

UNITED STATES DISTRICT COURT  
DISTRICT OF NEW JERSEY

HT OF HIGHLANDS RANCH, INC.,	)	
RMB ENTERPRISE, INC.,	)	
GRANDSOLE, INC., and	)	
MARKWOOD ENTERPRISES, INC.,	)	
	)	
Plaintiffs,	)	
	)	
v.	)	
	)	C.A. No. 07-cv-05718-JBS-AMD
	)	
HOLLYWOOD TANNING SYSTEMS, INC.,	)	
HT FRANCHISING, LLC	)	
RALPH VENUTO, SR.,	)	
RALPH VENUTO, JR., and	)	
HIGHLINE CAPITAL CORP.	)	
	)	
Defendants	)	
	)	

**FIRST AMENDED COMPLAINT AND JURY DEMAND**

Plaintiffs Grandsole, Inc. (“Bethany Bruner”), HT of Highlands Ranch, Inc. (“Jim Hay”), Markwood Enterprises, Inc. (“Mark Wood”), and RMB Enterprise, Inc. (“Rosemary Blaylock”) (collectively “Plaintiffs”) assert this Complaint against their franchisor Hollywood Tanning Systems, Inc., its apparent successor HT Franchising, LLC, two of its officers Ralph Venuto, Jr. and Ralph Venuto, Sr. (collectively “Hollywood Tans” or “Defendants”) and against the leasing company used by Hollywood Tans, Highline Capital Corporation (“Highline Capital” or “HCC”). Plaintiffs allege that Defendants breached their obligations under the franchise agreements, committed fraud, engaged in false and deceptive conduct, participated in a RICO enterprise and conspiracy and are otherwise liable under applicable law for the substantial damages that the Plaintiffs suffered. Plaintiffs state and allege as follows:

## INTRODUCTION

This case presents the unfortunate reality of a modern-day medieval tragedy, complete with fraud, oppression, exploitation and forced bargains.

In the beginning, there was Mr. Ralph Venuto, Sr., the lord, who formed the Hollywood Tans franchise system. Ralph Venuto, Sr. awarded highly profitable ownership and management rights in the system to members of his family. His family began to operate franchised locations and became executives of the Hollywood Tans Corporation. He also began to expand his empire by granting franchising rights to friends and acquaintances with whom he had worked in the past.

To generate further wealth, Mr. Ralph Venuto, Sr. set his sights on enlisting economic serfs or franchisees. In response to the competing promises of other lords, Mr. Ralph Venuto, Sr. and his nobles, including his son Ralph Venuto, Sr. and officer David Rahn, repeatedly promised potential serfs that his Hollywood Tans system would give them the opportunity to become very wealthy. The “pitches” were honed: “Other than one franchisee who had drug addiction problems, we have never had a franchisee leave our system.” “Our franchisees only need a small amount in cash reserves to cover the initial lull and then they pay off their debts and earn substantial profits.” “Our franchisees have always made money – and lots of it.”

In fact, lord Venuto produced a video tape of his family members and other franchisees making wholly unsubstantiated claims that by following the instructions of the lord, they had become incredibly successful and self-sufficient – each boasting on tape about the particular quantity of money that they had made in the system.

The videotape and other presentations by Hollywood Tans showcased the equipment that the franchisee would be required to purchase from the lord. The equipment was touted as

indispensable to “making it in the business.” The franchisees later learned that the equipment delivered to them was defective and poorly constructed.

Ralph Venuto, Sr. instructed his staff to show the video to all potential franchisees. Despite the earning disclosures contained therein, Ralph Venuto, Sr. also instructed his sales staff to tell every potential franchisee both before and after showing the video that “the lord does not – nor can he -- make any earnings claims.” For some of the potential franchisees, Mr. Ralph Venuto, Sr. directed his sales staff to provide detailed financial data and projections to the potential franchisees. The costs and yields contained in these earnings disclosures were represented as being based on actual costs and yields of other existing franchisees who had allegedly bought identical Hollywood Tans franchises. These costs and yields had no basis in fact. Indeed, even the lord himself could not have operated at the costs and yields set forth in the earnings disclosures.

Based on the false promises and misrepresentations by the lord and his agents, franchisees signed the lord’s unconscionable franchise contracts which condemned the Hollywood Tans franchisees to a life of bitter oppression, dependency and destruction

When franchisees sought financing, Ralph Venuto, Sr. exclaimed “Not to Worry”, “we know good money-lenders who can finance your travel and initial build-out; and, better yet, they can also finance the costs of all of the equipment you will need to buy from us for your profitable venture.” Upon information and belief, these money-lenders, HCC, had undisclosed questionable connections to the lord. Mr. Ralph Venuto, Sr. realized that if the financing scheme was to work, he needed to prevent the serfs from having any direct communication with the financing agents. If the serfs themselves communicated directly with the lending agents the lord would not be able

to get away with falsely telling the franchisees that the equipment and supplies that he was selling them was worth more than they were in fact worth. And, most important, by secretly finagling the market values of the equipment, Mr. Ralph Venuto, Sr. would arrange to have the financing nobles pay the borrowed funds directly to him, not the franchisees. Venuto and the finance companies (HCC) conspired to obtain more than they were entitled by falsifying documents and the fact that they were financing used equipment instead of new equipment or providing financing for less equipment than identified on the documents. Indeed, many franchisees were told by Mr. Ralph Venuto, Sr. and his agents, including David Rahn, that he had borrowed "on their behalf" monies that were far less than the monies that he had actually borrowed from the financing nobles. Upon information and belief, the "difference" between these two borrowed amounts went directly into the coffers of Mr. Ralph Venuto, Sr. and Hollywood Tans.

The franchisees were required to buy defective equipment and supplies directly from the lord. When the serfs objected, the lord issued an additional decree: all franchisees who refused to purchase equipment from the lord and his nobles, regardless of the quality of the equipment, will be thrown out of the fiefdom

Making matters worse, Mr. Ralph Venuto, Sr., saw that he could make a handsome additional profit on the forced-sales of the equipment and supplies that he provided. He required that the franchisees buy more of the equipment and supplies than the lord had originally told the serfs that they were going to need to buy if they entered the fiefdom.

In order to increase overall production, he decreed that the prices that the serfs were permitted to charge the public for their services would be cut by 50%. The lord knew or should

have known that these forced price decreases would boost gross sales, thereby increasing his revenue, while destroying the franchisee's profitability. Moreover, the increased production required the franchisees to purchase additional pieces of defective equipment from Mr. Ralph Venuto, Sr. to meet the increased demand for the lower-priced products and services. Again, the serfs were sent back to the financing agents to finance their purchases of the additional equipment. Moreover, because the equipment was being used beyond their optimal levels, the equipment burned out faster than anticipated.

The franchisees learned that they could purchase higher quality products at a lower price from manufacturers other than the lord. Fearful that the other manufacturers would significantly cut into his profits from the sale of products to the franchisees and recognizing that the other products were superior to his, Ralph Venuto, Sr. threatened the other manufacturers that if they sold directly to the franchisees, he would not permit them to make any sales in his fiefdom. Ralph Venuto, Sr. arranged for all products produced by the other manufacturers to be delivered directly to the lord's warehouses, where he would have his own labels placed on the exact same products produced by the other manufacturers. Soon thereafter, Mr. Ralph Venuto, Sr. increased precipitously the prices of the "new" products bearing the Hollywood Tans stickers and forced the serfs to try to sell what was, in essence, the very same products sold by other manufacturers, at unjustifiably high prices. The lord refused to even consider requests for the franchisees to purchase products from alternative suppliers and threatened that any serf who stocked other products would be put out of the fiefdom.

Finally, after years of toiling under the oppressive and unreasonable regime of the lord, many Hollywood Tans serfs began to collapse. One of the governmental legal authorities

investigating his activities had commenced legal proceedings against the lord. However, by making false representations to the authorities, the lord managed to avoid liabilities to certain franchisees, including Plaintiff Mark Wood, who the authorities had intended to protect.

Recognizing that he had maximized his exploitation of the serfs, that his fiefdom stood as a house of cards, and that he wanted to try to avoid liability for his wrongdoing, Ralph Venuto, Sr. sought to transfer his rights in the business to an undercapitalized shell corporation. Before the transfer, Ralph Venuto Sr. knew that, in order to garner top dollar, he needed to keep the serfs silent during the due diligence conducted by potential buying lords. He told increasing numbers of serfs: "I know you have been devastated during your time on the Hollywood Tans manor, but if you just wait I will make sure that the new owner will take care of you, so that you will be made whole. As soon as the new lord bought the Hollywood Tans manor, Mr. Ralph Venuto, Sr. denied that he had ever made these promises to the franchisees.

The franchisees now seek justice in the court system for the wrongs done them by Hollywood Tans, Ralph Venuto, Sr., Ralph Venuto, Jr. and David Rahn.

### **FACTUAL ALLEGATIONS**

1. Plaintiffs made substantial investments of time, money and effort into the franchise opportunities marketed by Hollywood Tans.
2. As described more fully below, Plaintiffs were sold their respective Hollywood Tans franchises through false and misleading representations.
3. Hollywood Tans also omitted from their representations numerous material facts that were necessary in order to make its other representations not misleading.
4. In order to induce Plaintiffs to sign their respective franchise agreements,

Hollywood Tans made a host of unlawful “earnings claims”, verbally, in writing, and by video presentation, and made false promises regarding training, support, advertising assistance, equipment and supplies.

5. Plaintiffs reasonably relied on the representations by Hollywood Tans and, accordingly, made substantial monetary investments in their respective Hollywood Tans franchises.

6. However, Plaintiffs did not receive the promised financial returns on their Hollywood Tans franchises.

7. Hollywood Tans also failed to deliver on the promised training, equipment and on-going support.

8. Upon information and belief, Hollywood Tans also unlawfully accepted undisclosed benefits from the Plaintiffs’ purchases and financing arrangements.

9. Hollywood Tans also conspired with Highline Capital to fraudulently take money that they were not entitled to receive from improperly disclosed and fraudulent leasing transactions.

10. Hollywood Tans fraudulently concealed its wrongdoing and Plaintiffs did not, and could not have been expected to discover the existence of the majority of their claims until recently.

11. Plaintiffs bring this action to recover from Hollywood Tans the actual damages suffered as a result of the wrongful and fraudulent conduct of Hollywood Tans, including the money that Plaintiffs invested in their Hollywood Tans franchises.

12. Plaintiffs also seek to recover their damages from Hollywood Tans’ executive

officers, Ralph Venuto, Sr. and Ralph Venuto, Jr., who, upon information and belief, knowingly and willfully directed the unlawful conduct of Hollywood Tans' sales team.

**THE PARTIES**

13. Plaintiff Grandsole, Inc. ("Bethany Bruner"), is an Ohio corporation which owns and operates a Hollywood Tans franchised salon in North Olmstead, Ohio. Bethany Bruner is the President and founder of Grandsole, Inc. She signed the original franchise documents before she was married using the name Beth Ann Bruner.

14. Plaintiff HT of Highlands Ranch, Inc. ("James Hay") is a Colorado corporation which owns and operates a Hollywood Tans franchised salon in Lone Tree, Colorado. James Hay is the President and founder of HT of Highlands Ranch, Inc.

15. Plaintiff Markwood Enterprises, Inc. ("Mark Wood") is a Maryland corporation which owns and operates a Hollywood Tans franchised salon in Laurel, Maryland and another Hollywood Tans franchised salon in Gaithersburg, Maryland. Mark Wood, a Maryland resident, is the President and founder of Markwood Enterprises, Inc.

16. Plaintiff RMB Enterprise, Inc. ("Rosemary Blaylock") is a Maryland corporation which owns and operates a Hollywood Tans franchise salon in Catonsville, Maryland and another Hollywood Tans franchised salon in Towson, Maryland. Rosemary Blaylock, a Maryland resident, is the President and founder of RMB Enterprise, Inc.

17. Defendant Hollywood Tanning Systems, Inc. is a New Jersey corporation with a principal place of business in Sewell, New Jersey. Defendant operates the Hollywood Tans Franchise system.

18. Defendant HT Franchising, LLC, upon information and belief, is a New Jersey



corporation with a principal place of business in Sewell, New Jersey. Upon information and belief, it recently became the successor-in-interest to the rights and obligations of Hollywood Tanning Systems, Inc.

19. Defendant Ralph Venuto, Sr. is an individual who, upon information and belief, resides in New Jersey. Upon information and belief, Ralph Venuto, Sr. is an officer of Hollywood Tans and controlled and directed the unlawful conduct of Hollywood Tans described herein.

20. Defendant Ralph Venuto, Jr. is an individual who, upon information and belief, resides in New Jersey. Upon information and belief, Ralph Venuto, Jr. was an officer of Hollywood Tans and controlled and directed the unlawful conduct of Hollywood Tans described herein. (Defendants are collectively referred to as "Hollywood Tans").

21. Upon information and belief, Defendant Highline Capital Corporation is a Colorado corporation with a principal place of business at 2930 Center Court South, Boulder, Colorado ("Highline Capital" or "HCC").

#### **JURISDICTION AND VENUE**

22. Diversity jurisdiction exists pursuant to 28 U.S.C. § 1332(a) and pursuant to principles of supplemental jurisdiction, 28 U.S.C. § 1367.

23. The amount in controversy is in excess of \$75,000.

24. Venue is proper in this district pursuant to 28 U.S.C. §§ 1391(a)(2).

#### **BACKGROUND FACTS RELATED TO PLAINTIFF JIM HAY'S INVESTMENT IN HOLLYWOOD TANS' FRANCHISE SYSTEM**

25. In or around October 2005, Hollywood Tans began speaking with Jim Hay about

investing in a Hollywood Tans franchise.

26. During this process, representatives of Hollywood Tans made fraudulent, misleading, and unsupported representations about the earnings of Hollywood Tans franchises.

27. In October 2005, Jim Hay met with David Rahn, the Chief Financial Officer of Hollywood Tans, Ralph Venuto, Jr., and Bill Heagle.

28. At that meeting, Hollywood Tans told Jim Hay that based on the performance of their existing franchises, he could expect to make \$50,000 in profits by the end of the year after bills were paid and, if he were a good sales person, he could earn far more than that in the first year and could expect much more in subsequent years.

29. Hollywood Tans' David Rahn, Ralph Venuto, Jr., and Bill Heagle made specific representations that, based on the performance of their existing franchised operations, he would need no more than \$40,000 in cash reserves to cover the initial "lull" in business and that after a few months he would earn the substantial profits

30. Hollywood Tans also assured Jim Hay that Hollywood Tans would make appropriate financial arrangements for his purchase of equipment and the construction of the salon.

31. Relying on the projections and on fraudulent earnings statements by Hollywood Tans, Jim Hay paid the \$34,500 franchise fee and signed a franchise agreement on October 28, 2005 on behalf of his corporation to be named, HT of Highlands Ranch, Inc.

32. Based on the representations and earnings projections made by Hollywood Tans, Jim Hay and his family moved to the State of Colorado from New Jersey on November 10, 2005 so that he could open a Hollywood Tanning franchise there.

33. Working with a Colorado real estate agent designated by Hollywood Tanning, Mr. Hay found a location in Lone Tree, Colorado.

34. In late November or early December, Hollywood Tans delivered to Mr. Hay a copy of the signed franchise agreement for his records.

35. Hollywood Tans never provided Mr. Hay or HT of Highlands Ranch, Inc. with the Franchise Offering Circular that it was required to provide under the Federal Trade Commission Act, 15 U.S.C. §§ 41 et seq., and the FTC pre-sale disclosure rule (“FTC Rule”), 16 C.F.R. § 436.

36. Hollywood Tans made no alternative disclosure in compliance with its duties to disclose under the FTC Rule.

37. Moreover, the disclosures that it did make to Mr. Hay were fraudulent, misleading and in violation of the requirements of the FTC Rule.

38. Mr. Hay recently learned that Hollywood Tans’ failure to deliver such document before the sale of the franchise was a violation of the law and, by definition, was an unfair and deceptive act or practice.

39. In or around December 2005, Matt Hartman of Hollywood Tans delivered to Mr. Hay and his contractors a design and layout for the salon and Hay proceeded with construction with those plans.

40. Hay subsequently learned that the design presented by Hollywood Tans did not meet local building codes and Hay had to pay his own architect.

41. Hollywood Tans told Mr. Hay that the construction work on the building for the salon would cost \$50,000. The construction actually cost over \$125,000.

42. The total expenses for the construction, supplies and equipment far exceeded the

high end of Hollywood Tans' costs estimate of \$250,000.

43. When obtaining the tanning equipment for the salon, Hollywood Tans told Mr. Hay that it would handle the purchasing and financing for him.

44. Hollywood Tans delivered to Jim Hay a signature page for a financing arrangement with Highline Capital, Inc. of Boulder, Colorado and asked him to sign it.

45. Before and after he signed the signature page, Mr. Hay made numerous requests to Hollywood Tans and Highline Capital for the full documentation for the financing arrangement. However, Hollywood Tans and Highline Capital refused to deliver the full documentation.

46. His efforts to obtain the documentation directly from Highline Capital were met with angry responses from Hollywood Tans that it would handle the financing and that he could only communicate through David Rahn of Hollywood Tans.

47. Highline Capital and David Rahn of Hollywood Tans assured him that he was being taken care of and that he could not and need not review the full loan documentation.

48. Hay recently learned that Hollywood Tans and Highline Capital manipulated the financing arrangements and fraudulently charged Mr. Hay for equipment that he never received.

49. Upon information and belief, Hollywood Tans and Highline Capital conspired to fraudulently take funds from Mr. Hay and to place on his account financial liabilities for equipment and supplies that he never received.

50. Furthermore, the equipment that Hollywood Tans did provide to Hay, including the instant tan booth, was of an inferior quality and damaged.

51. Moreover, Hollywood Tans provided no ongoing training or support despite contractual obligations for it to do so.

52. Jim Hay opened his salon on April 19, 2006.

53. Despite his best efforts and in direct conflict with Hollywood Tans' representations, the salon lost approximately \$190,000 the first year.

54. The losses are continuing.

55. In order to open the salon and keep it running, Mr. Hay spent nearly all of his personal savings, cashed in his retirement funds, sold personal property, and incurred substantial amounts of debt.

56. Hollywood Tans' failure to provide support is continuing.

**BACKGROUND FACTS RELATED TO PLAINTIFF MARK WOOD'S INVESTMENT  
IN HOLLYWOOD TANS' FRANCHISE SYSTEM**

57. Hollywood Tans produced a video tape that contained earnings information of specific Hollywood Tans locations.

58. The video tape represented the earnings of four Hollywood Tans locations, but did not disclose that all four were operated by members of the Venuto family, some of whom were officers of Hollywood Tans.

59. Contrary to its contractual and legal obligations, Hollywood Tans' authorized salespersons provided Mark Wood with detailed earnings projections through this video tape, in person, and in writing in or around December 2003.

60. Ralph Venuto Jr. and Edward Curran of Hollywood Tanning also made specific representations about the profitability of its stores and that profits exceed \$90,000 per year.

61. Hollywood Tans failed to provide the additional information necessary to make its earnings representations not misleading and false.

62. Hollywood Tans also made specific representations that his store will obtain

customers from a corporate owned salon that it was closing in the same market area, and it represented that the corporate owned salon had been earning a \$90,000 net profit per year.

63. Hollywood Tans represented that Mark Wood would only need cash reserves of \$24,000 before he would begin earning substantial profits in a few months.

64. Hollywood Tans estimated the costs for Mark Wood's build-out for Gaithersberg, Maryland at \$190,000.

65. Upon information and belief, Hollywood Tans representations were false and entirely misleading and Hollywood Tans knew they were false and misleading when they were made.

66. Relying upon the earnings disclosures in the video tape, and financial projections and representations by Hollywood Tans, Mark Wood signed a franchise agreement in or around December 2003.

67. Mark Wood went forward with construction and the build-out expenses for Gaithersberg, Maryland were actually \$365,000.

68. Mark Wood opened the salon in Gaithersburg, Maryland on January 25, 2005.

69. Hollywood Tans subsequently convinced Wood to purchase an existing location in Beltsville, Maryland on February 6, 2006.

70. Hollywood Tans gave earnings numbers for the location and represented that the Beltsville salon earned more in gross revenue than it actually earned.

71. Hollywood Tans also made false representations about the equipment that Hollywood Tans was selling Mr. Wood with the Beltsville store.

72. Upon information and belief, Hollywood Tans falsely valued the old used

equipment as new to force Mark Wood to pay more through the financing arrangement.

73. Hollywood Tans placed Mark Wood into financing transactions with Highline Capital without disclosing the terms of the transactions and refusing to deliver all of the financing documentation.

74. Upon information and belief, Hollywood Tans manipulated the financing documents to fraudulently overvalue his equipment purchases in order to take more from Mr. Wood than they would obtain otherwise.

75. Subsequently, the Beltsville, Maryland location was relocated to Laurel, Maryland on December 13, 2006 and Mark Wood was forced to incur additional expenses.

76. This relocation took place and the additional expenses were incurred without Hollywood Tans ever providing Mr. Wood with an updated Franchise Offering Circular.

77. Hollywood Tans never provided Wood with updated franchise offering disclosures despite material changes in the system and the circumstances and despite the fact that Wood was taking on substantial new obligations and expenses.

78. Hollywood Tans made partial disclosures of documents and financial figures in order to mislead Mr. Wood and to fraudulently conceal its wrongdoing.

79. On numerous occasions including in December 2005, September 2006 and December 2006, Wood spoke with Ralph Venuto, Jr. about the various problems. Mr. Venuto made representations and promises that Mr. Wood need not worry because Hollywood Tans would take care of anything he needed. Through the promises that that they never intended to keep, Mr. Venuto and Hollywood Tans convinced Wood not to opt out of the system or take actions against Hollywood Tans.

80. On May 25, 2004, Hollywood Tans entered into a Consent Order to settle charges brought against it by the Maryland Division of Securities arising from its alleged breach of the Maryland Franchise Registration and Disclosure Law, Md. Code Ann. Bus. Reg. 14-201 et seq.

81. As part of the Consent Order, Hollywood Tans identified two franchisees that it sold franchise to from October 9, 2002 to the date of the order May 25, 2004.

82. It then stated in the Consent Order: "Hollywood Tans also represents that, other than described above, after October 9, 2002, Hollywood Tans did not offer or sell any unregistered Hollywood Tan franchises to any Maryland residents or to any other residents for a franchise territory located in whole or in part in Maryland."

83. When making this representation to the Securities Commissioner of Maryland and signing the Consent Order on May 25, 2004, Hollywood Tans and its President Ralph Venuto, Jr. knew that it had sold a franchise to Mark Wood and his company Markwood Enterprises, Inc. on December 1, 2003.

84. Hollywood Tans never notified Mark Wood of the Consent Order and never offered him rights to rescind as it was required to offer to existing franchisees in accordance with the Consent Order.

85. Mark Wood recently learned of the Consent Order and Hollywood Tans had fraudulently concealed its existence.

86. Mr. Wood's salons have struggled and he has spent nearly all of his personal savings and his 401K retirement savings in an effort to keep the stores afloat.

87. Hollywood Tans has exacerbated Mr. Wood's struggles by placing expensive and inefficacious advertisements at Wood's expense, changing the pricing plan in a way that required



additional equipment, and selling used tanning beds and bulbs at full price.

88. Wood relied upon promises of significant support from the franchisor through training, literature, operations manual, and cooperative advertising support.

89. Despite continuing promises to do so, Hollywood Tans failed to provide support.

**BACKGROUND FACTS RELATED TO PLAINTIFF BETHANY BRUNER'S  
INVESTMENT IN HOLLYWOOD TANS' FRANCHISE SYSTEM**

90. In 2003, Bethany Bruner and her husband, Todd, saw materials concerning the Hollywood Tans franchise system and became interested in opening a tanning salon.

91. In August 2003, Bethany Bruner and her husband, Todd, visited Hollywood Tans' office in Marlton, NJ and met with Ed Curran, Vaughn Zimmerman, Ralph Horak, and Ralph Venuto, Jr.

92. These individuals at Hollywood Tans told Bruner and her husband that Hollywood Tans Salons were very profitable, even during their first year of operations.

93. When Ms. Bruner, in an attempt to gauge the risk of this prospective venture, asked how many salons had failed, Ralph Venuto, Jr. said that only one had ever failed because the owner had been abusing drugs at the time.

94. Ms. Bruner discovered recently that several failed salons had been repurchased by Hollywood Tans before Venuto made the statement about the one failed salon. Upon information and belief, Venuto knew or should have known that his statement was false at the time it was made.

95. Hollywood Tans also promised superior equipment, savings because of bulk purchasing for tanning bulbs and lotions, state of the art instant tanning booths, and both twenty-four hour service and a lifetime guarantee on all equipment.

96. Ms. Bruner recently discovered that all of these promises were false.

97. Upon information and belief, Venuto and Hollywood Tans knew that they would not be delivering on the promises being made.

98. Venuto and others at Hollywood Tans then took Bruner and her husband to a nearby Hollywood Tans Salon and demonstrated a spray tan booth. The booth worked very well and the UV booths had stainless steel walls and removable floors for easy cleaning.

99. Hollywood Tans said that it had experts in all relevant fields available to its franchisees.

100. Hollywood Tans also told her it had several sites available in the Pittsburgh area. Upon information and belief, Hollywood Tans knew that it would refuse to offer her a location in the Pittsburgh area and would instead get her into a substandard Ohio location in which they were bound by a lease agreement.

101. Hollywood Tans also showed Bruner and her husband a video produced by Hollywood Tans where people purported to be Hollywood Tans franchisees discussed the various rewards, financial and otherwise, of owning a Hollywood Tans salon. At its conclusion, the video presented “some actual figures from Hollywood Tan centers currently in operation.” The figures included the first year sales from one store, the first and second year sales from another store, the first three months sales from a third store, and total sales from a fourth store. Neither the video nor any other information provided by Hollywood Tans substantiated this information, put it into context, or explained why four different measurements had been used for the four different stores.

102. Hollywood Tans executive Ralph Venuto Jr. assured Bethany Bruner that she

would be able to operate on a \$30,000 cash reserve, until she started to earn a high enough earnings to exceed expenses and to start earning a significant profit of over \$50,000 per year after a few months.

103. Relying on these and other misrepresentations, Bruner paid the \$34,500 franchise fee and signed a franchise agreement on August 19, 2003.

104. After several months of failing to provide a location as promised in the Pittsburgh, Pennsylvania area, Hollywood Tans located her in Ohio and told her that she would be able to succeed at the store as a remote owner. She was assured that the Hollywood Tans franchises were so profitable and the software so sophisticated that being a remote owner would not cause problems.

105. In response to Ms. Bruner's concerns that as the only salon in Eastern Ohio she would not benefit from the franchise advertising shared between owners, Hollywood Tans promised her that it would contribute advertising money to expand the presence in the Cleveland market area.

106. In January 2004, Hollywood Tans put her into their leased location in North Olmstead, Ohio.

107. After numerous delays and failures by Hollywood Tans finally opened her franchise on May 4, 2004.

108. The salon had many difficulties with Hollywood Tans' equipment and Ms. Bruner did not receive necessary and promised help from Hollywood Tans.

109. Contrary to Hollywood Tans' representation that she could operate the salon as a remote owner, Ms. Bruner was forced to leave her lucrative job in Pittsburgh and move close to

the salon. She was forced to work approximately 60 hours per week for little or no pay.

110. Despite requests, Hollywood Tans failed to visit, correct problems or provide assistance.

111. Hollywood Tans Corporate never delivered on most of its promises.

112. Hollywood Tans also breached its advertising obligations and interfered with her efforts to provide her own advertising.

113. Hollywood Tans also unilaterally set pricing and discounting at her salon, which resulted in further losses.

114. Hollywood unfairly and in breach of its obligations increased expenses and destroyed profitability.

115. In July 2005, Bethany Bruner flew to Hollywood Tans corporate office to discuss with Ralph Venuto Jr. the continued issues with the operations, including the faulty equipment and advertising. Ms. Bruner discussed the issues and received continuing promises from Ralph Venuto, Sr. in November 2006. Ms. Bruner's husband visited and received promises again from Ralph Venuto, Sr. and Murray Milner in March 2007.

116. Hollywood Tans continued to promise success, if Ms. Bruner would just keep operating and not take any legal action.

117. Hollywood Tans has continued to fraudulently conceal its wrongdoing and misrepresentations and to make promises that it knew it has had no intention of keeping in order to induce Ms. Bruner not to take legal action.

118. Hollywood Tans' failure to provide support is continuing.

**BACKGROUND FACTS RELATED TO PLAINTIFF ROSEMARY BLAYLOCK'S  
INVESTMENT IN HOLLYWOOD TANS' FRANCHISE SYSTEM**

119. In August 2005, Ralph Venuto, Sr. of Hollywood Tans spoke with Rosemary Blaylock about purchasing a Hollywood Tans franchise.

120. Venuto Sr. advised her that there was definitely a market in the Maryland area for additional Hollywood Tans franchises and referred Mrs. Blaylock to Hollywood Tan's Real Estate Director, Jim Ferullo. Ferullo advised Mrs. Blaylock that franchises were not currently available in the Maryland area.

121. Mrs. Blaylock then contacted Venuto Sr. and relayed the information Ferullo had given her. Venuto Sr. asked Mrs. Blaylock to speak with Bob McQuillan, a Hollywood Tans representative, in charge of purchasing franchises. McQuillan advised Mrs. Blaylock that they had an available location in Cockeysville, Maryland and asked her to attend an Orientation Seminar for persons interested in purchasing franchises. McQuillan advised that he would give Mrs. Blaylock more information about the Cockeysville, Maryland location at the Orientation.

122. In October of 2005, Ms. Blaylock attended the Orientation at Hollywood Tans Corporate Headquarters. At the orientation, there were approximately 10 other persons interested in purchasing the Hollywood Tans franchises. At the Orientation, McQuillan provided Mrs. Blaylock information on the location of the Cockeysville salon.

123. During the Orientation, Hollywood Tans representatives stated that there were currently 300 Hollywood Tans salons in operation and another 100 in the process of opening within the year. In an attempt to gauge the risk of this prospective venture, Mrs. Blaylock asked Venuto, Jr., who was also present at the Orientation, how many out of the 300 salons were successful. Venuto Jr.'s response was that all of them were successful, except for approximately two, and the only reason those two salons failed were due to the fault and negligence of the

franchise owners in not properly maintaining and running the salons per Hollywood Tans' requirements. Venuto, Jr. added that if you do everything we teach you, you will have a successful salon.

124. After considering all of the representations made during the interview, Mrs. Blaylock was convinced that she wanted to purchase franchise. Mrs. Blaylock first began inquiring as to how much money was needed and about obtaining financing. McQuillan advised Ms. Blaylock that she only needed a little start-up capital and that with good credit it would be very easy to purchase a franchise. Hollywood Tans made specific representations that based on the past performance of its salons she would need only a small amount of funding before the salons became profitable. Mr. McQuillan confirmed that Ms. Blaylock had excellent credit and had the start-up capital needed. Ms. Blaylock agreed to purchase a franchise at the Cockeysville location, and also an additional franchise in Catonsville, Maryland

125. After agreeing to purchase a franchise at the Cockeysville location, Mrs. Blaylock was given the Franchise Agreements for salon locations in Catonsville, Maryland and Cockeysville, Maryland.

126. Mr. McQuillan advised Ms. Blaylock that he would get back to her after the Lease was in order.

127. Mrs. Blaylock relied on the statements of Hollywood Tans representatives at the Orientation. However, approximately two to three weeks later Mr. Ferullo and Mr. McQuillan contacted Mrs. Blaylock to advise her that the Cockeysville location was not available, but that they would find something for her. At no time during the Orientation and only after Mrs. Blaylock agreed to purchase the franchise, did Mr. Ferullo or Mr. McQuillan advise Mrs.

Blaylock that there were issues with the Cockeyville, Maryland location.

128. Hollywood Tans and McQuillan made misleading representations about the availability of a franchise location in Cockeyville, Maryland.

129. Hollywood Tans representatives told Mrs. Blaylock that its Real Estate Department would find a location for the Catonsville, Maryland salon, and that the lease documents were currently being prepared for the Cockeyville, Maryland salon.

130. Relying on the information provided to her during orientation, Mrs. Blaylock gave Hollywood Tans on October 3, 2005 a \$59,000 check for the two new Hollywood Tans franchises.

131. On or about November 20, 2005, McQuillan stated that Hollywood Tans could not provide a franchise in the Cockeyville, Maryland area due to lease and space issues. Jim Ferullo, Director of Real Estate, Bob McQuillan, Franchise Director, and Venuto assured Mrs. Blaylock that they were actively seeking locations for the two new salons.

132. Mrs. Blaylock took it upon herself to look for suitable locations as well. She traveled throughout Maryland until she found space in the Pasadena, Maryland area. The location received approval from Hollywood Tans in or about December 2005.

133. Just as Mrs. Blaylock readied the lease agreement, Hollywood Tans retracted its location approval because another Hollywood Tans was location approximately five miles away. Hollywood Tans could not provide Mrs. Blaylock with a reason for waiting over three months to disallow its approval.

134. Venuto then called to tell Mrs. Blaylock that he would sell her two existing corporate-owned salons in Towson, Maryland and Ellicott City, Maryland for a purchase price of

\$250,000 each. After speaking with Venuto and former CFO David Rahn and based on their specific representations about the profitability of the locations, Mrs. Blaylock agreed to purchase the locations from Hollywood Tans. . Mrs. Blaylock was hesitant because she wanted to open new franchisees, but Venuto told her that the two existing salons were already established and profitable with a great customer base. Further, Venuto advised that he was only looking out for her best interest and that is why he was willing to sell them to her.

135. Mrs. Blaylock repeatedly questioned Venuto as how Hollywood Tans was selling the salons when a franchisee currently owned the salons, and was told that Hollywood Tans was taking over due to the franchise owner's failure to pay monthly bills, and the franchise owner's neglect in maintaining the salons according to Hollywood Tans requirements.

136. At that time, Mrs. Blaylock directly questioned Venuto and Rahn as to why the old franchise owner was not paying her bills. Their response was because the old franchise owner did not care about the franchise and was pocketing money instead of paying the bills.

137. Mrs. Blaylock specifically and repeatedly asked Rahn and Venuto if the sales at these salons were enough to pay the monthly expenses. Rahn and Venuto assured her that she would make enough money. Venuto further advised Mrs. Blaylock that she was going to make so much money that she would be able to quit her full time job where she earned \$78,000 per year.

138. Mrs. Blaylock again asked Venuto if the income from the sales was enough to pay the rent, lease, and other monthly expenses, and Venuto assured her that there was more than enough earnings at those salons to be not only profitable, but very successful.

139. Venuto added that if things did not work out, he promised that he would buy back



both salons from Mrs. Blaylock.

140. Before Mrs. Blaylock was ready to finalize the purchases, she again asked to see the financial statements on the salons and was told by Venuto that Hollywood Tans did not have them available and instead that she should trust him. Venuto stated, “You have to trust me, honey, I would never do anything to hurt you. These are great salons and I’m doing you a huge favor selling them to you. I would have sold them for more money, but because of you, I’m doing it for you.”

141. Before and after she agreed to purchase the stores, Hollywood Tans made representations concerning the earnings that she could expect based on the performance of their salons, stating that there was more than enough revenue to pay the bills and make a profit. However, despite requests, Hollywood Tans refused to deliver full financial documentation

142. Venuto restricted Mrs. Blaylock from visiting the stores or contacting the current owners before agreeing to purchase them.

143. Venuto again assured Mrs. Blaylock that Hollywood Tans would buy back the salons if they did not make profits.

144. It was also agreed at that time that Mrs. Blaylock could not obtain the entire funding. Therefore Venuto agreed to sell the salons to Mrs. Blaylock for \$230,000 each instead of the \$250,000 original asking price.

145. Relying on Venuto’s statements and the representations from other Hollywood Tans representatives including representations concerning earnings and profits at these and other salons, Mrs. Blaylock agreed to pay \$230,000 for each of the salons in Towson, Maryland and Ellicott City, Maryland, which were to include new and functional equipment, a large customer

base, and a solid financial history.

146. Upon reaching a price for the salons, Mrs. Blaylock, with the assistance of Hollywood Tans and Rahn, secured a \$200,000 loan from Highline Capital Corp. (“HCC”). Rahn then called Mrs. Blaylock advising her that she needed to borrow an additional \$200,000 and asked if she could come up with any more money. Mrs. Blaylock told Rahn that the only money she had was the \$60,000 she had set aside for working capital.

147. The next day, Rahn called Mrs. Blaylock and stated that he was able to get HCC to increase the loan from \$200,000 to \$250,000 and asked Mrs. Blaylock if she could get \$150,000 from elsewhere. Mrs. Blaylock stated that she would not be able to get the \$150,000.

148. Soon thereafter, Rahn called Mrs. Blaylock to tell her that he had found an investor to put up the additional \$150,000. Mrs. Blaylock asked who the investor was, but Rahn advised that he could not disclose the name. Mrs. Blaylock asked Rahn how much her lease payments, loan payments, rents, and other monthly expenses would come out to. Rahn advised Mrs. Blaylock that he did not have that information available at that time. Again, she questioned Venuto and Rahn about whether the salon sales were sufficient enough to pay all of the monthly expenses, especially the rents and loans. Venuto responded that “the sales were more than enough.”

149. Unknown to Mrs. Blaylock until much later, the \$150,000 was loaned by Venuto through Commerce Financial.

150. After purchasing the stores, Rahn stated that Hollywood Tans would help Mrs. Blaylock relocate the Ellicott City, Maryland salon due to problems with the landlord.

151. Mrs. Blaylock began running the Towson and Ellicott City, Maryland store on

April 30, 2006.

152. Immediately after taking possession of the salons, Mrs. Blaylock called Venuto and sent letters telling him how distraught she was about the old, beat up equipment. Venuto sent Hollywood Tans representatives to the stores who did only minor face lifts of the equipment, but the equipment still looked damaged. Mrs. Blaylock sent further letters to Hollywood Tans regarding this, but nothing was done about it.

153. In addition, Mrs. Blaylock learned that Hollywood Tans and Highline Capital manipulated the financing arrangements and fraudulently charged Mrs. Blaylock for equipment that she never received.

154. Upon information and belief, Hollywood Tans and Highline Capital conspired to fraudulently take funds from Mrs. Blaylock and to place on her account financial liabilities for equipment and supplies that she never received.

155. Mrs. Blaylock advised Rahn and Venuto that she reviewed the Schedule A list from Highline Capital Corporation and that it was inaccurate. . The number of booths, specific types of booths, counters, and lotion cabinets listed in Schedule A was not provided and the pricing was not the correct pricing of the Hollywood Tans equipment reflected on the Hollywood Tans equipment price list. Additionally, Mrs. Blaylock advised Rahn and Venuto that the computers were listed on the Schedule A when in fact she personally purchased new computers with her own money.

156. Despite Mrs. Blaylock's numerous attempts to get the equipment straightened out and despite Hollywood Tans' continuing promises to correct the problems, Hollywood Tans never rectified the situation.

157. Mrs. Blaylock suffered because Hollywood Tans refused her the ability to pre-inspect the store premises, the equipment, membership list, or financial statements.

158. After finally purchasing the salons, Mrs. Blaylock's inspection revealed no products to sell and outdated and neglected equipment. The Equipment Schedule provided in the HCC loan documents listed incorrect unit pricing for booths, listed equipment as new and undamaged, and included High Pressure booths which were not at the salon.

159. Venuto assured Mrs. Blaylock that new, High Pressure booths would be provided at no cost, but Mrs. Blaylock was still charged full price for the booths in addition to \$1,000 for installation. Those charges were never removed from Mrs. Blaylock's bill.

160. Upon information and belief, Hollywood Tans falsely valued the old used equipment as new and included additional inventory to force Mrs. Blaylock to pay more through the financing arrangement with HCC and Venuto.

161. Hollywood Tans also misled Mrs. Blaylock into paying additional rent at the Ellicott City location.

162. Hollywood Tans fraudulently sold Mrs. Blaylock the Ellicott City, Maryland salon on April 29, 2006 due to the fact that Hollywood Tans sent the landlord notice in a letter dated May 2005 of its intention not to renew the lease at the Ellicott City location. Therefore, the lease was to expire September 30, 2005 which was one year prior to Mrs. Blaylock purchasing the salon—effectively giving Mrs. Blaylock only five months of business. Hollywood Tans did not provide the lease information to Mrs. Blaylock prior to her purchase of the store.

163. Despite request, Hollywood Tans refused to return Ms. Blaylock's investment in the Ellicott City salon and instead made specific promises and representations related to

relocating.

164. Instead of resolving the matter, Hollywood Tans forced Mrs. Blaylock to move to a location six miles away. The move caused Mrs. Blaylock to close the salon from November 23, 2006 through February 20, 2007. Mrs. Blaylock also suffered a large loss of then-current members. Even with the long closure, Hollywood Tans expected Mrs. Blaylock to pay all monthly expenses, including loan payments.

165. On February 10, 2007, the relocation took place and the additional expenses were incurred without Hollywood Tans ever providing Mrs. Blaylock with an updated Franchise Offering Circular.

166. On or about February 20, 2007, Mrs. Blaylock opened the Catonsville, Maryland salon, but had already depleted all her funds with the other store. Since it was a new salon, Mrs. Blaylock wanted a new piece of equipment, so she purchased a laydown bed for the new salon from Hollywood Tans. When it arrived, it appeared to have been used and also abused. The laydown bed had a huge dent in the top of it and was not delivered in a box as new equipment would be. Mrs. Blaylock complained to the Hollywood Tans warehouse delivery personnel and they told her it was definitely a new bed. Mrs. Blaylock called Venuto and complained about the new equipment and he assured her that they would not have sold her a used piece of equipment. The Hollywood Tans warehouse personnel beat out the large dent in the top which still did not make the equipment look new. Despite Ms. Blaylock's repeated attempts, Hollywood Tans would not replace the equipment.

167. On March 1, 2007, Mrs. Blaylock traveled to New Jersey to meet with Venuto to again state that she had no working capital funds to advertise her new salon. Venuto advised her

not to worry. . He told Mrs. Blaylock that the new location was going to be much better for her financially. At that meeting, Mrs. Blaylock also asked Venuto if he was aware of how bad the Towson salon was and Ms. Blaylock expressed enormous concern over monies she owed to Hollywood Tans corporate due to her inability to pay the rent. Mrs. Blaylock tried unsuccessfully to make Venuto understand how distressed and financially unstable she had become with the purchase of these salons, especially Towson. He again advised her to give it more time and not to worry.

168. Mrs. Blaylock also advised at the same meeting with Venuto that the Hollywood Tans warehouse personnel had badly damaged the equipment during the relocation and that even though the Catonsville salon was new, the equipment was in bad shape. Venuto advised that he was aware of her complaints from the Hollywood Tans warehouse personnel. He further stated that when equipment is moved, some things just cannot be helped and it was all part of the move. Hollywood Tans delivered used and badly damaged equipment and refused to replace it. On or about May 2007, when receiving Notice that the Hollywood Tans company was being sold, Mrs. Blaylock contacted Venuto and expressed concern about her situation. Mrs. Blaylock was concerned about losing the salons since she could not pay the bills. Venuto advised Mrs. Blaylock not to worry and that nothing was going to happen. Mrs. Blaylock reminded Venuto of his promise to purchase the salons back, and he assured her that he still had 25% ownership and control in the company and nothing would happen to her.

169. On August 5, 2007, Mrs. Blaylock traveled for the last time to New Jersey to meet with Venuto about her financial troubles. Mrs. Blaylock advised Venuto that she had received Notice from Hollywood Tans that they were taking the Towson salon from her and suing her for

all monies owed. Venuto responded by advising Mrs. Blaylock that she should let them take Towson and he would talk to the new company and ask them to waive the monies owed. Mrs. Blaylock asked Venuto about all the monies she lost. Mrs. Blaylock told Venuto that in purchasing those salons, she was now on the verge of bankruptcy and could lose her home and every that she had worked hard for. Venuto then revealed that he was the investor through the Commercial Loan who put up the \$150,000. Venuto advised her that she should just keep the Catonsville salon because without the \$150K loan, she might be able to make some of her money back. He then stated that he promised to forgive the \$150,000 loan because of Mrs. Blaylock's dire financial condition. Venuto quoted to Mrs. Blaylock, "that if you would have never met me and let me talk you into it, you would have never purchased the Hollywood Tans salons."

170. On August 5, 2007, Mrs. Blaylock met with Venuto who revealed that he was the investor through the Commercial Loan who put up the \$150,000. He then promised that he would forgive the loan because of Mrs. Blaylock's dire financial condition.

171. Hollywood Tans exacerbated Mrs. Blaylock's struggles by charging her exorbitant advertising fees, but only providing minimal advertising through a "Clipper" magazine advertising in Mrs. Blaylock's area. The bulk of the fees were used to advertise Hollywood Tans locations outside of Mrs. Blaylock's area.

172. Upon information, Hollywood Tans possessed the financial history of the two salons that were opened in 2002 and Venuto and Rahn were fully aware that the monthly and yearly sales figures were inadequate to cover the franchise payments.

173. Hollywood Tans arbitrarily enforced its covenant to restrict Mrs. Blaylock from selling non-Hollywood Tans products or use non-Hollywood Tans equipment even though it did

not enforce these contracts on other salon owners. By doing so, Hollywood Tans substantially harmed Mrs. Blaylock.

174. Hollywood Tans also unilaterally set pricing and discounting at her salon, which resulted in further losses.

175. Further, Hollywood Tans would not allow Mrs. Blaylock from increasing prices at her store.

176. Despite her best efforts and in direct conflict with Hollywood Tans' representations, the salon lost substantial money.

177. The losses are continuing.

178. The purchase of the two salons in May 2006 has caused Mrs. Blaylock undue hardship, financially and emotionally. Mrs. Blaylock is on the verge of bankruptcy. She spent all of her personal savings, mortgaged her home, borrowed money from family, and incurred substantial amounts of debt.

179. Hollywood Tans' failure to provide support is continuing.

#### **PLAINTIFFS' CURRENT SITUATION**

180. Bruner, Hay, Wood and Blaylock have all been left on the verge of bankruptcy based on the above-described wrongful conduct of Hollywood Tans.

181. Bruner, Hay, Wood and Blaylock all invested vast sums of money and nearly all of their personal savings into their Hollywood Tans franchises.

182. By reason of Hollywood Tans' breaches, misrepresentations, and violations of state law, the Plaintiffs have suffered damages which they now seek to recover from Defendants.

183. Defendant Hollywood Tanning Systems, Inc. has recently attempted to escape



liability by transferring assets to a successor-in-interest, HT Franchising, LLC. Upon information and belief, HT Franchising, LLC expressly or impliedly agreed to assume the debts and liabilities of Hollywood Tanning Systems, Inc., the transaction amounted to a consolidation or merger of the two corporations; HT Franchising, LLC is merely a continuation of Hollywood Tanning Systems, Inc., and/or the transaction was entered into fraudulently in order to escape responsibility for the debts and liabilities of Hollywood Tanning Systems, Inc.

**COUNT I**  
**(Fraud)**

184. Plaintiffs reallege, as if fully restated herein, their allegations set forth in the paragraphs above.

185. Hollywood Tans solicited the Plaintiffs into unconscionable and burdensome franchise agreements based on false and misleading statements regarding the franchise system, including the supposed profitability of its tanning salons.

186. Plaintiffs invested enormous amounts of money and made substantial payments to Hollywood Tans in exchange for the ability to operate a franchise that Hollywood Tans knew, or should reasonably have known, would in all likelihood fail and would exist only to benefit Hollywood Tans.

187. Hollywood Tans exaggerated the success rates and profitability of its franchised tanning salons.

188. Hollywood Tans knowingly underestimated the anticipated costs.

189. Upon information and belief, Hollywood Tans was responsible for increasing franchisee costs through equipment and supplier arrangements through which it benefited

financially and conspired with HCC to fraudulently increase the financial obligations of the franchisee, in order to obtain immediate cash payments.

190. Upon information and belief, Hollywood Tans controlled and manipulated the Plaintiffs' receipt of financing through Highline Capital, Inc. so that they could fraudulently benefit from the transaction.

191. Upon information and belief, Hollywood Tans completed and delivered to Highline Capital paperwork showing the delivery of equipment and supplies that the Plaintiffs' never received.

192. Upon information and belief, Hollywood Tans retained the difference between the exaggerated value of the equipment set for the purposes of the Highline Capital financing and the actual cost of the equipment delivered to the Plaintiffs or otherwise received financial payments or benefits from the transactions.

193. Upon information and belief, HCC cooperated and conspired with Hollywood Tans in its fraudulent conduct in the leasing arrangements so that it could obtain immediate payments from its third-party investors.

194. Hollywood Tans and HCC fraudulently concealed its misrepresentations and wrongdoing from the Plaintiffs despite its obligation to make full and fair disclosures.

195. Plaintiffs made their investments before they could become aware of the true lack of profitability of the Hollywood Tans business model.

196. Hollywood Tans and its officers Ralph Venuto, Sr., Ralph Venuto, Jr. and David Rahn and HCC, knowingly made false statements of fact to, and omitted or concealed true statements of fact from the Plaintiffs.

197. Hollywood Tans and the other Defendants knew or should have known that the false statements that they were making were in fact false and deceptive.

198. Hollywood Tans and the other Defendants also knew or should have known that their omissions and concealments were deceptive and incomplete.

199. Hollywood Tans and the other Defendants made the false statements, and engaged in the omissions and concealments, with the intent to defraud the Plaintiffs (the “fraudulent Scheme”) and in order to induce the Plaintiffs to rely on the statements, omissions and concealments.

200. Each Plaintiff believed the false statements made to him or her, or believed that no facts existed inconsistent with defendants' omissions and concealments, and acted in reliance upon those beliefs to his or her detriment.

201. As a result of Defendants' fraud, misrepresentations and unfair and deceptive acts and practices, Plaintiffs suffered substantial damages, including lost profits, damages to the good will, profitability and value of her franchise business, and lost business reputation, as well as other direct, indirect and consequential damages and was forced to expend time and money, including the payment of court costs and attorneys' fees.

**COUNT II**  
**(Declaration - Unconscionable Franchise Agreements)**

202. Plaintiffs reallege, as if fully restated herein, their allegations set forth in the paragraphs above.

203. Through its misrepresentations and deceptive practices, Hollywood Tans exploits its overwhelming bargaining power to require the franchisees to sign overwhelmingly one-sided contracts of adhesion without any potential for negotiation of their terms.

204. The unconscionable franchise agreements attempt to provide Hollywood Tans with, among many other things, unilateral control over important aspects of franchisee operations, unreasonable restrictions on the Plaintiff's activities, the purported ability to nullify applicable statutes of limitations that apply to franchisees' legal claims, disclaimers of responsibility for its fraud and wrongdoing in direct conflict with the franchisees' viability, and unreasonable restrictions on the ability of the franchisees to litigate and pursue their claims.

205. The terms of the franchise agreement and related documents, including the limitations, arbitration, venue, litigation, and restrictive covenants are so unreasonable, burdensome and one-sided that they are unconscionable and unenforceable.

**COUNT III**  
**(Intentional Misrepresentations)**

206. Plaintiffs reallege, as if fully restated herein, their allegations set forth in the paragraphs above.

207. Hollywood Tans is guilty of intentionally misrepresenting facts and intentionally failing to disclose others.

208. Hollywood Tans, its officers, agents, and employees, held themselves out to Plaintiffs as being knowledgeable about the Hollywood Tans system.

209. Hollywood Tans, its officers, agents, and employees, made specific representations concerning the 7-Eleven system to Plaintiff as set forth above.

210. Hollywood Tans, its officers, agents, and employees, including Ralph Venuto, Sr., Ralph Venuto, Jr. and David Rahn, intentionally failed to disclose to Plaintiffs material facts which it had a duty to disclose to Plaintiffs, as set forth above, especially facts concerning the condition of and cost of equipment and improvements, the profitability of the store, the products

and equipment that would be supplied, and the generation of income.

211. At the time Hollywood Tans made the representations and omissions set forth above, it knew or should have known that important elements of the Hollywood Tans were not disclosed to the Plaintiffs or that aspect of them were misrepresented.

212. Hollywood Tans made the misrepresentations and omissions set forth above, knowing that they were false and misleading, without knowledge whether they were true or false and/or in reckless disregard of their truth, falsity or misleading nature.

213. As Hollywood Tans intended, Plaintiffs reasonably relied on and was induced by the false representations and omissions set forth above, with such reliance resulting in substantial foreseeable damage to Plaintiffs.

**COUNT IV**  
**(Negligent Misrepresentations and Omissions)**

214. Plaintiffs reallege, as if fully restated herein, their allegations set forth in the paragraphs above.

215. The Defendants are guilty of negligently misrepresenting facts and omitting other important facts, as set forth above, especially facts concerning the condition of and cost of equipment and improvements, the profitability of the store, the products and equipment that would be supplied, and the generation of income.

216. The Defendants had an obligation under the FTC Rule, applicable state franchise statutes and under existing law to make full and accurate disclosures to Plaintiffs, and the Defendants failed to do so.

217. The representations and omissions of Hollywood Tans, its agents, officers and/or employees set forth above were false and misleading at the time they were made and were made negligently and without the exercise of due care.

218. As Hollywood Tans intended, Plaintiffs reasonably relied on and was induced by the false representations and omissions set forth above, with such reliance resulting in substantial foreseeable damage to Plaintiffs.

**COUNT V**  
**(Breach of Contract)**

219. Plaintiffs reallege, as if fully restated herein, their allegations set forth in the paragraphs above.

220. Hollywood Tans entered into various contracts and agreements with the Plaintiffs, including the Franchise Agreement and agreements related to the equipment, the financing and the business activities.

221. Hollywood Tans breached its contracts with the Plaintiff by, among other things, failing to deliver proper equipment and supplies at a price that allows for a sustainable business, failing to negotiate with suppliers for the benefit of franchisees, failing to provide promised support and assistance in operating franchises, failing to properly appropriate advertising funds, failing to disclose the relationships it has with approved vendors, including the kickbacks it receives from them, and misusing the marketing funds paid by Plaintiffs.

222. As a result of the breaches of contract, Plaintiffs suffered substantial damages, including lost profits, damages to the good will, profitability and value of their franchise businesses, and lost business reputation, as well as other direct, indirect and consequential

damages and were forced to expend time and money, including the payment of court costs and attorneys' fees.

**COUNT VI**  
**(Breach of the Covenant of Good Faith and Fair Dealing)**

223. Plaintiffs reallege, as if fully restated herein, their allegations set forth in the paragraphs above.

224. Hollywood Tans had an obligation to abide by the implied covenant of good faith and fair dealing in its contracts and agreements with Plaintiffs.

225. The duty of good faith and fair dealing prevented Hollywood Tans from doing anything that would damage or destroy the right of Plaintiffs to receive the fruits of their contracts. That duty prevented Hollywood Tans from exercising its rights in either an arbitrary or bad faith manner and required Hollywood Tans to do those things that were reasonably necessary and reasonably expected by Plaintiff.

226. Through its conduct, Hollywood Tans breached its implied duties of good faith and fair dealing.

227. As a result of the breaches of contract, Plaintiffs suffered substantial damages, including lost profits, damages to the good will, profitability and value of their franchise business, and lost business reputation, as well as other direct, indirect and consequential damages and was forced to expend time and money, including the payment of court costs and attorneys' fees.

**COUNT VII**  
**(Fraudulent Concealment - Estoppel)**

228. Plaintiffs reallege, as if fully restated herein, their allegations set forth in the paragraphs above.

229. Throughout the implementation of their fraud and continuing until the present day, Defendants have engaged in affirmative conduct and made representations, including those described herein, with the intent and effect of preventing Plaintiffs from becoming aware of their rights and dissuading them from pursuing legal action to vindicate those rights.

230. Defendants actively concealed information necessary for Plaintiffs to discover the existences of their causes of action.

231. Plaintiffs relied on the Defendants' actions and/or omissions in failing to discover the factual and legal basis of their claims.

232. As a result of Defendants' self-concealing fraud, affirmative misconduct, misrepresentations and omissions, Plaintiffs did not know, and could not know in the exercise of reasonable diligence, the basis of their claims.

233. Accordingly, Defendants are estopped from raising affirmative defenses relying upon any statutes of limitations or contractual limitations periods otherwise applicable to the claims asserted herein by Plaintiffs.

**COUNT VIII**  
**(Violation of the Maryland Franchise Act , Md. Code Ann., § 14-227)**

234. Plaintiffs reallege, as if fully restated herein, their allegations set forth in the paragraphs above.



235. Hollywood Tans sold Plaintiff Mark Wood two Hollywood Tans franchises by means of untrue statements of material fact and through the omission of material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading, as alleged above.

236. At the time the franchise was purchased, Mark Wood did not know and, in the exercise of reasonable care, could not have known of the untruth or omission.

237. Moreover, Hollywood Tans fraudulently concealed the truth so as to block any effort of Mark Wood to assert claims against Hollywood Tans.

238. Hollywood Tans' conduct was in violation of the Maryland Franchise Act, Md. Code Ann., § 14-227, and entitles Mark Wood to restitution and rescission.

239. Ralph Venuto, Sr., Ralph Venuto, Jr. and David Rahn controlled and directed the unlawful conduct of Hollywood Tans described herein, were principal officers or directors of Hollywood Tans, and/or materially aided in the acts or transaction that were in violation of the statute and are liable for the conduct.

240. As a result of the misrepresentations and omissions, Mark Wood purchased the franchises and suffered substantial damages, including lost profits, damages to the good will, profitability and value of their franchise business, and lost business reputation, as well as other direct, indirect and consequential damages and was forced to expend time and money, including the payment of court costs and attorneys' fees.

#### **COUNT IX**

#### **(Violations of Colorado Deceptive Trade Practices Act, C.R.S. 6-1-105 et seq.)**

241. Plaintiffs reallege, as if fully restated herein, their allegations set forth in the paragraphs above.

242. Hollywood Tans engaged in unfair and deceptive acts and practices in violation of Colorado Deceptive Trade Practices Act, C.R.S. 6-1-105 et seq. through its acts and omissions, including its sale of a Hollywood Tans franchise to Plaintiff Jim Hay without providing the required franchise offering disclosures and by means of untrue statements of material fact and through the omission of material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading, as alleged above.

243. Upon information and belief, Hollywood Tans also engaged in deceptive trade practices in violation of Colorado Deceptive Trade Practices Act, C.R.S. 6-1-105 et seq. when, in the course of its business: (a) knowingly made false representations as to the characteristics and benefits of its goods, and services (b) represented and sold goods as new when they were not and/or knowingly charged for more than was delivered; (c) represented that its goods, especially its tanning booth equipment, were of a high standard, quality, and grade, when it knew or should have known that were not; (d) advertised and represented that it would provide for Plaintiffs certain goods and services, when it did not in fact intend to sell or offer them as advertised; (e) made false or misleading statements of fact concerning the price and quality of its goods and services; (f) failed to deliver at the time of equipment leases, financing arrangements and/or installment sale of goods or services a written order, contract, or receipt setting forth the name and address of the seller, the name and address of the organization which he represents, and all of the terms and conditions of the sale, including a description of the goods or services, stated in readable, clear, and unambiguous language; (g) Employed "bait and switch" advertising and representations concerning the sale of its franchise, its equipment, goods and services; (h) failed to adequately disclose and abide by its warranties and guarantees for the tanning equipment

delivered; (i) failed to disclose material information concerning the franchise, goods, and services, which information was known at the time of the sale and its failure to disclose such information was intended to induce Plaintiffs to enter into the transactions; and (j) other deceptive trade practices as described in the Complaint.

244. Ralph Venuto, Sr., Ralph Venuto, Jr. and David Rahn controlled and directed the unlawful conduct of Hollywood Tans described herein and are liable for the conduct.

245. As a result of the deceptive practices, Jim Hay purchased the franchise and suffered substantial damages in the course of his business, including lost profits, damages to the good will, profitability and value of their franchise business, and lost business reputation, as well as other direct, indirect and consequential damages and was forced to expend time and money, including the payment of court costs and attorneys' fees.

#### **COUNT X**

#### **(Violations of Ohio Business Opportunity Plans Act, Ohio R.C. § 1334)**

246. Plaintiffs reallege, as if fully restated herein, their allegations set forth in the paragraphs above.

247. Hollywood Tans sold business opportunity plans in Ohio as defined in Ohio R.C. § 1334.

248. Bethany Bruner purchased the business opportunity based on the false and misleading representations made by Hollywood Tans, and because Hollywood Tans made incomplete and misleading disclosures in violation of Ohio R.C. § 1334 and in violation of the Federal Trade Commission Rule.

249. In selling the business opportunity plan, Hollywood Tans oral, written, and visual representations concerning potential sales, income, and gross or net profit, without possessing or

delivering data to substantiate the representation and without providing the data required by Ohio R.C. § 1334.03.

250. Hollywood Tans made false and misleading statements and engaged in deceptive and unconscionable acts or practices in the sale and conduct of the franchise and otherwise violated Ohio R.C. § 1334.

251. Ralph Venuto, Sr., Ralph Venuto, Jr. and David Rahn controlled and directed the unlawful conduct of Hollywood Tans described herein and are liable for the conduct.

252. As a result of the deceptive practices, Bethany Bruner purchased the franchise and suffered substantial damages in the course of his business, including lost profits, damages to the good will, profitability and value of their franchise business, and lost business reputation, as well as other direct, indirect and consequential damages and was forced to expend time and money, including the payment of court costs and attorneys' fees.

#### **COUNT XI**

#### **(RICO Violation, Conducting or Participating in an Enterprise (18 U.S.C. § 1962(c))**

253. Plaintiffs reallege, as if fully restated herein, their allegations set forth in the paragraphs above.

254. This claim, which alleges a violation of 18 U.S.C. § 1962(c), is asserted by Plaintiffs against all Defendants.

255. Said Defendants are each RICO "persons," as that term is defined in 18 U.S.C. § 1961(3).

256. For purposes of the RICO claims, the RICO "enterprise" is an ongoing and continuing association-in-fact consisting of the Hollywood Tans entities and their executives, on

the one hand and Highline Capital Corporation, on the other, formed for the common or shared purpose of providing loans and leasing services to the Plaintiffs, and deriving profits from those activities (the “Highline leasing enterprise”).

257. Upon information and belief, and at all relevant times, Defendants violated RICO when they conducted or participated in the affairs of the Highline leasing enterprise and the Fraudulent Scheme through a pattern of racketeering activity over an approximate four year period, which was intended to defraud Plaintiffs and further the Fraudulent Scheme as set forth herein.

258. During this approximate four year period, Defendants used the U.S. mails and interstate wire facilities to perpetrate their Highline leasing enterprise and Fraudulent Scheme.

259. During this approximate four year period, and in furtherance of their ongoing Highline leasing enterprise and Fraudulent Scheme, Defendants submitted or caused to be submitted to Plaintiffs, via facsimile over interstate telephone wires and by first-class U.S. mail, agreements and invoices. The invoices were faxed and/or mailed to Plaintiffs routinely and systematically. Said Defendants knowingly and intentionally mailed, faxed, or caused to be mailed or faxed these fraudulent invoices, with the intent to induce Plaintiffs to make inflated payments to Highline Capital and Defendants. Plaintiffs reasonably relied on the fraudulent invoices and submitted documents to their detriment and paid or were defrauded by the artificially inflated invoices sent to them.

260. Defendants’ wrongful acts constituted wire fraud under 18 U.S.C. § 1343.

261. Defendants’ wrongful acts constituted mail fraud under 18 U.S.C. § 1341.

262. During this approximate four year period, Defendants committed numerous acts

of wire fraud, indictable under 18 U.S.C. § 1343, and mail fraud, indictable under 18 U.S.C. § 1341, each of which constitutes “racketeering activity” within the meaning of 18 U.S.C. § 1961(1), and all of which collectively constitute a “pattern of racketeering activity” within the meaning of 18 U.S.C. § 1961(5).

263. At all relevant times, Defendants’ illegal conduct and wrongful practices were carried out by an array of employees, working across state boundaries and in regional offices, who necessarily relied upon the frequent transfer of documents and information, invoices, and funds by the U.S. mails and interstate wire facilities.

264. The nature and pervasiveness of the Highline leasing enterprise, which was orchestrated out of the corporate headquarters of Hollywood Tans in New Jersey and Highline Capital Corporation in Colorado, necessarily required those headquarters to communicate directly and frequently by the U.S. mails and interstate wire facilities with the assistance of various managers who directly communicated with Plaintiffs.

265. At all relevant times, the use of the U.S. mails and interstate wire facilities to perpetrate the Fraudulent Scheme in furtherance of the Highline leasing enterprise involved many hundreds of communications, in interstate commerce.

266. Defendants’ motive in creating and operating the Highline leasing enterprise was to fraudulently obtain illegal profits for their equipment lease contracts, in furtherance of the Fraudulent Scheme.

267. Defendants’ violations of federal law and their pattern of racketeering activity have directly and proximately caused Plaintiffs to be injured in their business or property because Plaintiffs have paid many thousands of dollars for fraudulently created leases and related

services.

268. This action is being brought under 18 U.S.C. § 1964(c). Under the provisions of Section 1964(c) of RICO, the Defendants are jointly and severally liable to Plaintiffs for three times the damages that Plaintiffs have sustained, plus the costs of bringing this suit, including reasonable attorneys' fees.

**COUNT XII**  
**(Conspiracy to Violate RICO (18 U.S.C. § 1962 (d)))**

269. Plaintiffs reallege, as if fully restated herein, their allegations set forth in the paragraphs above.

270. This claim, which alleges a violation of 18 U.S.C. § 1962(d), is asserted by Plaintiffs against all Defendants.

271. Defendants are each RICO "persons," as that term is defined in 18 U.S.C. § 1961 (3).

272. At all relevant times, Defendants violated RICO when they conspired and agreed to conduct the affairs of the Highline leasing enterprise through a pattern of racketeering activity over an approximate four year period, which was intended to defraud Plaintiffs and further the Fraudulent Scheme as set forth herein.

273. The pattern of racketeering activity involved the mailing and/or faxing to Plaintiffs of artificially inflated and fraudulent invoices for equipment leases. These invoices were mailed and/or faxed to Plaintiffs routinely and systematically.

274. Defendants' motive in conspiring to operate the Highline leasing enterprise through a pattern of racketeering activity was to fraudulently obtain illegal profits, in furtherance of the Fraudulent Scheme.

275. Defendants' violations of federal law and their pattern of racketeering activity have directly and proximately caused Plaintiffs to be injured in their business or property because they have paid and been encumbered with many thousands of dollars for fraudulently created equipment leases and related services.

276. This action is being brought under 18 U.S.C. § 1964(c). Under the provisions of Section 1964(c) of RICO, the Defendants are jointly and severally liable to Plaintiffs for three times the damages that Plaintiffs have sustained, plus the costs of bringing this suit, including reasonable attorneys' fees.

**COUNT XIII**  
**(Unjust Enrichment)**

277. Plaintiffs reallege, as if fully restated herein, their allegations set forth in the paragraphs above.

278. Through its misrepresentations and deceptive practices, Hollywood Tans exploits its overwhelming bargaining and unjustly obtained funds and other benefits from Plaintiffs and as a result of Plaintiffs' activities.

279. Pursuant to the Fraudulent Scheme, Defendants were improperly and unjustly enriched by payments received from Plaintiffs based on Defendants' wrongful and fraudulent conduct as set forth herein.

280. Defendants have failed to account for and return to Plaintiffs the value of the benefits the Defendants derived therefrom and Defendants have concealed the nature and scope of its unfair and deceptive conduct.

281. As a result of Defendants' wrongful acts and omissions as described above,



Defendants have been unjustly enriched at the expense of Plaintiffs.

282. Plaintiffs demand restitution and judgment against Defendants jointly, severally, and/or in the alternative, in the to be determined at the trial herein, together with interest, exemplary or punitive damages, attorneys' fees and the costs of this action.

WHEREFORE, Plaintiffs respectfully request that this Court:

1. Enter judgment for Plaintiffs and against Defendants on Counts I – XIII and award all compensatory, consequential and statutory damages to which they are entitled, and such other relief as the Court deems just and equitable., including attorneys' fees, punitive damages as allowable by the applicable law, multiple damages, together with prejudgment and post judgment interest, costs, expenses, disbursements and attorneys' fees;

2. Enter judgment for Plaintiffs and against Defendants on Counts I - XIII of the Complaint, rescind the franchise agreements and award Plaintiffs all of the fees, expenses and royalties that they have paid to date;

3. Enter a Declaratory Judgment declaring the franchise agreements, in whole or in part, unconscionable and unenforceable; and

4. Grant such other and further relief, as the Court deems just and appropriate.

JURY DEMAND

Plaintiffs demand a trial by jury on all counts so triable.

HT OF HIGHLANDS RANCH, INC.,  
RMB ENTERPRISE, INC.,  
GRANDSOLE, INC., and  
MARKWOOD ENTERPRISES, INC.,  
By their Attorneys,

s/John T. Doyle, Esq. \_\_\_\_\_

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