IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF NEW YORK

Tamara Hochman,
individually and on behalf of others
similarly situated,

Plaintiff,

v.

CSC ServiceWorks, Inc.

Defendant

Civil Action No. 21-civ-3595

CLASS ACTION COMPLAINT

1. Plaintiff Tamara Hochman, individually and on behalf of others similarly situated, brings this nationwide class action complaint for breach of contract against Defendant CSC. CSC is the preeminent owner, nationwide, of coin-operated laundry machines, which are leased to residential landlords and made available for tenants' use.

2. CSC's CEO, Mark Hjelle, has directed a scheme to defraud thousands of CSC's laundry customers across the country, based on false representations he made concerning CSC's authorization to charge all of its customers an unauthorized 9.75% administrative fee, above and beyond the fees that the customers *agreed* to pay CSC (the "Unauthorized Fee").

3. CSC has imposed and continues to impose the Unauthorized Fee on all its customers, and is therefore breaching thousands of leases every month, confiscating millions of dollars in fees not authorized by its leases with customers. Contrary to Hjelle's false representations to customers across the country, the parties' leases do not permit CSC to charge the Unauthorized Fee. No state permits a party—as CSC has done here—to unilaterally rewrite tens of thousands of contracts, adding material terms (in this case the Unauthorized Fees) to which the parties did not agree. Under all fifty states' laws, CSC is liable for breach of contract. This lawsuit seeks to correct

these wrongs and restore the money grab implemented by CSC, at Hjelle's direction.

THE PARTIES

A. Plaintiff

4. Plaintiff Tamara Hochman is a resident of Connecticut who resides and is domiciled in West Hartford, CT.

5. On January 27, 2021, Plaintiff entered into a lease agreement with CSC for property she owns located at 1253 Boynton Street, Glendale, CA 91205.

6. Plaintiff also was the trustee and/or successor for a previous lease for the same property (1253 Boynton) owned by her father, William R. Johnson. When her father passed away, Plaintiff took over the lease as trustee of his estate. The previous leases were entered into on August 25, 2005 and August 15, 2012. The latest amendment in August 2012 provided for a seven-year extension of the existing lease, beginning on November 26, 2012, and for the following seven years (until November 2019). Between November 2019 and January 2021, Plaintiff operated on a continuation of her previous lease, which by its terms automatically renewed.

7. A compendium exhibit of the leases governing the laundry vending machine relationship between CSC and Plaintiff (and her father, whose estate and assets she took over as successor or trustee upon his death) between August 2005 to present (the latest being signed in January 2021) is attached hereto as **Exhibit A**. Upon information and belief, CSC is the successor to Coinmach Corporation's rights and obligations under the leases.

8. None of the leases set forth in Exhibit A authorizes a monthly administrative fee of 9.75%. The 2021 lease *does* allow CSC to make deductions for vandalism and other costs endured by CSC in maintaining the laundry machines, but it *does not* provide that CSC may impose an automatic, monthly fee of exactly 9.75%, regardless of whether any costs were, in fact, incurred by CSC.

9. At some point around May 17, 2017, Plaintiff received a letter dated May 17, 2017, (*see* **Exhibit B**, the "May 17 Fraud Letter"), which was prepared and authorized by Hjelle, and which contained announcements by Hjelle that (i) CSC was authorized to charge a 9.75% administrative fee (*i.e.*, the Unauthorized Fee), and that (ii) CSC would be implementing that fee *immediately*. Upon receipt, Plaintiff reviewed her agreement and the assertions set forth in the May 17 Fraud Letter, determined that Hjelle's representation as to what was authorized by the lease was false, and contacted counsel in September 2017.

B. Defendant

10. Defendant CSC is headquartered in this District and is registered to do business in the State of New York. CSC's "family of companies" includes Coinmach, Mac-Gray, Air Valet, Appliance Warehouse, ASI Campus Laundry Solutions, Super Laundry, Kwik Wash, SDI Laundry Solutions, AIR-serv and Sparkle Solutions.

JURISDICTION AND VENUE

11. This Court has subject matter jurisdiction pursuant to the Class Action Fairness Act (CAFA) of 28 U.S.C. § 1332(d) and diversity jurisdiction.

12. This Court has general and specific personal jurisdiction over CSC because Plaintiff's injury arises directly out of conduct from this District. CSC is headquartered in New York within this District in New York.

13. Jurisdiction in this District is appropriate for a nationwide class action against CSC because CSC is headquartered in this District.

FACTUAL ALLEGATIONS

I. CSC's Laundry Leases with Class Members

14. Today's laundry vending industry is a dynamic and competitive market of ever-

changing players. CSC has perhaps the largest share of the U.S. market.

15. Like its competitors, CSC operates and maintains laundry equipment centers in multi-family residential properties and commercial spaces throughout the United States (through subsidiaries Coinmach, Mac-Gray, SDI Laundry Solutions (New York only)) and college campuses (through subsidiary ASI Campus Laundry).

16. CSC and its competitors refer to these vending center leases or properties as "routes." The number of machines per "route" varies, depending on the property.

17. Many laundry-vending companies, including CSC, lease or rent in-unit equipment directly to residents (through subsidiary Appliance Warehouse). CSC and its competitors refer to these non-vending in-unit equipment leases as "domestics."

18. CSC also owns and operates stand-alone vend-based laundry centers (through subsidiary Kwik Wash).

19. Plaintiff and the Class are customers of CSC, which maintains and operates vend-based equipment in laundry centers in multi-family residential properties and commercial spaces.

20. CSC leases space from owners of apartment buildings and other small business entities for the purpose of installing, maintaining and operating coin-and/or card-operated laundry equipment.

21. In exchange for the lease of the space, Coinmach (the coin-operated laundry division of CSC) pays the Plaintiff and other Class-Member lessors "rent," set out as a portion of the money collected from the laundry equipment.

22. These leases are versions of CSC's standard laundry room lease agreement (the "Standard Leases"), which sets forth the amount of rent to be paid, along with other terms.

23. These lease agreements structure "rent" in a number of different ways: landlords

may receive a straight percentage of the gross receipts collected per month; or may receive a flat monthly fee plus a percentage of gross monthly receipts; or a minimum "rent" per machine based on its vend price or gross monthly revenue; or may receive a "first vend" sum (say, the first $1.00 or the first vend of each machine in the unit per day) plus a percentage of gross collection.

24. Most commonly, the Standard Leases provide for rent in the form of a percentage of gross monthly receipts, often fifty percent.

25. The Standard Leases generally set out the price at which each machine will be "coined" (for example, washers coined at $1.25 per "vend" (i.e., per use) and dryers coined at $1.00 per vend).

26. The Standard Leases generally specify if the vend prices or any portion of the rent will be indexed (i.e., to a consumer price index or "CPI"), or whether the amounts are subject to change only by agreement of the parties and amendment of the contract.

27. The Standard Leases generally specify terms and coverage for routine and emergency maintenance, service; coverage for theft, vandalism, replacement; and may contain other provisions such as automatic lease renewal, substantial replacement clauses, etc.

28. And the Standard Leases contain a clause providing that the lease is the entire agreement between the parties and may not be modified except through a writing signed by both parties.

29. Class property owners/managers benefit from this arrangement because they can offer their residents on-site laundry facilities, and they can outsource the provision of such services (including installation, operation, and maintenance of the laundry space and equipment) to a specialized entity.

30. Finally, given the uncertainties and variables in the market, the success of the

arrangement depends in large part on how the lease is structured. These "routes" can vary from slim-margin or even "in the red" operations to extremely lucrative profit centers for CSC.

31. CSC has grown through significant acquisitions. CSC itself has been bought/sold/restructured numerous times.

II. CSC's Trusted Responsibility

32. Because CSC is the entity responsible for collecting and accounting for the gross receipts, there is a great deal of trust placed in CSC to engage in ethical, reliable, and transparent accounting and collection practices. Plaintiff and the Class are wholly dependent on CSC to operate their facilities in accord with the lease terms in a responsive manner and to account for receipts in an honest and transparent fashion.

33. CSC is the nation's leading provider of multifamily residential and commercial laundry solutions, as well as air vending services at convenience stores and gas stations, with over one million machines in service across North America and Europe.

34. On its website,[1] CSC promises its customers that it holds itself to a higher standard of conduct than merely that provided for by its agreements. Indeed, CSC self-imposes a commitment and promise of responsible and ethical behavior—and claims this behavior is "foundational element" of its business model:

> **CSC strives to be a responsible and ethical company, and we view responsibility as a foundational element of our business model. For more than 90 years, our underlying values of trust, respect and integrity have helped guide how we operate every day in communities around the world.**
>
> **We recognize** that we need to continue to be responsive to the needs of our employees, clients and consumers, and society. This means continually developing and refining socially and environmentally responsible business practices while achieving profitable and sustainable growth.

35. CSC amplifies this self-imposed, higher duty of care by insisting that its customers should "trust" CSC—which it calls "the CSC Difference"[2]:

> **Built on Trust**
>
> Every solution we deliver is built on trust; trust that we'll provide industry-leading expertise, personal service, and innovative offerings that give you a competitive advantage.

36. Coinmach is known as one of the largest laundry machine servicing companies in

[1] https://www.cscsw.com/about-us/corporate-responsibility/
[2] https://www.cscsw.com/csc-difference/

the world. It started as a single laundry center in 1947 and has grown to be the largest laundry equipment service provider in the United States, maintaining equipment at more than 80,000 locations across the country.

37. CSC's stated mission is to exceed industry standards by "adhering to a special set

- **Commitment to the Customer**
  Every team member is responsible for delivering excellent experiences during every customer interaction. Members achieve this through honest, welcoming and helpful communication, and demonstrate pride through maintaining a supportive and professional disposition.

of values"[3] that include:

III. The Unlawful Scheme to Impose Unauthorized Fees

38. On July 14, 2016, CSC's Board of Directors appointed a new Chief Executive Officer, Mark Hjelle. As stated in the press release announcing his hiring, Hjelle earned a law degree from the Case Western Reserve School of law.[4]

39. Thus, CSC has advertised to customers and the public that Hjelle has a law degree. Any customers of CSC who inquired about Hjelle's background would believe or reasonably infer that he knows the law given the advertisement of his legal background in the press release announcing his new appointment as CEO of CSC.

40. Upon his appointment as CEO, Defendant Hjelle stated: "I am very excited about joining an organization that is a clear leader in its industry with over 3,000 team members who are committed to be the very best and to constantly improve what we do every day for our clients[.]…CSC has a rich history and a strong foundation to build on and I am excited about the

---

[3] https://www.cscsw.com/about-us/, last accessed January 28, 2018 (this page has been rebranded and no longer is active on CSC's website).

[4] https://www.businesswire.com/news/home/20160714005351/en/CSC-ServiceWorks-Names-Mark-Hjelle-Chief-Executive, last accessed January 28, 2018.

opportunity to lead this company into the next era of growth. I look forward to engaging with my CSC colleagues and our clients across the company as we work together to chart our course for future growth and success."[5]

41. From the moment Hjelle took the helm, he has been focused on the "growth" of CSC, even if it means breaching its contractual obligations to its customers. Hjelle has lost sight of the "customer first" approach that CSC prided itself on, and—as discussed herein—has accordingly employed deceitful shortcuts to defraud and exploit CSC's customers.

42. Hjelle is doing this in an attempt to financially and monetarily benefit himself, by artificially boosting CSC's bottom line and increase its operating margin. Hjelle benefits because he receives higher compensation and higher bonuses as CSC's profitability increases, and he hopes to personally profit from a sale of CSC at an inflated valuation, predicated upon Hjelle's deceitful conduct and CSC's corresponding systematic breaches of contract by imposing the Unauthorized Fees.

43. Because Hjelle cannot achieve the boost in revenues legally, he turned to deception to do so. In only a matter of months following his appointment, he concocted a scheme to defraud CSC's customers by unilaterally trying to rewrite their agreements with CSC to siphon 9.75% of their gross collections through a usurious and phony "administrative fee."

44. Hjelle accomplished this scheme to defraud beginning with the initial letter he drafted on or about May 17, 2017, and personally authored, signed, and had mailed (using the United States mail system) to every one of CSC's customers (the "May 17 Fraud Letter").

45. In his letter, Defendant Hjelle lulled CSC's customers into believing that the 9.75%

[5] https://www.cscsw.com/csc-serviceworks-names-mark-hjelle-chief-executive-officer/, last accessed January 2, 2018.

administrative fee was *contemplated and authorized* by each customer's agreement with CSC.

46. Hjelle further provided an illusory "additional benefit" by offering coverage for events related to vandalism (up to $200) and purporting to "waive" any potential claims for costs CSC had incurred in the past that it was entitled to, but had not, deducted.

47. Here is an annotated screenshot of the May 17 Letter that Hjelle drafted and mailed to Plaintiff and the rest of CSC's 70,000 lessors nationwide (Exhibit B):

> 1 In the past, we have not used provisions in our agreement with you to share these increased costs. As we continue to align your interests (high occupancy rate of satisfied residents) with ours (to achieve an acceptable operating margin) and to jointly provide a great laundry experience for your residents, it is necessary to begin to share the agreed upon costs as outlined in our agreement. 2
>
> Beginning this month, you will see an Administrative Fee of 9.75% (or approximately .10 cents per day, per machine) deducted from your gross collections. This deduction will help to offset costs related to taxes, vandalism and applicable administrative and other costs. As a benefit to you, going forward you will receive coverage for events related to vandalism (up to $200 per event). For more information about the Administrative Fee as well as additional benefits you will receive as a CSC customer, visit our website at http://www.cscsw.com/feetransparency/. 3
>
> 4 CSC will also waive any potential claims to recoup its costs related to taxes, vandalism or applicable administrative or other costs which CSC incurred in the past and was entitled to deduct, but did not.
>
> Our 3,000 team members who serve you and your residents, value you as a partner and appreciate your business. As we all continue to work toward providing a best-in-class laundry experience, we look forward to updating you on our progress in the future.
>
> Best regards, 5
>
> Mark Hjelle
> Chief Executive Officer

48. As set forth in annotations 1 and 2, Hjelle falsely states that "the agreement" between each customer and CSC allows the deduction of the 9.75% administrative fee. In reality, the contracts do not state that this is permitted. Some agreements, perhaps, might allow some deduction, but there is no standardized agreement between CSC and its 70,000 lessors that allows a 9.75% administrative fee.

49. Also in annotation 1, Hjelle states that CSC must start "to achieve an acceptable operating margin" as the basis for imposing the 9.75% fee. This statement made by Hjelle is evidence that CSC wanted to rewrite the 70,000 contracts with its clients for CSC's own, unilateral benefit.

50. In reality, Hjelle's scheme was driven by his quest for a large buy-out of CSC. Since early 2020—after several years of inflated margins, based upon CSC's imposition of the Unauthorized Fees—CSC has been widely shopped, with Hjelle and CSC bragging that a sale of CSC would likely achieve $4 billion from the private equity market.[6] *See* **Exhibit C** ("Sale of Laundry Machine Operator CSC Could Bring in $4 Billion.")

51. What CSC and Hjelle did not disclose in their press releases was that their newly-revised business model relies on deliberately imposing a deceptive, unauthorized 9.75% fee to artificially boost revenues. The motive to make a sale to private equity explains why Hjelle was so driven to implement the 9.75% fee immediately upon becoming CEO of CSC.

52. In annotation 3, Hjelle refers customers to the "Transparency" Website that Hjelle created and set up specifically to advance his scheme to defraud. This "Transparency" website was set up to lull customers into believing that they were not being defrauded by Hjelle and CSC. (*See* **Exhibit D**, printout of website.)

53. In annotation 4, Hjelle falsely states that CSC has not recouped costs that it is "entitled" to recoup, and that the Unauthorized Fees would be imposed so that CSC could properly recoup reimbursable expenses. This statement is false—the 70,000 agreements do not authorize

---

[6] https://www.pymnts.com/news/partnerships-acquisitions/2020/csc-laundry-machine-firm-up-for-sale-could-fetch-4b/, last accessed June 10, 2021; https://www.bloomberg.com/news/articles/2020-01-14/pamplona-ontario-teachers-said-to-seek-4-billion-csc-sale?sref=zNmRQ0gk; last accessed June 10, 2021.

the Unauthorized Fees, which are not tied to any recoupment of expenditures or costs that are reimbursable under the leases. The Unauthorized Fee is simply a 9.75% deduction, regardless of whether there are actually recoverable expenditures due to CSC.

54. Defendant knowingly furthered and concealed his fraud by orchestrating a deceptive cover-up through a website allegedly dedicated to "fee transparency," when in fact the web-site is, instead, simply another vehicle to perpetrate the lie that the fee is authorized. (*See* Exhibit D.) The website was initially published at http://www.cscsw.com/feetransparency/. Once an earlier lawsuit was filed, however, CSC and/or Hjelle removed this website, confirming that they knew their scheme could not be defended and that the leases of its 70,000 customers do not support the 9.75% administrative fee.

55. The ill-gotten gains of Defendant's fraudulent scheme are well-documented and easy to compile into a class action. CSC maintains a spreadsheet for each customer account that now details the "administrative fee" and totals up in one column the extent to which CSC is unlawfully enriched by imposing the Unauthorized Fees. In other words, this spreadsheet contains a "fraud column" that perfectly details, month by month, exactly how much the scheme to defraud is costing each customer.

56. The administrative fee represents a grossly inflated charge not authorized under the contracts between Plaintiffs and CSC. Even if a few contracts here or there, among the 70,000 in total, authorizes some component of the underlying charges that Defendants Hjelle and CSC are authorized, the authorized charges do not equal exactly 9.75% of the gross revenues.

57. Every month that CSC deducts the 9.75% Unauthorized Fee, CSC breaches the contract it has with Plaintiff and every other class member. Each unauthorized deduction of the 9.75% fee is a separate, independent breach.

58. The May 17, 2017 letter sent by Hjelle, and the deceptive "transparency" website, contain false and deceptive misrepresentations, including that the Unauthorized Fees were authorized by the agreements to recover valid costs and expenditures incurred by CSC, when in fact the agreements do not contain any such language.

IV. **Class Allegations**

59. Plaintiff brings this action individually and, pursuant to Federal Rule of Civil Procedure 23(a) and (b)(2) and (b)(3), as representative of a Class defined as follows:

> All persons, including entities, having contracts with CSC who have been subject to a 9.75% "administrative fee" deducted by CSC from 2017 to present.
>
> Excluded from the Class are: (1) all presiding judge(s) together with their immediate family members; (2) Defendant and CSC and their family members, affiliates, their predecessors-in-interest, and their respective employees, officers, and directors; and (3) any person whose lease with CSC provides for a 9.75% administrative fee to be deducted by CSC every month from the gross proceeds.

60. The Class is so numerous that joinder of all members is impracticable. Indeed, the class likely includes all or nearly all of the 70,000 lessors.

61. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy. The individual claims of Plaintiff and the other class members are too small to warrant individual lawsuits.

62. Plaintiff's claims are typical of the claims of the Class. As alleged herein, Plaintiff and members of the Class all sustained damages arising out of the Defendants' common course of unlawful conduct.

63. There are questions of law and fact common to the Class, including but not limited to:

- Whether CSC has breached the contracts of its 70,000 lessors by deducting the

9.75% administrative fee every month.

- Whether CSC has a "standard" lease that authorizes the 9.75% administrative fee.
- Whether each class member was damaged as a result of each monthly breach by CSC.

64. Class action status is warranted under Rule 23(b)(2) because Defendants have acted on grounds generally applicable to the Class thereby making appropriate final injunctive relief or corresponding declaratory relief with respect to the Class as a whole.

65. Class action status is also warranted under Rule 23(b)(3) because questions of law or fact common to the members of the Class predominate over any questions affecting only individual members, and a class action is superior to other available methods for the fair and efficient adjudication of this controversy.

66. Plaintiff anticipates no difficulty in the management of this matter as a class action.

COUNT ONE
Breach of Contract

67. Plaintiff and Defendant had a written contract or a lease regarding this relationship, as described above.

68. The putative class members each had, as it relates to the administrative fee at issue here, substantially similar written contracts that did not provide for CSC to charge a 9.75% administrative fee every month.

69. Defendant CSC breached its contract with Plaintiff and the putative class members by charging an "administrative fee" of 9.75% which was not permitted by the terms of the contract.

70. Plaintiff and the putative class members performed all conditions required under the contract, or the same were waived.

71. Each monthly deduction of the administrative fee of 9.75% is a separate,

independent breach of contract.

72. As a result of the breaches by CSC, Plaintiff and the putative class members have suffered damage and loss in the amount of the overcharged administrative fee, plus pre- and post-judgment interest thereon, to the extent allowable by law.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff requests that this Court enter a judgment against Defendants and in favor of Plaintiff and the members of the Class and award the following relief:

A. Determine that this action may be maintained as a class action pursuant to Fed. R. Civ. P. 23; direct that reasonable notice of this action, as provided by Fed. R. Civ. P. 23(c)(2) be given to the Class; and declare that Plaintiff is the representative of the Class and Plaintiff's counsel are counsel for the Class;

B. Require Defendants to pay for sending notice to the certified class of all CSC customers per their business records;

C. Award compensatory, consequential, and general damages in an amount to be determined at trial;

D. Award costs and disbursements of the action;

E. Award restitution and/or disgorgement of Defendant CSC and/or Defendant Hjelle's ill-gotten gains, and the imposition of an equitable constructive trust over all such amounts;

F. Award pre- and post-judgment interest;

G. Award all such other and further relief as may be just and proper.

SLARSKEY LLC

David Slarskey
420 Lexington Ave., Suite 2525
New York, NY 10170
(212) 658-0661
Counsel for Plaintiff Tamara Hochman