned “Best Real Estate Seminars in the business.”
- 6 k. On June 23, 2013, Montelongo posted on his Facebook page photos showing
7 “Students continu[ing] their education during June’s Cash Flow weekend”
8 program.
- 9 l. On August 25, 2013, Montelongo posted on his Facebook page photos of
10 students “learn[ing] real estate from Armando Montelongo and his team” on a
11 bus tour.
- 12 m. On October 3, 2013, Montelongo posted on his Facebook page photos from a
13 bus tour in San Antonio, Texas.
- 14 n. On November 8, 2013, Montelongo posted on his Facebook page photos from a
15 bus tour in Phoenix, Arizona.
- 16 o. On April 27, 2014, Montelongo posted on his Facebook page a video from a
17 bus tour in Miami, Florida.
- 18 p. On July 13, 2014, Montelongo posted on his Facebook page a video from a bus
19 tour.
- 20 q. On August 24, 2014, Montelongo posted on his Facebook page a video from a
21 bus tour.
- 22 r. On February 6, 2015, Montelongo and a number of his companies’ employees
23 appeared on the CBS show “Undercover Boss.”
- 24 s. On July 28, 2015, Montelongo posted on his Facebook page a photo and
25 invitation to the introductory AMS events.
- 26 t. On November 23, 2015, Montelongo posted on his Facebook page photos from
27 an AMS “bootcamp” event in Las Vegas, Nevada.

- 1 u. On December 10, 2015, Montelongo posted on his Facebook page a video from
2 a bus tour in Miami, Florida.
- 3 v. On January 12, 2016, Montelongo posted a video on YouTube promoting the
4 AMS "asset protection" program.
- 5 w. On February 23, 2016, Montelongo posted on his Facebook page a photo from
6 a bus tour.
- 7 x. Since about August 2006 and continuously to the present, the Defendants have
8 maintained the website at arandomontelongo.com and promoted the AMS
9 programs there, including events targeting California and this district. Since
10 about April 2007 and continuously to the present, the Defendants have
11 maintained the website at arandolive.com and promoted the AMS programs
12 there, including events targeting California and this district. Defendants
13 conceal the ownership of their websites using a private domain registrar.
14 Jurisdictional discovery would reveal which of Montelongo's entities is the
15 owner.

16 41. These acts constitute wire fraud because the Defendants developed a scheme to
17 defraud the Students out of their money by false promises and misrepresentations about their
18 products and about the market for house flipping, and by self-dealing transactions with those
19 Students; the Defendants had the intent to defraud the Students; it was reasonably foreseeable to
20 the Defendants that the wires would be used in that scheme; and the Defendants used the wires to
21 further that scheme by promoting their products.

22 42. Second, in violation of 18 U.S.C. § 2314, the Defendants have transported in
23 interstate commerce money in excess of \$5,000 they knew to have been taken by fraud. They set
24 up events in states across the nation, including California (as described in paragraphs 63 and 64),
25 defrauded students (including the plaintiffs here) of thousands or tens of thousands of dollars each,
26 and then transported those funds across state lines by transmitting them either to their corporate
27 offices or to financial institutions in Texas.

1 43. Third, also in violation of 18 U.S.C. § 2314, the Defendants devised a scheme to
2 defraud and then induced persons to travel in interstate commerce so that they could defraud those
3 persons of more than \$5,000. At live events, over the phone, and online, the Defendants
4 persuaded students (including some of the plaintiffs here) to travel to events in other states, where
5 they were deceived into spending thousands or tens of thousands of dollars on AMS products.

6 These include:

- 7 a. In February 2012, students living in Glendora, California were induced to travel
8 to Las Vegas, Nevada for an asset protection event.
- 9 b. In April 2012, students living in Glendora, California were induced to travel to
10 Las Vegas, Nevada for a buy and hold event.
- 11 c. In May 2013, students living in San Diego, California were induced to travel to
12 San Antonio, Texas for an asset protection event.
- 13 d. In August and October 2013, a student living in Norco, California was induced
14 to travel to San Antonio, Texas for asset protection events.
- 15 e. In October 2013, a student living in West Hills, California was induced to travel
16 to an asset protection event in San Antonio, Texas.
- 17 f. In October 2013, a student living in Eastvale, California was induced to travel
18 to an asset protection event in San Antonio, Texas.
- 19 g. In November 2013, students living in Bellflower, California were induced to
20 travel to a bus tour event in Mesa, Arizona.
- 21 h. In November 2013, a student living in Manhattan Beach, California was
22 induced to travel to a bus tour event in Phoenix, Arizona.
- 23 i. In December 2013, a student living in Eastvale, California was induced to
24 travel to a bus tour event in Scottsdale, Arizona.
- 25 j. In April 2014, a student living in Manhattan Beach, California was induced to
26 travel to a market domination event in San Antonio, Texas.
- 27

1 k. In October 2015, students living in Orange, California were induced to travel to
2 a bus tour event in Miami, Florida.

3 l. In November 2015, students living in Orange, California were induced to travel
4 to a master mentor program in San Antonio, Texas.

5 44. The Defendants have conducted the enterprise through a pattern of racketeering
6 activity that satisfies both the close-ended and open-ended continuity requirements of RICO,
7 because (a) they committed a series of acts of wire fraud, interstate transportation of money
8 obtained by fraud, and inducement of persons to travel across state lines for the purpose of
9 defrauding them within ten years that were related in their purpose, results, participants, victims,
10 and methods of commission; and (b) the Defendants threaten to continue to carry out wire fraud,
11 interstate transportation of money obtained by fraud, and inducement of persons to travel across
12 state lines for the purpose of defrauding them in the same manner and to the same ends now.

13 45. The Students are persons who have sustained injury to their business or property by
14 reason of the Defendants' racketeering activity and overt acts committed in furtherance of their
15 conspiracy to operate the enterprise.

16 46. The Students do not believe their claims are barred by the statute of limitations but,
17 if any Student's claim would be barred in whole or in part, the Defendants may not rely upon that
18 bar because they fraudulently concealed from the Students that (a) the AMS programs exist only
19 to sell more AMS programs and did not confer the skills promised, and (b) the Defendants were
20 engaging in self-dealing transactions with the Students, giving rise to equitable tolling.

21 **F. PARTIES**

22 47. The Students are residents of cities across the United States, as detailed in Exhibit
23 A. Thirty-five of them reside in California, and four reside in this district. The California
24 residents attended AMS events in this district (as described in paragraph 63) and elsewhere in
25 California (as described in paragraph 64).

26 48. On information and belief, Armando Montelongo, Jr. is a resident of San Antonio,
27 Texas.

1 49. On information and belief, Real Estate Training International, LLC dba Armando
2 Montelongo Seminars is a Delaware limited liability company with its principal place of business
3 in San Antonio, Texas.

4 50. On information and belief, Performance Advantage Group, Inc. is a Nevada
5 corporation with its principal place of business in San Antonio, Texas.

6 51. On information and belief, License Branding, LLC is a limited liability company
7 with its principal place of business in San Antonio, Texas.

8 **G. JURISDICTION AND VENUE**

9 **i. Subject Matter Jurisdiction**

10 52. This court has subject matter jurisdiction over this action pursuant to 18 U.S.C.
11 § 1964, which gives those injured by RICO violations the right to sue in any United States district
12 court.

13 **ii. Personal Jurisdiction**

14 53. This court has specific personal jurisdiction over the Defendants because (a) they
15 purposefully directed their activities towards California, sold their seminar products to residents of
16 California, and purposefully availed themselves of the privilege of conducting activities in
17 California by hosting their events here; (b) the Students' claims arise directly out of Defendants'
18 sale of products and conduct of seminars in California; and (c) the exercise of jurisdiction by this
19 court comports with fair play and substantial justice—*i.e.*, it is reasonable.

20 54. Each Corporate Defendant is an Alter Ego of Montelongo. Montelongo is the
21 primary operator of the AMS enterprise, and the alter ego behind each Defendant entity. On
22 information and belief, Montelongo owns all or nearly all of the interests in each Defendant entity.
23 All of these entities operate out of the same office space in San Antonio, and the AMS website
24 refers to them as an integrated operation, “the Armando Montelongo Companies,” centered on
25 him.

26 55. Montelongo is also the de facto owner of yet more entities he places in the names
27 of his family members or other associates for the purpose of concealing his assets from creditors,

1 including claimants like the Students. (This is consistent with his teachings in the asset protection
2 program, where he tells students that all of their assets will be “safe behind the corporate veil,” but
3 ignores the formalities required to preserve that protection.) On information and belief, in addition
4 to the Defendant entities, companies owned by Montelongo that he uses to conduct AMS business
5 or conceal assets include Education Management, LLC; Internet Education, LLC; Armando
6 Montelongo Companies, Inc.; Lead Generation and Marketing, LLC; Real Estate Properties, LLC;
7 EIC VIRE, LLC; Armando Montelongo Holdings, LLC; Alternative Holdings, LLC; RETI
8 Properties, LLC; AMJ Commercial Holdings, LLC; Armando Montelongo Companies
9 Foundation; AMJ Promotions, LLC; AM Productions Holdings, LLC; Montelongo House Buyers,
10 Inc.; Armando Montelongo Management, Inc.; Montelongo Acquisitions, Inc.; AMJL Gp, LLC;
11 Armando Montelongo Jr., Ltd.; The Entity Company, LLC; Great White Ventures, LLC; AMJ
12 Marina, LLC; JRM Marina, LLC; and Montelongo Disaster Management, Inc. As Montelongo’s
13 own accountant, [REDACTED], stated in September 2015 when objecting to a federal
14 subpoena in other litigation involving Montelongo, “there are many ‘affiliates’ owned or
15 controlled or affiliated with Mr. Montelongo.”

16 56. Montelongo deliberately obscures the various entities’ role in AMS operations,
17 corporate status, ownership, legal relationships, assets, and even names by forming them in states
18 such as Nevada, Delaware, and Utah that have heightened corporate privacy protections. On
19 information and belief, Montelongo also uses other brands to promote his business, including
20 Vanilla Ice Real Estate, Veronica Flips, and Mark and Raoul Real Estate, collecting money from
21 their activities but hiding his involvement.

22 57. In short, whatever the ostensible corporate forms, the economic reality is that
23 Montelongo controls and acts through each of the Defendant entities and many other affiliates.
24 Jurisdictional discovery would permit the Students to state these relationships with greater
25 specificity.

26 58. Defendants Purposefully Directed their Activities at California. Defendants
27 directed their activities towards California by purchasing advertising on television and radio

1 stations in the Southern and Northern California markets, often on weekend afternoons and late
2 nights between midnight and five in the morning, beginning no later than 2010 and continuing
3 through the present. For example, between May 4 and May 9, 2016, an AMS infomercial is
4 scheduled to run 23 times in the Los Angeles area.

5 59. Defendants have also aggressively advertised on Facebook using “interest
6 targeting, aiming the ads at people who liked real estate, investment and entrepreneurship,” as
7 Facebook itself touts in its “Success Story” about Defendants’ advertising on that platform. “The
8 [AMS] ads were active in up to 6 markets at a time and the team used geographic targeting for
9 each segment, adjusting the campaign creative to reflect each region’s housing style.”

10 60. Defendants also used Facebook’s “conversion tracking pixel,” which Facebook
11 explains consists of “a snippet of code” added “to the HTML on your website” that allows website
12 owners to “measure checkouts, registrations, leads, key web page views, adds to cart and other
13 web conversions” in “reports when people see your ad and take action.” Defendants used the
14 information they gathered from this tool to “make quick decisions about what was and wasn’t
15 working and then change creative elements on the fly. They tweaked the campaign until it got the
16 response they were looking for.” Thus, Defendants actively collected information about the
17 potential students who clicked on their advertisements, and adjusted their marketing to better
18 target those who were likely to make purchases.

19 61. Jurisdictional discovery would demonstrate the exact geographic regions
20 Defendants have targeted using Facebook’s data-driven advertising tools but, on information and
21 belief based on the California Students’ own experiences, the Defendants have directed substantial
22 resources to online advertising in California and this district, and they have individually targeted
23 students in this district.

24 62. Defendants’ websites at armandomontelongo.com and armandolive.com are also
25 directed at this district and this state because they advertise and permit students to register for
26 events in (as of the filing of this complaint) Los Angeles, Torrance, Orange County, Riverside,
27

1 San Bernardino, Folsom, Sacramento, San Diego, Oakland (two on May 5, 2016), Santa Clara
2 (May 6, 2016), and San Francisco (May 7, 2016).

3 63. Defendants also sold their seminar products in this district during at least the events
4 described below.

- 5 a. In January 2011, a free event at a Hilton hotel in Concord;
- 6 b. In January 2011, a three-day event at a Sheraton hotel in Concord;
- 7 c. In February 2011, a boots on the ground event at a Hilton hotel in Oakland;
- 8 d. In February or March 2011, a free event at a Marriott hotel in Walnut Creek;
- 9 e. In April 2011, a three-day event at a Hyatt or Hilton hotel in San Jose;
- 10 f. In May 2011, a boots on the ground event in San Jose;
- 11 g. In August 2012, a free event at a Holiday Inn in Palo Alto;
- 12 h. In September 2012, a three-day event at a Hyatt hotel in San Jose; and
- 13 i. In January 2013, a free event at a DoubleTree hotel in San Jose.

14 64. Further, Defendants sold their seminar products in California but outside this
15 district during at least the events described below.

- 16 a. In April 2009, a free event at a Hilton hotel in Sacramento;
- 17 b. In May 2009, a three-day event at a Hyatt hotel in Sacramento;
- 18 c. In June 2009, a bus tour at a Hilton hotel in Ontario;
- 19 d. In the latter half of 2009, a boots on the ground event in Sacramento;
- 20 e. In May 2010, a free event in Pasadena;
- 21 f. In May 2010, a free event in Torrance;
- 22 g. In June 2010, a three-day event in Long Beach;
- 23 h. In June 2010, a boots on the ground event at a DoubleTree hotel in Commerce;
- 24 i. In June 2010, a bus tour at the Ontario Convention Center in Ontario;
- 25 j. In August 2010, a master mentor program in Ontario;
- 26 k. In August 2010, a master mentor program in Ontario, Fontana, Rialto, Norco,
27 and Riverside;

- 1 l. In September 2010, a free event in Selma;
- 2 m. In September 2010, a three-day event at the Visalia Convention Center in
- 3 Visalia;
- 4 n. In October 2010, a boots on the ground event in Visalia;
- 5 o. In or about October 2010, a free event in Ontario;
- 6 p. In November 2010, a three-day event at a hotel in Los Angeles;
- 7 q. In December 2010, a bus tour in Ontario;
- 8 r. In January 2011, a master mentor program in San Bernardino;
- 9 s. In February 2011, a bus tour at the Pomona Fairgrounds in Pomona;
- 10 t. In February 2011, a three-day event in Ontario;
- 11 u. In March 2011, a boots on the ground event in Burbank;
- 12 v. In March 2011, a bus tour at a Sheraton hotel in Pomona;
- 13 w. In April 2011, a master mentor program at a Country Inns & Suites hotel in
- 14 Ontario;
- 15 x. In May 2011, a bus tour in Pomona;
- 16 y. In May 2011, a master mentor program in the Inland Empire area;
- 17 z. In June 2011, a boots on the ground event in Los Angeles;
- 18 aa. In September 2011, a free event at a hotel in Los Angeles;
- 19 bb. In October 2011, a free event in Anaheim;
- 20 cc. In October 2011, a three-day event in Anaheim;
- 21 dd. In October 2011, a three-day event at a Marriott hotel in Cerritos;
- 22 ee. In October 2011, a boots on the ground event in Cerritos;
- 23 ff. In November 2011, a bus tour in Diamond Bar;
- 24 gg. In November 2011, a boots on the ground event in Santa Ana;
- 25 hh. In December 2011, a bus tour in Pasadena;
- 26 ii. In December 2011, a bus tour in Pomona;
- 27 jj. In February 2012, a master mentor program in Ontario;

- 1 kk. In October 2012, a boots on the ground event in Santa Ana;
- 2 ll. In October 2012, a bus tour in Riverside;
- 3 mm. In November 2012, a free event at a Hilton hotel in San Diego;
- 4 nn. In December 2012, a three-day event in San Diego;
- 5 oo. In January 2013, a bus tour in Riverside;
- 6 pp. In January 2013, working with Vanilla Ice Real Estate, a free seminar in San
- 7 Diego;
- 8 qq. In January 2013, working with Vanilla Ice Real Estate, a three-day seminar in
- 9 La Jolla;
- 10 rr. In February 2013, a master mentor event in Riverside;
- 11 ss. In February 2013, a free event in Artesia;
- 12 tt. In February or March 2013, a free event in Simi Valley;
- 13 uu. In April 2013, a three-day event in Simi Valley;
- 14 vv. In April 2013, a bus tour in Riverside;
- 15 ww. In May 2013, a free event in Woodland Hills;
- 16 xx. In May 2013, a three-day event in Woodland Hills;
- 17 yy. In June 2013, a free event in Corona;
- 18 zz. In June 2013, a three-day event in Ontario;
- 19 aaa. In June 2013, a master mentor program in Ontario and Riverside;
- 20 bbb. In July 2013, a bus tour in Riverside;
- 21 ccc. In July 2013, a master mentor program in Diamond Bar;
- 22 ddd. In August 2013, a free event at a hotel in Ontario;
- 23 eee. In August 2013, a three-day event at a Sheraton hotel in Los Angeles;
- 24 fff. In August 2013, a bus tour in Anaheim;
- 25 ggg. In August 2013, a master mentor program in Corona;
- 26 hhh. In September 2013, a free event at a Hilton hotel in Irvine;
- 27 iii. In September 2013, a free event in Pomona;

- 1 jjj. In September 2013, a three-day event in Anaheim;
- 2 kkk. In October 2013, a three-day event in Ontario;
- 3 lll. In November 2013, a free event at a Hilton hotel in Long Beach;
- 4 mmm. In November 2013, a three-day event in Los Angeles;
- 5 nnn. In November 2013, a master mentor program in Diamond Bar;
- 6 ooo. In July 2015, a free event in or near Newport Beach; and
- 7 ppp. In August 2015, a three-day event in Anaheim.

8 65. The Defendants also had employees or other agents living and working in
9 California as high-level management, speakers, free event staff, three-day event staff, bus tour
10 staff, Facebook moderators, and mentors between about 2011 and the present, including, at least,

11 [REDACTED]
12 [REDACTED]

13 66. The California Students' Claims Arise from California Activities. The California
14 Students' claims arise directly out of the Defendants' promotion, sale, and hosting of events in
15 California. They allege they were lured into the AMS events with misleading advertisements in
16 California, and then scammed out of tens of thousands of dollars each by the Defendants in this
17 state. The 35 Students who are California residents attended AMS events in this district
18 (described in paragraph 63) and elsewhere in California (described in paragraph 64).

19 67. The Exercise of Jurisdiction is Reasonable. Third, the court's exercise of
20 jurisdiction over the Defendants is reasonable. It is consistent with fair play to ask individuals and
21 companies that charge California residents tens of thousands of dollars for seminar products at
22 events advertised and hosted in California to appear in this state to defend claims that those
23 products are worthless and those events a scam. It is also consistent with substantial justice:
24 Defendants have retained California counsel to defend them, not Texas counsel appearing *pro hac*
25 *vice*. Federal litigation rarely requires parties or senior employees of parties to make personal
26 appearances. The Students' counsel is willing to travel to Texas to take Defendants' depositions.
27 Thus, the burden on Defendants of litigating in this court is minimal. And because Defendants

1 claim to have hundreds of millions of dollars in assets, and operate their weekend events all over
2 the nation, it is fair to ask that they incur that modest expense and inconvenience.

3 **iii. Venue**

4 68. This court is the proper venue for these claims under 28 U.S.C. § 1391(b)(2),
5 because a substantial part of the events or omissions giving rise to the Students' claims occurred in
6 this district. Montelongo and his Defendant entities targeted their advertising here (as described in
7 paragraphs 58 to 62); conducted events here (identified in paragraph 63); and sold products to four
8 Student plaintiffs residing here, along with thousands of other students resident within this district
9 but not parties to this lawsuit.

10 **CAUSES OF ACTION**

11 **FIRST CAUSE OF ACTION**

12 **RICO § 1962(c)**

13 **(Conducting a RICO Enterprise by a Pattern of Racketeering Activity)**

14 69. The Students incorporate by reference paragraphs 1 through 68 above.

15 70. AMS is an enterprise engaged in and whose activities affect interstate commerce.
16 The Defendants are employed by or associated with the enterprise.

17 71. The Defendants agreed to and did conduct and participate in the conduct of the
18 enterprise's affairs through a pattern of racketeering activity and for the unlawful purpose of
19 intentionally defrauding the Students.

20 72. Pursuant to and in furtherance of their fraudulent scheme, Defendants committed
21 multiple related acts of wire fraud, interstate transportation of money obtained by fraud, and
22 inducement of persons to travel across state lines for the purpose of defrauding them, including
23 those acts described in paragraphs 39 to 43.

24 73. The acts set forth above constitute a pattern of racketeering activity pursuant to 18
25 U.S.C. § 1961(5).

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PRAYER FOR RELIEF


WHEREFORE, the Students pray for:

- A. Treble their actual damages in an amount to be determined at trial, but estimated to be in excess of \$12 million;
- B. Their reasonable attorneys' fees and costs of suit;
- C. Pre- and post-judgment interest; and
- D. Such other relief as this court deems just and proper.

Dated: April 29, 2016

Respectfully submitted,

EMERGENT

By: 

Christopher Wimmer

Attorneys for Plaintiffs

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DEMAND FOR JURY TRIAL

Plaintiffs demand a jury trial on all issues triable to a jury in this matter.

Dated: April 29, 2016

Respectfully submitted,

EMERGENT

By: 

Christopher Wimmer

Attorneys for Plaintiffs