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2019CH07319

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**IN THE CIRCUIT COURT OF COOK COUNTY
COUNTY DEPARTMENT, CHANCERY DIVISION**

1050 W COLUMBIA CONDOMINIUM ASSOCIATION, an Illinois Not-for-Profit Corporation, RBB2, LLC, a California Limited Liability Company, MJM VISIONS, LLC, a California Limited Liability Company, and KAY-KAY REALTY CO., an Arizona Company, individually and on behalf of all others similarly situated, *Plaintiffs,* *v.* CSC SERVICEWORKS, INC., a Delaware corporation, *Defendant.*	Case No. 2019-CH-07319 Honorable Sophia H. Hall

FIRST AMENDED CLASS ACTION COMPLAINT

Plaintiffs 1050 W. Columbia Condominium Association ("1050 West"), RBB2, LLC ("RBB2"), MJM Visions, LLC ("MJM"), and Kay-Kay Realty Co. ("Kay-Kay") (collectively "Plaintiffs") bring this Class Action Complaint and Demand for Jury Trial against Defendant CSC ServiceWorks, Inc. ("CSC" or "Defendant") for its practice of unlawfully underpaying Plaintiffs and the putative class on their laundry service contracts and to obtain redress for all persons injured by its conduct. Plaintiffs allege as follows:

NATURE OF THE ACTION

1. Defendant CSC is one of the largest coin-operated laundry businesses in the country, largely providing services to multi-unit apartment buildings.

2. CSC's market dominance is largely attributable to its practice of buying out its competition. Most notably, CSC has merged the operations of Coinmach, Mac-Gray, and

Continental Laundry Services—all major players in the coin-operated laundry business—under CSC's umbrella.

3. After CSC acquired its competitors (and the existing customer contracts along with them), it disregarded the actual terms of those contracts and imposed a 9.75% "administrative fee" on its services, thereby systematically shortchanging building owners on contracted-for revenue shares.

4. Plaintiffs and Class Members never agreed to pay the so-called administrative fee and such a fee was never included in contracts with CSC (or the companies acquired by CSC).

PARTIES

5. Plaintiff 1050 W. Columbia Condominium Association is a not-for-profit company organized and existing under the laws of the State of Illinois with its principal place of business located in Cook County, Illinois.

6. Plaintiff RBB2, LLC is a limited liability company organized and existing under the laws of the State of California with its principal place of business located in Los Angeles County, California.

7. Plaintiff MJM Visions, LLC is a limited liability company organized and existing under the laws of the State of California with its principal place of business located in Los Angeles County, California.

8. Plaintiff Kay-Kay Realty, Corp. is a corporation organized and existing under the laws of the State of Arizona with its principal place of business located in Maricopa County, Arizona.

9. Defendant CSC ServiceWorks, Inc. is a corporation organized and existing under the laws of the State of Delaware with its principal place of business located at 303 Sunnyside

Boulevard, Suite 70, Plainview, New York 11803. Defendant is registered to do business in Illinois and maintains a registered agent, CT Corporation System, located at 208 S. LaSalle St., Suite 814, Chicago, IL 60604.

JURISDICTION AND VENUE

10. This Court has jurisdiction over Defendant pursuant to 735 ILCS 5/2-209 because Defendant conducts business transactions in Illinois, has committed tortious acts act in this State, and maintains offices in Illinois.

11. Venue is proper in Cook County because Defendant maintains a registered office in this County.

COMMON FACTUAL ALLEGATIONS

The History and Growth of CSC

12. CSC is the largest provider of coin-operated laundry machines to commercial and residential clients in the United States. Defendant provides laundry equipment to colleges and universities, laundromats, and to laundry facilities in residential multi-unit buildings.

13. Over the last few years, CSC has grown tremendously by acquiring other players in the coin-operated laundry business. Indeed, in its latest form, CSC is the result of a $1.4 billion acquisition and merger of Coinmach and AIR-serv by Pamplona Capital Management—a private hedge fund sponsor. In part, CSC has acquired Laundry Tek, RAF Equipment Co., Sparkle Solutions (Canada's third largest laundry operator), and Continental Laundry Services (Pittsburgh's largest laundry operator). In early 2014, CSC completed its acquisition of Mac-Gray Corp—one of its largest competitors—for $584 million. Mac-Gray provided debit-card and coin-operated laundry machines for multi-unit buildings, including apartments, condominiums, and university student dorms, and operated its laundry machines in 44 states. These acquisitions

helped CSC reach a major milestone by expanding its network to over one million laundry machines worldwide.

14. CSC has continued to expand its market dominance by acquiring commercial laundry and appliance leasing companies around the country. In so doing, CSC has eliminated its competition and limited the options available in the market.

CSC Breached Contracts by Charging Undisclosed Administrative Fees

15. As a result of its mergers and acquisitions, CSC now services all previous laundry service contracts and agreements that its predecessors—like Mac-Gray, Coinmach, and Continental, among other numerous unnamed companies (the "Original Installers")—entered into with individuals and businesses.

16. Under these agreements, the Original Installers entered into long-term agreements to install coin-operated laundry machines in Plaintiffs' and Class Members' buildings for use by residents. The Original Installers maintained the machines, collected payment from them, and processed any refunds.

17. In return, Plaintiffs and Class Members (collectively, the "Landlords") received a share of the net revenue generated by the laundry machines.

18. CSC, however, has and maintains sole and complete control over the collections from the machines, as CSC has sole access to the money put into the machines. The Landlords are, therefore, dependent on CSC to properly account for collections and properly make timely payments to them.

19. As described above, CSC began a campaign to eliminate competitors and consolidate market share. Once consolidated, and knowing that Landlords lacked any alternative service providers, CSC began breaching its contracts with Landlords by collecting a 9.75%

"administrative fee" not provided for under its contracts.

20. In a May 2017 letter to Landlords, CSC announced it was imposing a 9.75% administrative fee calculated from gross revenues. Problematically, the administrative fee includes items CSC is not allowed to deduct from Landlords. CSC explains that more than half of the administrative fee covers its *own* costs like billing processing, refund processing, website maintenance, clothing claim processing, and commission check processing.

21. To soften the Landlords' backlash, CSC explained that the 9.75% administrative fee amounts to approximately ten cents per machine per day. Ultimately, it does not matter whether CSC characterized the administrative fee as a nominal amount as it should not have been imposed upon the Landlords in the first place.

22. While CSC claims that the administrative fee covers necessary costs related to its operation and features new products and services that benefit the Landlords, it is nothing more than an attempt to withhold contractually guaranteed revenue from Landlords.

23. Equally troubling is CSC's approach to withholding taxes from Landlords by using the administrative fee. According to CSC's website, 16% of the administrative fee includes taxes. But, CSC fails to explain how this fee somehow accounts for varying tax rates in each state or county in which CSC conducts business, and remarkably, why the fee includes a VAT tax that is not even imposed in the United States.

24. Worse yet, CSC's administrative fee forces or "crams" unwanted products and services onto Landlords. For instance, CSC released a new product called the CSC "technology suite." The technology suite is a client portal that purportedly allows Landlords to, *inter alia*, place maintenance requests and view payment details. Landlords—who have already contracted for the services they pay for—are charged by CSC for this service even if they don't want it or if

they don't use it.

25. Similarly, 25% of the administrative fee includes "vandalism & security coverage" that ostensibly gives Landlords insurance-like coverage for vandalism to CSC-owned laundry machines. Landlords are charged this fee even if they *already have coverage* from other sources.

26. Landlords never agreed to the imposition of an administrative fee nor the additional products and services it "crams." In fact, Landlords' contracts with CSC and the Original Installers never included such a fee nor allowed CSC to deduct for the costs and products it includes under the "administrative fee."

27. As it stands, CSC's administrative fee is extra-contractual and not bargained for and CSC's unilateral conduct to reduce payments under its revenue-sharing contracts have cost Landlords nationwide millions in lost revenue.

FACTS SPECIFIC TO PLAINTIFF 1050 W. COLUMBIA

28. Plaintiff 1050 W. Columbia Condominium Association is a not-for-profit condominium association made up of a Board of Directors and officers, who oversee and manage the property located at 1050 W. Columbia Ave., Chicago, Illinois 60626.

29. On August 1, 2010, 1050 West entered into a contract with one of the Original Installers, Coinmach Corporation. Under its contract, 1050 West leased its laundry rooms to CSC so that CSC could install its laundry machines and collect money for their use, and, in return, Plaintiff 1050 West would receive a percentage of collections received.

30. CSC then took over 1050 West's contract with Coinmach.

31. CSC sent a letter to 1050 West dated May 17, 2017, announcing that it would begin deducting a 9.75% "administrative fee" from its laundry machines' gross collections. The

letter contended that the fee would amount to approximately "$0.10 per day per machine."

32. Plaintiff 1050 West never agreed to an administrative fee. In fact, its original lease with Coinmach, which CSC acquired, didn't allow for such a fee, nor the costs, products, and services it purports to cover. The term "administrative fee" is not even mentioned in the lease.

33. Plaintiff 1050 West did not agree to or sign any amendments to its lease, or otherwise authorize the implementation of an administrative fee.

34. CSC's conduct has, and will continue to cost, Plaintiff 1050 West lost revenue.

FACTS SPECIFIC TO PLAINTIFF MJM

35. Plaintiff MJM Visions is a limited liability company that owns and manages multi-unit apartment buildings throughout California.

36. MJM entered into various long-term contracts with one of the Original Installers, Coinmach. Under its contracts, MJM leased its laundry rooms to Coinmach so that it could install its laundry machines and collect money from their use. In return, MJM was to be paid a percentage of the money collected from the machines.

37. CSC took over MJM's contracts with Coinmach.

38. On or around May 2017, CSC sent a letter to MJM announcing that it would begin deducting a 9.75% "administrative fee" from its laundry machines' gross collections. The letter explained that the fee would amount to approximately $0.10 per machine per day.

39. MJM never agreed to an administrative fee. In fact, none of its contracts with Coinmach allowed for such a fee or the costs, products, and services CSC purports the fee covers. The term "administrative fee" is not even mentioned in the lease.

40. MJM did not agree to or sign any amendments to its contracts, or otherwise

authorize the implementation of an administrative fee.

41. CSC's conduct has, and will continue to cost, Plaintiff MJM lost revenue.

FACTS SPECIFIC TO PLAINTIFF RBB2

42. Plaintiff RBB2 is a real estate management company that owns and manages a multi-unit apartment building in Bakersfield, California.

43. RBB2 entered in a long-term contract with CSC whereby it leased its laundry rooms to CSC so that it could install its laundry machines and collect money from their use. In return, RBB2 was to be paid a percentage of the money collected from the machines.

44. On or around May 2017, CSC sent a letter to RBB2 announcing that it would begin deducting a 9.75% "administrative fee" from its laundry machines' gross collections. The letter explained that the fee would amount to approximately $0.10 per machine per day.

45. RBB2 never agreed to an administrative fee. In fact, its contracts with CSC didn't allow for such a fee or the costs, products, and services it purports to covers. The term "administrative fee" is not even mentioned in the lease.

46. RBB2 did not agree to or sign any amendments to its contracts, or otherwise authorize the implementation of an administrative fee.

47. CSC's conduct has, and will continue to cost, Plaintiff RBB2 lost revenue.

FACTS SPECIFIC TO PLAINTIFF KAY-KAY

48. Plaintiff Kay-Kay is a real estate management company that owns and manages multi-unit apartment buildings throughout New Mexico, Arizona, Oklahoma, and Wisconsin.

49. Kay-Kay entered into various long-term contracts with Original Installers including Coinmach and Mac-Grey. Under its contracts, Kay-Kay leased its laundry rooms to Coinmach and Mac-Grey so that they could install their laundry machines and collect money

from their use. In return, Kay-Kay was to be paid a percentage of the money collected from the machines

50. CSC took over Kay-Kay's contracts with Mac-Grey and Coinmach.

51. On or around May 2017, CSC sent a letter to Kay-Kay announcing that it would begin deducting a 9.75% "administrative fee" from its laundry machines' gross collections. The letter explained that the fee would amount to approximately $0.10 per machine per day.

52. Kay-Kay never agreed to an administrative fee. In fact, its contracts with CSC didn't allow for such a fee or the costs, products, and services it purports to covers. The term "administrative fee" is not even mentioned in the lease.

53. Kay-Kay did not agree to or sign any amendments to its contracts, or otherwise authorize the implementation of an administrative fee.

54. CSC's conduct has, and will continue to cost, Plaintiff Kay-Kay lost revenue.

CLASS ALLEGATIONS

55. **Class Definition:** Plaintiffs bring this action pursuant to 735 ILCS 5/2-801 on behalf of themselves and a Class of similarly situated individuals, defined as follow:

> All individuals and entities who were assessed an administrative fee by CSC ServiceWorks, Inc.

Excluded from the Class are: (1) any Judge or Magistrate presiding over this action and members of their families; (2) Defendant, Defendant's subsidiaries, parents, successors, predecessors, and any entity in which the Defendant or its parents have a controlling interest and its current or former employees, officers and directors; (3) persons who properly execute and file a timely request for exclusion from the Class; (4) persons whose claims in this matter have been finally adjudicated on the merits or otherwise released; (5) Plaintiffs' counsel and Defendant's counsel; and (6) the legal representatives, successors, and assigns of any such excluded persons.

56. **Numerosity:** The exact number of Class Members is unknown and not available to Plaintiffs at this time, but it is clear that individual joinder is impracticable. Class Members can be identified through Defendant's records.

57. **Commonality and Predominance:** There are many questions of law and fact common to the claims of Plaintiffs and the putative Class, and those questions predominate over any questions that may affect individual Class Members. Common questions for the Class include, but are not necessarily limited to the following:

a. Whether Defendant's conduct constituted a breach of contract;

b. Whether Defendant was unjustly enriched; and

c. Whether Plaintiffs and Class Members agreed to Defendant's administrative fee.

58. **Typicality:** Plaintiffs' claims are typical of other Class Members, in that Plaintiffs and the Class Members sustained damages arising out of Defendant's uniform wrongful conduct.

59. **Adequate Representation:** Plaintiffs will fairly and adequately represent and protect the interests of the Class, and have retained counsel competent and experienced in complex class actions. Plaintiffs have no interest antagonistic to those of the Class, and Defendant has no defenses unique to Plaintiffs.

60. **Appropriateness**: This class action is appropriate for certification because class proceedings are superior to all other available methods for the fair and efficient adjudication of this controversy and joinder of all members of the Class is impracticable. The damages suffered by the individual members of the Class are likely to have been small relative to the burden and expense of individual prosecution of the complex litigation necessitated by Defendant's wrongful conduct. Thus, it would be virtually impossible for the individual members of the Class to obtain effective relief from Defendant's misconduct. Even if members of the Class could

sustain such individual litigation, it would not be preferable to a class action because individual litigation would increase the delay and expense to all parties due to the complex legal and factual controversies presented in this Complaint. By contrast, a class action presents far fewer management difficulties and provides the benefits of single adjudication, economies of scale, and comprehensive supervision by a single court. Economies of time, effort, and expense will be fostered and uniformity of decisions will be ensured.

FIRST CAUSE OF ACTION
Breach of Contract
(On Behalf of Plaintiffs and the Class)

61. Plaintiffs incorporate the foregoing allegations as if fully set forth herein.

62. Plaintiffs and Class Members entered into lease agreements with CSC and/or the Original Installers whereby CSC leased laundry rooms from Plaintiffs and Class Members and in return it paid rent according to a formula set out in its lease. Specifically, CSC agreed to pay Plaintiffs and Class Members a portion of the revenue it collected from its laundry machines.

63. CSC installed and collected money from its laundry machines on Plaintiffs' and Class member's properties.

64. CSC breached its contracts with Plaintiffs and the Class Members when it failed to make the proper rent payments. In other words, CSC breached its contract with Plaintiffs and the Class Members by imposing an "administrative fee." Plaintiffs and the Class Members never agreed to such a fee or the deductions imposed through this fee.

65. CSC's breach of contract has directly caused Plaintiffs and the Class Members economic injury in the form of deficient payment owed to them by CSC.

SECOND CAUSE OF ACTION
Unjust Enrichment
In the Alternative to Breach of Contract
(On Behalf of Plaintiffs and the Class)

66. Plaintiffs incorporate by reference Paragraphs 1–2, 5–14, 19-20, 22, 24-26, 29, 31-32, 35-36, 38-39, 42-43, 45, 48-49, 51-52, and 55-61 above. All other Paragraphs above are excluded from this Second Cause of Action. Plaintiffs assert this Second Cause of Action *only in the alternative* to its First Cause of Action.

67. Based, in part, on CSC's affirmative representation that they would only be charged a limited set of fees—which did not include the administrative fee referenced in Paragraph 20 above—Plaintiffs and the Class Members allowed CSC to install laundry machines on their properties and to collect money from those machines.

68. In May 2017, CSC began to withhold money from Plaintiffs and the Class Members by unilaterally imposing the administrative fee. Plaintiffs and the Class Members never agreed to such a fee or the deductions imposed under this fee.

69. Had Plaintiffs and the Class Members known that CSC was going to charge the administrative fee, they never would have allowed CSC to install laundry machines on their premises.

70. Plaintiffs and the Class were victims of CSC's "bait-and-switch" tactic. After CSC induced Plaintiffs and the Class to partner with CSC by promising one set of fees, CSC decided to charge a different fee—the administrative fee—withholding money from Plaintiffs and the Class. Thus, to the extent there was a written agreement, it is unenforceable.

71. As a result, CSC was unjustly enriched.

72. Plaintiffs and the Class Members have conferred a benefit upon CSC in the form of money it improperly withheld from Plaintiffs and the Class.

73. CSC has knowledge and/or appreciates the benefits conferred upon it by Plaintiffs and the Class Members.

74. Under principles of equity and good conscience, CSC should not be permitted to retain money belonging to Plaintiffs and the Class Members that it unjustly withheld as a result of its wrongful conduct.

75. Accordingly, Plaintiffs and the Class Members seek restitution and disgorgement of all amounts by which CSC has been unjustly enriched.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs, individually and on behalf of the Class, pray for the following relief:

a. An order certifying the Class as defined above, appointing Plaintiffs as the representatives of the Class, and appointing their counsel as Class Counsel;

b. An order declaring that Defendant's actions, as set out above, constitute a breach of contract, and, in the alternative, unjust enrichment;

c. An award of actual damages;

d. An award of reasonable attorneys' fees and costs; and

e. Such other and further relief that the Court deems reasonable and just.

DEMAND FOR JURY TRIAL

Plaintiffs demand a trial by jury for all issues so triable.

Respectfully submitted,

1050 W COLUMBIA CONDOMINIUM ASSOCIATION, RBB2, LLC, MJM VISIONS, LLC, and KAY-KAY REALTY CO, individually and on behalf of all others similarly situated,

Dated: September 17, 2019

By: /s/ Benjamin H. Richman
One of Plaintiffs' Attorneys

Jay Edelson
jedelson@edelson.com
Benjamin H. Richman
brichman@edelson.com
Michael W. Ovca
movca@edelson.com
EDELSON PC
350 North LaSalle, 14th Floor
Chicago, Illinois 60654
Tel: 312.589.6370
Fax: 312.589.6378
Firm ID: 62075

Dated: September 17, 2019

By: /s/Michael R. Karnuth
One of Plaintiffs' Attorneys

Michael R. Karnuth
karnuthlaw@gmail.com
LAW OFFICES OF MICHAEL R. KARNUTH
55 East Monroe St., Suite 3800
Chicago, Illinois 60603
Tel. 312-391-0203
Firm ID: 37692
karnuthlaw@gmail.com

Edward M. Burnes
edburnes@outlook.com
125 S. Wacker Dr., Suite 1380
Chicago, Illinois 60606
Tel. 312 419-1100
Firm ID: 54327

Attorneys for Plaintiffs and the Class