

**IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTEN DIVISION**

JTS Group, LLC)	
)	
Plaintiff,)	Case No.
)	
v.)	
)	
Fiesta Insurance Franchise Corp.)	
)	
Defendant.)	

COMPLAINT

Plaintiff, JTS Group, LLC, by its attorneys, for its Complaint against Fiesta Insurance Franchise Corp., states as follows:

Plaintiff

1. Plaintiff JTS Group, LLC, (“Plaintiff”) is an Illinois limited liability company with its principal place of business 3759 W. 26th Street, Chicago, Illinois 60623, where it owns and operates a Fiesta Auto Insurance Center (Store # IL001), and it provides personal insurance needs to its customers.

2. The members of the plaintiff LLC are: Jehad Modalala and Lillian Alvayed. Both of these persons reside in the State of Illinois.

Defendant

3. Defendant Fiesta Insurance Franchise Corp. (“Defendant”) is a California corporation with its principal place of business 16162 Beach Blvd., Suite #100, Huntington Beach, CA 92647, where it is engaged in the business of operating

and selling franchises, which engage in the sale and service of insurance policies, tax retail preparation, tax filing and related services.

4. The Defendant is engaged in business as a franchisor of insurance agencies.

Jurisdiction and Venue

5. This Court has original subject matter jurisdiction in this civil action pursuant to 28 U.S.C. § 1332 because the parties (including the members of the plaintiff LLC) are citizens of different states and the amount in controversy exceeds the sum or value of \$75,000, exclusive of interests and costs.

6. Venue is proper in this Court under 28 U.S.C. § 1391, in that a substantial part of the events or omissions giving rise to the claims asserted herein occurred in this judicial district.

Count I

Claim for Rescission Based On Defendant's Violation of Section 5 of the Illinois Franchise Disclosure Act

7. Section 5 of the Illinois Franchise Disclosure Act ("IFDA"), entitled "prohibited practices," provides that it is unlawful to sell franchises in the State of Illinois without providing a disclosure statement as provided in the Act. ((815 ILCS 705/5(1) and (2)).

8. The FDD must inform prospective franchisees of numerous categories of information that as a matter of law are deemed to be material to the prospective franchisee's investment decision. Without limitation, the FDD must include an

accurate disclosure of all fees that the franchisor intends to charge the franchisee over the course of the franchise relationship.

9. On or about June 8, 2011 Plaintiff entered into a franchise agreement with Defendant, copy submitted herewith as Exhibit A.

10. Defendant provided Plaintiff with an FDD, but the FDD was incomplete and misleading in that it failed to disclose all of the fees that the Defendant intended to charge the Plaintiff. As a consequence, Defendant violated Section 5 of the Illinois Franchise Disclosure Act.

11. Pursuant to Section 26 of the Illinois Franchise Disclosure Act, (815 ILCS 705/26), the Plaintiff is entitled to rescission of the parties' franchise agreement (Exhibit A) hereto. Rescission shall include:

- a. The return to Plaintiff of all monies paid by Plaintiff to Defendant.
- b. A judicial declaration that the franchise relationship created by the franchise agreement is rescinded and that, therefore, the Defendant is not entitled to enforce any provisions of the franchise agreement against the Plaintiff.
- c. Payment of all of the Plaintiff's reasonable costs and attorneys' fees as provided in Section 26 of the Illinois Franchise Disclosure Act.

WHEREFORE, on Count I, Plaintiff JTS Group, LLC respectfully requests the entry of judgment against Defendant for rescission as alleged hereinabove, and such further relief as the Court deems just and proper.

705 Count II

Fraud in Violation of the IFDA

12. Plaintiff incorporates paragraphs 1 through 11 as though fully set forth herein.

13. Section 6 of the IFDA prohibits fraud in the franchise sales process (815 ILCS 705/6).

14. Defendant's failure to disclose all of its fees was part of a scheme to defraud the Plaintiff, in violation of Section 6 of the IFDA.

15. After the Plaintiff began operating its franchise the Defendant began to charge various fees that had not been disclosed.

16. Defendant's violation of Section VI of the IFDA entitles the Plaintiff to rescission as alleged in paragraph 11.

17. In addition, Defendant's fraudulent conduct warrants the imposition of punitive damages in an amount sufficient to punish the Defendant and to deter other franchisors from like misconduct.

WHEREFORE, on Count II, Plaintiff JTS Group, LLC respectfully requests the entry of judgment against Defendant for rescission as alleged hereinabove, for punitive damages in an amount to be determined at trial, and for such further relief as the Court deems just and proper.

Count III

Common Law Fraud

18. Plaintiff incorporates paragraphs 1 through 17 as though fully set forth herein.

19. Defendant's failure to disclose all of its fees was part of a scheme to defraud the Plaintiff.

20. After the Plaintiff began operating its franchise the Defendant began to charge various fees that had not been disclosed.

21. Defendant's fraud entitles the Plaintiff to rescission as alleged in paragraph 11.

22. In addition, Defendant's fraudulent conduct warrants the imposition of punitive damages in an amount sufficient to punish the Defendant and to deter other franchisors from like misconduct.

WHEREFORE, on Count III, Plaintiff JTS Group, LLC respectfully requests the entry of judgment against Defendant for rescission as alleged hereinabove, for punitive damages in an amount to be determined at trial, and for such further relief as the Court deems just and proper.

Count IV

Alternative Claim For Breach of Contract

23. Plaintiff incorporates paragraphs 1 through 22 as though fully set forth herein.

24. After the Plaintiff began operating its franchise the Defendant began to charge various fees that had not been agreed to.

25. In the event the franchise agreement is not rescinded for any one or more of the reasons that have been alleged above, the Defendant is in breach of the franchise agreement, and the Plaintiff is entitled to such damages that will be proven at trial.

26. In addition, the Plaintiff is entitled to a judicial declaration that the Defendant's breaches were sufficiently material to excuse the Plaintiff from any further performance under the franchise agreement.

WHEREFORE, on Count IV, Plaintiff JTS Group, LLC respectfully requests the entry of judgment against Defendant (in the alternative) for damages in an amount to be determined at trial, for a declaratory judgment that the franchise agreement is not enforceable against the Plaintiff due to the Defendant's material breach, and for such further relief as the Court deems just and proper.

Respectfully submitted,

JTS Group, LLC

By: /s/ Carmen D. Caruso
Attorney for Plaintiff

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