

Attorneys for Plaintiff
"JOHN DOE"

INTRODUCTION

1. Defendant BrixInvest, LLC dba “Rich Uncles” (hereinafter “Rich Uncles” or “Defendant”) is a company that markets and manages three Real Estate Investment Trusts (“REITs”). “Rich Uncles” collects investments as small as \$5 from regular people around the world¹ and manages their assets by funneling the assets into one of the company’s REITs in the form of public, non-traded equity and therefore within the jurisdiction of the Securities and Exchange Commission.

2. Unfortunately, Rich Uncles (or at least its leadership) seems to be allergic to SEC oversight, and thus, at relevant times herein was (and may still be) subject to an SEC inquiry for an alleged “bait and switch scheme” whereby investors were enticed to invest by advertisements touting the performance of one REIT, only to be diverted to a different REIT upon making contact with “Rich Uncles.”

3. In 2018 a new CEO, Aaron Halfacre was hired in a purported attempt by the Board to clean up “Rich Uncles” and get past the SEC inquiry and boost investor confidence. But Mr. Halfacre turned out to be averse to playing by the book. Rather than create a culture of transparency so that there was nothing to hide from the SEC or investors, Mr. Halfacre instructed staff “not to put things in writing” and “not to e-mail issues within the company” because of a constant fear that the SEC would find documentation of unethical or illegal conduct. Mr. Aaron Halfacre also ordered staff “not to communicate with blog affiliates by e-mail” because he believed that such coordination would run afoul of SEC rules if discovered.

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¹ Investors are primarily from the United States.

1 4. As it relates to Plaintiff², in or about April of 2019 Mr. Halfacre ordered Plaintiff's
2 team to plagiarize investment marketing materials from other companies and pass them
3 off to investors as Rich Uncles' own. Then Mr. Halfacre denied doing so when Plaintiff
4 reported this unscrupulous and unlawful activity to the COO, Jean Ho. Instead of
5 investigating and interviewing the multiple witnesses to the CEO Mr. Halfacre's
6 shenanigans, the COO Jean Ho acted as a "rubber stamp", adopting the CEO's version of
7 events verbatim.

8 5. Shortly thereafter, still in April of 2019, Mr. Halfacre learned that "Rich Uncles"
9 would need to suspend the sale of shares to investors, because it was going to miss an
10 SEC filing deadline. Instead of telling investors the truth, or not saying anything at all,
11 CEO Aaron Halfacre developed a contrived (and untrue) story that the cessation of
12 accepting investments was "voluntary" because "Rich Uncles" had "too much money." Mr.
13 Halfacre feared that if shareholders in Brix REIT knew the truth, a large number of
14 shareholders would sell their shares back to the company and Mr. Halfacre would run out
15 of money to operate the REIT. Indeed, Mr. Halfacre drafted and sent the untrue e-mail to
16 thousands of investors.

17 6. After the e-mail was sent, Plaintiff approached COO Jean Ho to oppose this
18 instance of lying to investors, which led Ms. Ho to become defensive, raised her voice,
19 and claim that the CEO's untrue e-mail operated in a "grey area."

20 7. Around that time the CEO cancelled several meetings with Plaintiff, which was
21 unusual and evinced the CEO's animus against whistleblowers. Then, shortly after

22 ² Plaintiff sues under a fictitious name to insulate Plaintiff against Defendants' outlandish
23 threats to sue Plaintiff for defamation and/or interference with economic relationships if
24 Plaintiff asserts his legal rights. Defendants have been made aware of the existence of
25 the First Amendment to the U.S. Constitution, the fact that truth is a defense to defamation
26 allegations, and that the litigation privilege (Civil Code Section 47(b)) bars any liability by
27 Plaintiff for the economic fallout from "Rich Uncles'" own ill-advised actions becoming
28 publicly known. Nonetheless, it would save Plaintiff, a hard-working former employee who
has always tried to do the right thing, considerable resources to forego the expense and
effort of defending a specious lawsuit by "Rich Uncles" designed to further retaliate
against Plaintiff.

1 Plaintiff's formal complaints about misleading investors (both in terms of opposing
2 plagiarism and opposing telling investors a false and saccharin reason about why
3 investments were being paused) Plaintiff's employment was terminated under the false
4 premise of a "lay-off."

5 8. The dubious conduct of Rich Uncles may be explained because the leadership,
6 CEO Aaron Halfacre and COO Jean Ho, are in the contorted position of trying to prop up
7 the price of their own privately held shares, so that they can make a quick sale and cash
8 out before any more bad news comes.³ To the extent motive is relevant to explain
9 Defendants' actions (See Evidence Code Section 1101), the leadership certainly has
10 ample motive for retaliating against Plaintiff.

11 9. Now, in a further act of retaliation (and hubris), "Rich Uncles" has sought to
12 substitute its own judgement for that of Congress and the California State Legislature, and
13 "sue" Plaintiff in arbitration in an attempt to shoehorn Plaintiff into arbitration behind closed
14 doors, in spite of a clear mandate that retaliation claims such as these are entitled to be
15 heard by a jury. See 18 U.S.C. §§ 1514A(a)(1); (b)(2)(e); (e)(2) ("A party to an action
16 brought under paragraph (1)(B) shall be entitled to trial by jury"; "No predispute arbitration
17 agreement shall be valid or enforceable, if the agreement requires arbitration of a dispute
18 arising under this section.") *Iskanian v. CLS Transportation*, 59 Cal. 4th 348, 378-389
19 (2014) (waiver of an employee's right to bring a representative action in any forum violated
20 public policy, this rule is not preempted by the FAA).

21 10. "Rich Uncles'" further defiance of the mandates of Congress and the State of
22 California must not be countenanced by this Court. Plaintiff's Sarbanes-Oxley ("SOX")
23 and Private Attorney General Act ("PAGA") are not ripe at this time, because they each
24 contain a "waiting period" during which the relevant government authorities may
25 investigate. The court must enjoin Defendants from proceeding with their arbitration in
26

27 ³ This may put the CEO and COO in a conflict of interest with their investors.
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light of the clear mandate that Plaintiff's claims are entitled to be heard by a jury.

PARTIES AND VENUE

11. Plaintiff "John Doe" sues under a fictitious name. Plaintiff was and is a resident of Los Angeles County, California, at all relevant times herein.

12. Plaintiff signed the employment agreement from Los Angeles County on or about July 23, 2018, while residing in Los Angeles County. Plaintiff also worked for Defendants in Los Angeles County, at relevant times herein.

13. Defendant BrixInvest, LLC dba "Rich Uncles" is a limited liability corporation, incorporated in Delaware with a principal place of business and headquarters in Orange County, California.

14. The true names and capacities of Defendants DOES 1 through 100 are currently unknown to Plaintiff who therefore sue said defendants by such fictitious names pursuant to California Code of Civil Procedure § 474. Plaintiff will amend this complaint to state the true names and capacities of said fictitious defendants when they have been ascertained. Plaintiff is informed and believes and thereon alleges that Defendants Does 1 through 100 are in some manner responsible for the occurrences herein alleged, and that Plaintiffs' damages as herein alleged were proximately caused by their conduct.

15. Plaintiff is informed and believes and based thereon alleges that, at all times material hereto, each of the Defendants, including the fictitiously named Defendants, were acting in an individual, corporate, partnership, associate, parent-subsidiary, successor-predecessor, conspiratorial or other capacity or as the agent, employee, co-conspirator, and/or alter ego if its co-defendants, and in doing the acts herein alleged, was acting within the course and scope of its authority as such parent, successor, partner, associate, agent, employee, co-conspirator, or alter ego, and with the permission, consent, knowledge, authorization, ratification and direction of its co-defendants, including all fictitiously named defendants.

16. This Court is the proper court and this action is properly filed in the County of Los Angeles and in this judicial district because (a) one or more contract(s) of employment between Plaintiff and “Rich Uncles” was or were executed in Los Angeles County; (b) work relevant to this action was performed in in Los Angeles County; (c) material transactions between Plaintiff and “Rich Uncles” took place within Los Angeles County; and (d) Plaintiff resided in Los Angeles County at relevant times herein.

FACTUAL BACKGROUND

17. Plaintiff was employed by “Rich Uncles” as a high-ranking product and technology employee starting on or about August 6, 2018.

18. As part of the inducement to lure Plaintiff to “Rich Uncles,” Plaintiff was offered equity incentives, which were to vest annually for the first three years of his employment.

19. Toward the beginning of Plaintiff’s employment, “Rich Uncles” COO Jean Ho deceptively told Plaintiff that he should sign a document to “acknowledge receipt of the employee handbook” or something to that effect. It turned out that the document was a purported “arbitration agreement.” That supposed “agreement” to arbitrate should be rescinded due to fraudulent misrepresentation by Jean Ho.

20. Plaintiff performed his work commendably during his employment by “Rich Uncles.”

21. “Rich Uncles” is subject to SEC oversight because it collects investments for, and manages REITs that sell public non-traded equity securities and therefore subject to SEC jurisdiction. Rich Uncles purchases commercial real estate through the Real Estate Investment Trust(s) it manages, including (at relevant times) BRIX REIT, Inc.; Brix Student Housing REIT, Inc.; Rich Uncles Real Estate Investment Trust I; and RW HOLDINGS NNN REIT, Inc.

22. “Rich Uncles” makes a commission at several stages of its transactions; particularly when collecting investor money to allocate to the REITs, when purchasing real property, and when selling real property.

23. At relevant times herein, “Rich Uncles” was subject to an ongoing inquiry by the

1 SEC for an alleged “bait and switch scheme”, whereby investors where enticed to invest
2 by advertisements touting the performance of one REIT, only to be diverted to a different
3 REIT upon making contact with “Rich Uncles.”

4 24. On or about April 2nd, 2019 COO Jean Ho emailed Plaintiff about plagiarism from
5 Plaintiff’s direct report in an article submitted to Ms. Ho for review

6 25. On or about April 3rd, 2019: Plaintiff went to Jean Ho to discuss the plagiarism
7 issue and made it known that the CEO Aaron Halfacre had given the clear instruction to
8 plagiarize a section from another website in a publication to be available to potential
9 investors as a way to promote Rich Uncles investments.

10 26. Subsequently, on or about April 3rd, 2019: CEO Aaron Halfacre denied that he
11 ordered Plaintiff’s team to plagiarize, even though Plaintiff had witnessed it. COO Jean
12 Ho did not investigate the CEO Aaron’s involvement, other than accepting at face value
13 his denial.

14 27. On or about April 10th, 2019: COO Jean Ho told Plaintiff the company will miss a
15 deadline to file with the SEC for BRIX REIT and that the company would need to stop
16 selling shares as it would not be able to do so legally the following Monday (April 15).
17 On or about April 11th: Plaintiff approached CEO Aaron Halfacre about SEC filing issue.
18 The CEO said the Company would stop selling shares on the following Wednesday (April
19 17).

20 28. On or about April 12th, 2019: CEO Aaron Halfacre had a meeting with a member of
21 Plaintiff’s team about stopping share sales to investors. It was reported to Plaintiff that this
22 employee asked if Aaron Halfacre intended to lie to investors, and that in response Aaron
23 Halfacre smirked and did not answer.

24 29. On or about April 15th, 2019: CEO Aaron Halfacre had a meeting for to execute on
25 his plan to tell investors the Company would stop selling shares “voluntarily” on the
26 contrived basis that since the company has too much investor capital and not enough real
27 estate, the company should stop sales until the Company has purchased its next real
28 estate property. This story was instead of telling investors the truth, that the Company

1 legally could not sell shares even if it wanted to, due to the company's negligence in
2 meeting SEC filing deadlines.

3 30. The Company's e-mail to current and prospective investors on April 15, 2019
4 stated (disingenuously):

5 To All Our Current and Prospective Investors,

6 I hope this email finds you well. I am writing to you today with impressive news.

7 BRIX REIT continues to experience a very positive reception and growing investor
8 demand has resulted in strong capital inflows since the beginning of 2019. In fact,
9 recent fundraising has exceeded our expectations and we now have over
10 \$8,000,00 in purchasing power ready to deploy. Cheers to all BRIX REIT investors
11 for their vote of confidence.

12
13 Even with the swift pace of our fundraising and the REIT's substantial purchasing
14 power, we want to let you know that we remain very disciplined in our investment
15 process and are keeping a tight focus on the integrity of our dividend policy.

16
17 We have a very active potential acquisition pipeline and our Investment Committee
18 continues to evaluate each deal to make sure it is the best we can invest in. In
19 order to prevent us from having too much cash and too little real estate to acquire,
20 we have elected to temporarily suspend the sale of new shares until such time that
21 we can announce our next acquisition target.

22
23 Effective close of business tomorrow, April 16th, we will temporarily defer any
24 capital inflows and stop issuing shares until your funds can be invested in income
25 producing assets. Once we announce our next target property acquisition and
26 receive our Offering Circular qualification, which we expect to occur within 30 days,
27 we will reopen BRIX REIT to investors and once again gladly accept capital inflows.
28 If you have any questions about this update, our team is standing by to assist you.

1 Sincerely,
2 Aaron S. Halfacre, CFA, CAIA
3 Chief Executive Officer
4 Rich Uncles
5 (See a portion of the Company's statement publicly available at:
6 <https://wallethacks.com/rich-uncles-review/>)
7

8 31. This untruthful e-mail to investors was a far cry from admitting that the Company
9 was prohibited from selling shares due to missing a required SEC filing deadline, or simply
10 not saying anything at all.

11 32. On or about April 22nd, 2019: After Plaintiff's direct report told Plaintiff of his
12 meeting the week before, Plaintiff went to COO Jean Ho to discuss the matter. Plaintiff
13 asked how she could let CEO Aaron Halfacre lie to investors and she started speaking
14 fast, in a raised voice and started saying how it's grey area. It was clear that Plaintiff's
15 opposition to misleading investors was causing concern.

16 33. Between April 3- 24, 2019: Plaintiff requested to speak to CEO Aaron Halfacre
17 about normal responsibilities several times and the meeting time was cancelled on 3
18 occasions. Before this time period, this had never happened to Plaintiff. The CEO finally
19 met with Plaintiff on or about April 24 during a weekly marketing meeting and told Plaintiff
20 that things will change in a few weeks and that Plaintiff should do nothing new until then.

21 34. In retrospect, it is clear that the CEO he had added Plaintiff into the lay-off as a way
22 to get rid of Plaintiff and clear the way for unethical and illegal business practices.

23 On or about May 2nd: Plaintiff was told by Aaron Halfacre that his employment with the
24 company was ending, but that it was supposedly as a part of a lay-off and not "for cause."

25 35. The supposed "layoff" was pretextual, as there were no significant financial
26 changes that would force "Rich Uncles" to layoff Plaintiff during that time period. And just
27 prior to the layoff, the CEO had commended Plaintiff's performance and intimated that
28 Plaintiff would likely be getting the entire equity from his employment relationship (due

1 upon 3 years of employment) sooner than expected. There would have been no reason
2 to say this if the CEO had been contemplating downsizing Plaintiff's position for legitimate
3 reasons.

4 36. Following being terminated, Plaintiff paid for COBRA (healthcare coverage),
5 through a check to the "Rich Uncles". However, Plaintiff later learned that the COBRA
6 check was cashed by "Rich Uncles" but he was nonetheless without healthcare insurance
7 for several months (Plaintiff learned upon trying to use the health insurance he had paid
8 for). This is possibly a further act of retaliation.

9 37. In July 2019, "Rich Uncles" "sued" Plaintiff in arbitration⁴ in a further act of
10 retaliation. "Rich Uncles" seeks "declaratory relief" that its termination of Plaintiff was a
11 normal "lay-off" and was not "retaliatory." This is an abuse of both the arbitration process
12 and actions for declaratory relief (which is designed for clarification of rights in contract
13 and real-property disputes, *not* to haul people into court to assert what should be an
14 affirmative defense in a separate action). See CCP § 1060; *Allstate Ins. Co. v. Fisher*
15 (1973) 31 Cal. App.3d 391, 393-396 (where, a matter can be raised as an affirmative
16 defense [such as "Rich Uncles'" purported non-retaliatory motive for Plaintiff's
17 termination], courts have held that a trial judge may prevent the filing of a declaratory relief
18 action by the defendant).

19 38. On or about August 21, 2019, Plaintiff filed both the PAGA notice letter to the
20 California of Labor and Workforce Development Agency, and Sarbanes-Oxley
21 Whistleblower complaint with the Federal Department of Labor. These statutes have a 60
22 day and 180 day waiting period (while government authorities are permitted to investigate)
23 before Plaintiff's right to sue ripens.

24 39. The California Private Attorney General act provides a 60 (or 65) day waiting period

25 ⁴ Plaintiff does not name the arbitration service provider as a party at this time, since the
26 arbitration service provider has agreed not to proceed with arbitrator selection pending the
27 outcome of this proceeding. Plaintiff reserves the right to amend the complaint to do so if
28 necessary at a later date.

1 as follows: "The agency shall notify the employer and the aggrieved employee or
2 representative by certified mail that it does not intend to investigate the alleged violation
3 within 60 calendar days of the postmark date of the notice received pursuant to paragraph
4 (1). Upon receipt of that notice or if no notice is provided within 65 calendar days of the
5 postmark date of the notice given pursuant to paragraph (1), the aggrieved employee may
6 commence a civil action pursuant to Section 2699." Cal. Labor Code § 2699.3(a)(2)(A).

7 40. The Sarbanes-Oxley Act has a 180 waiting period under 18 U.S.C. 1514A(b)(1)(B)
8 which provides: "if the Secretary has not issued a final decision within 180 days of the
9 filing of the complaint and there is no showing that such delay is due to the bad faith of the
10 claimant, bringing an action at law or equity for de novo review in the appropriate district
11 court of the United States, which shall have jurisdiction over such an action without regard
12 to the amount in controversy."

13 41. Upon the expiration of these waiting periods, Plaintiff intends to exercise the right to
14 seek a jury trial. Thus, "Rich Uncles'" arbitration proceedings must not go forward, lest
15 they will seek to obtain a decision on the merits in arbitration before the right to a jury trial
16 ripens, and use that decision as issue preclusion / collateral estoppel in their favor.
17 (Plaintiff would of course reserve the right to oppose this argument).

18 42. Plaintiff asked for a stipulation that "Rich Uncles" would not attempt to use the
19 arbitration action for "declaratory relief" as collateral estoppel / issue preclusion in
20 Plaintiff's jury-bound claims, and "Rich Uncles" declined to do so. This fact lays bare
21 "Rich Uncles'" attempt to "cut in line" to thwart the will of Congress and the California
22 Legislature and obtain a decision on the merits in arbitration in spite of the clear right to a
23 jury trial, before the investigatory waiting on periods on the right to a jury trial run.

24 43. Thus, Plaintiff will be irreparably harmed if "Rich Uncles'" sought-after arbitration
25 goes forward.

26 44. Plaintiff has no adequate remedy at law, since "Rich Uncles" will attempt to decide
27 the issue of the motivation for his termination through a closed-door arbitrator who will be
28 paid for by "Rich Uncles", rather than before a jury of Plaintiff's peers as provided for by

1 the State of California (PAGA) and U.S. Congress (Sarbanes-Oxley Act).

2
3 **FIRST CAUSE OF ACTION**

4 **INJUNCTION TO CONSOLIDATE OR STAY THE ARBITRATION**

5 **(CCP § 1281.2)**

6 Plaintiff vs. all Defendants

7 45. Plaintiff hereby incorporates by reference the preceding paragraphs as if fully
8 restated herein.

9 46. Plaintiff is a party to a special proceeding with a third party (the federal DOL and
10 state Labor and Workforce Development Agency), arising out of the same transaction or
11 series of related transactions and there is a possibility of conflicting rulings on a common
12 issue of law or fact. Plaintiff intends to follow these special proceedings with court
13 action(s) for retaliation for whistleblowing.

14 47. At trial, Plaintiff will seek an injunction from the Court to decline to enforce the
15 arbitration agreement and order joinder of all parties in a single court action

16 48. In the alternative, at trial, Plaintiff will seek a stay of arbitration pending the
17 outcome of the court action (which will follow the special proceedings involving the DOL
18 and LWDA).

19
20 **SECOND CAUSE OF ACTION**

21 **RECISSION OF ARBITRATION AGREEMENT**

22 **(CCP § 1281.2; Civil Code § 1688 et seq.)**

23
24 49. Plaintiff hereby incorporates by reference the preceding paragraphs as if fully
25 restated herein.

26 50. Toward the beginning of Plaintiff's employment, "Rich Uncles" COO Jean Ho
27 deceptively told Plaintiff that he should sign a document to "acknowledge receipt of the
28 employee handbook" or something to that effect.

1 51. The COO's representation was false.
2 52. The COO knew that the representation was false when she made it, or in the
3 alternative, made the representation recklessly and without regard for its truth.
4 53. The COO intended that Plaintiff rely on the false representation.
5 54. Plaintiff reasonably relied on the COO's false representation.
6 55. As a result of the COO's misrepresentation, Plaintiff was harmed by being
7 fraudulently induced into signing a so-called arbitration agreement.
8 56. Pursuant to Civil Code Section 1688 and 1689, et seq. Plaintiff will seek a jury
9 verdict or bench verdict that the Arbitration Agreement was induced by fraud and/or
10 fraudulent misrepresentation of "Rich Uncles".
11 57. In the alternative, Plaintiff will seek an injunction at a bench trial, rescinding the
12 arbitration agreement pursuant to Code of Civil Procedure Section 1281.2(b).

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1 **58. Prayer for Relief**

2 WHEREFORE, plaintiff prays judgment against defendants "Rich Uncles" and
3 DOES 1-100 and each of them, as follows:

4 1. For an order requiring defendants to show cause, if any they have, why they
5 should not be enjoined as hereinafter set forth, during the pendency of this action;

6 2. For a temporary restraining order, a preliminary injunction, and/or a permanent
7 injunction, against defendants, and each of them, and their agents, and employees, and
8 all persons acting under, in concert with, or for them:

9 A. Enjoining Defendants from proceeding in arbitration to attempt to
10 adjudicate the merits of Plaintiff's retaliation for whistleblowing claims, prior
11 to Plaintiff being able assert his rights before a jury;

12 B. Rescinding the so-called "arbitration agreement" as fraudulently
13 misrepresented and/or induced either under Civil Code Section 1688 et seq.,
14 or in the alternative, CCP § 1281.2.

15 3. For attorney fees herein incurred;

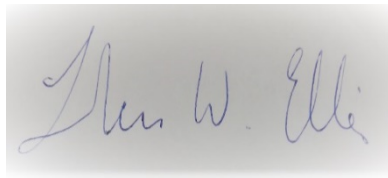
16 4. For costs of suit herein incurred; and

17 5. For such other and further relief as the court deems proper.

18
19 Dated: September 18, 2019

LAW OFFICES OF LINCOLN W. ELLIS

20 By:

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Lincoln Ellis, Esq.
Attorneys for Plaintiff
"JOHN DOE"

1 **DEMAND FOR JURY TRIAL**

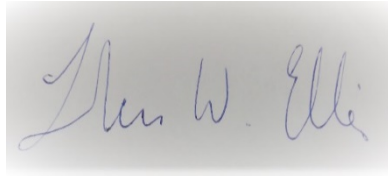
2 Plaintiff hereby demands a jury trial on all issues so triable (in particular, fraudulent
3 misrepresentation of the arbitration agreement).
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6 Dated: September 18, 2019

LAW OFFICES OF LINCOLN W. ELLIS

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A rectangular box containing a handwritten signature in blue ink. The signature appears to read "Lincoln W. Ellis".

Lincoln Ellis, Esq.
Attorneys for Plaintiff
"JOHN DOE"