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8 ELI Realty Investments, LLC, Exclusive
Lifestyles SoCal, LLC, Exclusive Lifestyles
9 San Francisco, Inc., Exclusive Lifestyles
Ohio, LLC, and Exclusive Lifestyles Las
10 Vegas, LLC

11 **UNITED STATES DISTRICT COURT**
12 **CENTRAL DISTRICT OF CALIFORNIA**

13
14 ELI Realty Investments, LLC, a Nevada
limited liability company; Exclusive
15 Lifestyles SoCal, LLC, a California
limited liability company; Exclusive
16 Lifestyles San Francisco, Inc., a
California corporation; Exclusive
17 Lifestyles Ohio, LLC, an Ohio limited
liability company; and Exclusive
18 Lifestyles Las Vegas, LLC, a Nevada
limited liability company,

19
20 Plaintiffs,

21 vs.

22 Corcoran Group, LLC, a Delaware
23 limited liability company; DOES 1
through 10,

24 Defendants.
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CASE NO. 8:22-cv-01195

COMPLAINT FOR:

**(1) BREACH OF CONTRACT;
(2) FRAUD; AND
(3) VIOLATION OF CAL. BUS.
AND PROF. CODE § 17200**

DEMAND FOR JURY TRIAL

1 ELI Realty Investments, LLC, Exclusive Lifestyles SoCal, LLC, Exclusive
2 Lifestyles San Francisco, Inc., Exclusive Lifestyles Ohio, LLC, and Exclusive
3 Lifestyles Las Vegas, LLC (collectively, “Plaintiffs”) hereby allege as follows:

4 **The Parties**

5 1. Plaintiff ELI Realty Investments, LLC is a Nevada limited liability
6 company with its principal place of business in Reno, Nevada.

7 2. Plaintiff Exclusive Lifestyles SoCal, LLC is a California limited
8 liability company with its principal places of business in Orange County and
9 Rancho Cucamonga, California.

10 3. Plaintiff Exclusive Lifestyles San Francisco, Inc. is a California
11 corporation with its principal place of business in San Francisco, California.

12 4. Plaintiff Exclusive Lifestyles Ohio, LLC is an Ohio limited liability
13 company with its principal place of business in Columbus, Ohio.

14 5. Plaintiff Exclusive Lifestyles Las Vegas, LLC is a Nevada limited
15 liability company with its principal place of business in Las Vegas, Nevada.

16 6. ELI Realty Investments, LLC is the majority owner of and controls
17 the other four plaintiffs. Collectively, Plaintiffs ELI Realty Investments, LLC,
18 Exclusive Lifestyles SoCal, LLC, Exclusive Lifestyles San Francisco, Inc.,
19 Exclusive Lifestyles Ohio, LLC, and Exclusive Lifestyles Las Vegas, LLC are
20 hereinafter collectively referred to as “Plaintiffs”.

21 7. Defendant Corcoran Group LLC (“Defendant” or “Corcoran Group”)
22 is a Delaware limited liability company with its principal place of business in
23 Madison, New Jersey.

24 **Jurisdiction And Venue**

25 8. This Court has subject matter jurisdiction over this matter pursuant to
26 28 U.S.C. § 1332, as the matter in controversy exceeds the sum or value of
27 \$75,000, exclusive of interest and costs, and there is complete diversity of
28

1 citizenship between Plaintiffs and Defendant.

2 9. This Court has personal jurisdiction over Corcoran Group because, as
3 more fully alleged herein, Corcoran Group entered into contracts with ELI Realty
4 Investments, Exclusive Lifestyles SoCal and Exclusive Lifestyles San Francisco to
5 perform services in California and thus purposefully directed its business activities
6 to California, as more fully alleged herein.

7 10. Venue is proper in this District pursuant to 28 U.S.C. § 1391 because
8 a substantial part of the events or omissions giving rise to the claims herein
9 occurred in this District.

10 **Corcoran and the Franchise Agreements**

11 11. Corcoran Group was originally formed on October 1, 2015 to operate
12 as a subsidiary of Realogy Group and Realogy Holdings, which operate a number
13 of real estate franchise systems, including Century 21, Coldwell Banker and
14 Sotheby's International Realty. Corcoran Group began offering franchises for real
15 estate brokerage offices in January 2019.

16 12. In late 2019 and early 2020, Plaintiff ELI Realty Investments was in
17 discussions with Christies International Real Estate, a competitor of the Corcoran
18 Group, to start a Christies franchise. In late 2019 and early 2020, Corcoran Group,
19 induced ELI Realty Investments to enter instead into franchise agreements with the
20 Corcoran Group.

21 13. Specifically, Corcoran provided to ELI Realty Investments on or
22 about October 9, 2019 Corcoran Group's Franchise Disclosure Document (FDD),
23 which included the form of, and was later incorporated into, the franchise
24 agreements ultimately signed by Plaintiffs in reliance on the representations
25 alleged herein. The FDD and franchise agreements also incorporate Corcoran
26 Group's Policy and Procedures Manual (P&P Manual). The Franchise Agreements
27 with the Plaintiffs, including the incorporated FDD and the P&P Manual are
28 collectively referred to as the Franchise Documents.

1 14. Corcoran Group represented, including in the Franchise Documents,
2 that Corcoran Group had developed fully functioning technology systems,
3 including a system known as DASH that would allow Plaintiffs to transmit
4 required listing information and transaction reporting information and other
5 relevant reporting data via the internet, and that would generate accurate
6 information regarding Royalty Fees to be paid by franchisees. Corcoran’s DASH
7 system was not fully functional as represented, causing major disruptions to
8 Plaintiffs’ businesses and the repeated and uncured Royalty Fee overpayments
9 alleged herein. The Franchise Documents required Plaintiffs to use the deficient
10 DASH system.

11 15. Corcoran Group represented, including in the Franchise Documents,
12 that corcoran.com was capable of serving as Plaintiffs’ primary website presence,
13 including for MLS listings. Contrary to Corcoran’s representations, corcoran.com
14 was deficient in many respects, for many months after Plaintiffs entered into their
15 Franchise Agreements, including without limitation:

- 16 • corcoran.com was non-compliant with state real estate guidelines for
17 how listings and agents should appear online on (missing DRE
18 numbers and MLS IDs)
- 19 • corcoran.com was missing MLS feeds for many months
- 20 • corcoran.com was incapable of presenting Plaintiffs’ business as a
21 whole their leadership with correct structure and titles, or other
22 local/regional-level services

23 16. The Franchise Documents required Corcoran Group to provide
24 marketing support to Plaintiffs, and Corcoran Group represented that it had the
25 capabilities to provide this support, including without limitation implementation of
26 a Launch Advertising Plan. Contrary to Corcoran’s representations, Corcoran
27 Group lacked these capabilities, including a grossly deficient presentations tool,
28 inadequate, non-compliant and/or unusable templates, inability and/or

1 unwillingness of Corcoran Group’s marketing personnel to provide support or
2 approval.

3 17. The Franchise Documents required Corcoran Group to provide
4 training to each of Plaintiffs within one year of executing their Franchise
5 Agreements. This included at least two hours of training in each of the following
6 areas: Brand Introduction, Digital Overview, Using Tools and Systems,
7 Marketing, Recruiting, and Learning and Development. The failure of Corcoran
8 Group to provide the required training greatly exacerbated the deficiencies in
9 DASH, corcoran.com and Corcoran Group’s marketing capabilities.

10 18. In reliance on Corcoran Group’s representations and promises, on or
11 about January 19, 2020, ELI Realty Investments entered into a Franchise
12 Agreement with Corcoran Group to operate a real estate brokerage businesses in
13 the Reno, Nevada geographic market (including the counties of Placer, El Dorado,
14 Amador, Nevada, Sierra, and Alpine in California, and the Counties of Washoe,
15 Lyon, Storey, and Douglas in Nevada), as well as the San Francisco geographic
16 market (the “ELI Realty Investments Contract”).

17 19. In further reliance on Corcoran Group’s representations and promises,
18 on or about January 23, 2020, Plaintiff Exclusive Lifestyles San Francisco, an
19 affiliate of ELI Realty Investments that shares some common ownership, entered
20 into a separate Franchise Agreement with Corcoran Group to operate a real estate
21 brokerage businesses in the San Francisco geographic market (the “Exclusive
22 Lifestyles SF Contract”).

23 20. As a further inducement for ELI Realty Investments to become the
24 first franchisee of Corcoran Group, Corcoran Group offered to fund ELI Realty
25 Investments’ acquisition and transition costs incurred in bringing in
26 merger/acquisition candidates to join the ELI Realty Investments group of
27 franchisees and form additional Corcoran franchises. Specifically, Corcoran
28 Group offered Conversion Promissory Notes (“CPNs”), to be funded upon the

1 close of each new franchise agreement. Corcoran Group represented to Plaintiffs
2 that the CPNs were not loans, but a forgivable upfront rebate of franchise fees that
3 would be earned annually over the term of the franchise agreements.

4 21. But in order to receive the annual forgiveness of CPN obligations and
5 to continue to receive further CPN funding, Plaintiffs were required to keep their
6 franchise fees current and to ensure that commission income from the Plaintiffs'
7 franchises maintained thresholds and trending consistent with inception
8 commission income as franchises were added to Plaintiffs' franchise group. After
9 inducing Plaintiffs to repeatedly increase the CPN funding, the Corcoran Group
10 engaged in several unfair, unlawful and/or fraudulent acts that interfered with
11 Plaintiffs' ability to comply with the terms of the CPNs, including by unfairly
12 calculating commission income in a way that prevented Plaintiffs from maintaining
13 the trending required to receive annual forgiveness credit against the CPNs.

14 22. By representing that the CPN's are not loans, but rather an
15 advancement of rebated franchise fees forgivable over the committed term of the
16 franchise agreement, on information and belief, Corcoran Group purported to
17 avoid legal requirements regarding usury rates and loan payment and default rights
18 in favor of franchisees. Yet Corcoran Group or its affiliates filed UCC
19 documentation as is customary with loans in order to secure its CPN rights against
20 the franchisee operations. Thereafter, Corcoran used the threat of acceleration of
21 CPN notes, as well as issuance of further CPN notes to fund growth, as
22 mechanisms to coerce concessions from Plaintiffs in connection with their rights
23 under the Franchise Documents, and to favor and protect franchises owned or
24 controlled by the Corcoran Group or its affiliates.

25 23. In further reliance on Corcoran Group's representations and promises,
26 and based on the inducements by Corcoran Group to produce additional revenue to
27 reduce indebtedness on the Conversion Promissory Notes, on or about September
28 11, 2020, Plaintiff Exclusive Lifestyles SoCal, an affiliate of ELI Realty Group

1 that shares some common ownership, entered into a separate Franchise Agreement
2 with Corcoran Group to operate a real estate brokerage businesses in Southern
3 California geographic markets, ultimately including the San Diego Geographic
4 Market, the LA Geographic Market, Riverside Geographic Market, San Bernardino
5 Geographic Market, and Orange County Geographic Market (the “Exclusive
6 Lifestyles SoCal Contract”).

7 24. In further reliance on Corcoran Group’s representations and promises,
8 and based on the inducements by Corcoran Group to produce additional revenue to
9 reduce indebtedness on the Conversion Promissory Notes, on or about June 23,
10 2021, Plaintiff Exclusive Lifestyles Las Vegas, an affiliate of ELI Realty Group
11 that shares some common ownership, entered into a separate Franchise Agreement
12 with Corcoran Group to operate a real estate brokerage businesses in the Las Vegas
13 geographic market (the “Exclusive Lifestyles LV Contract”).

14 25. In further reliance on Corcoran Group’s representations and promises,
15 and based on the inducements by Corcoran Group to produce additional revenue to
16 reduce indebtedness on the Conversion Promissory Notes, on or about October 22,
17 2021, Plaintiff Exclusive Lifestyles Ohio, an affiliate of ELI Realty Group that
18 shares some common ownership, entered into a separate Franchise Agreement with
19 Corcoran Group to operate a real estate brokerage businesses in the Columbus,
20 Ohio geographic market (the “Exclusive Lifestyles Ohio Contract”). The ELI
21 Realty Investments Contract, the Exclusive Lifestyles SF Contract, the Exclusive
22 Lifestyles SoCal Contract, the Exclusive Lifestyles LV Contract the Exclusive
23 Lifestyles Ohio Contract, together with the FDD and P&P Manual incorporated
24 therein are collectively referred to herein as the “Franchise Agreements.”

25 26. Among other things, the Franchise Agreements required Corcoran
26 Group to accurately calculate Royalty Fees due from Plaintiffs based on
27 information provided through Corcoran’s DASH system.

28 27. Plaintiffs ELI Realty Investments, Exclusive Lifestyles San Francisco

1 and Exclusive Lifestyles SoCal diligently performed their obligations under their
2 respective Franchise Agreements starting in 2020, earning Gross Revenue in the
3 total amount of \$86,718,568 for all transactions occurring in the 2020 calendar
4 year (the “2020 GCI”)

5 28. These Plaintiffs have paid Corcoran Group a total of \$2,772,913 in
6 Royalty Fees for transactions that closed during the 2020 calendar year. In early
7 2021, these Plaintiffs learned that the amount of Royalty Fees they paid to the
8 Corcoran Group were significantly more than they owed under the Franchise
9 Agreements

10 29. The parties determined that there was an integration issue between
11 Plaintiffs’ data system and Corcoran Group’s DASH system caused by the DASH
12 system’s API. The deficient DASH API caused transactions to be duplicated
13 (sometimes, multiple times), resulting in Corcoran Group reporting that Plaintiffs
14 owed Royalty Fees for certain properties even though the Royalty Fee for such
15 subject properties had already been paid.

16 30. Throughout 2021 and early 2022, Plaintiffs have attempted to get
17 Corcoran Group to cooperate in fixing the errors and calculating and refunding the
18 specific amount of overpayment of Royalty Fees. In a good faith attempt to assist
19 Corcoran Group in solving the underlying problem and calculating the amount of
20 the overpayments, Plaintiffs, at their own expense and with Corcoran Group’s
21 consent, engaged a CPA to conduct an audit including an analysis of the amount of
22 Royalty Fees due and actually paid by Plaintiffs during the 2020 calendar year.

23 31. As of March 17, 2022, the audit had determined that Plaintiffs had
24 paid Corcoran Group a total of \$2,772,913 in Royalty Fees for transactions that
25 closed during the 2020 calendar year resulting in an overpayment of Royalty Fees
26 in the amount of \$388,153.

27 32. As the underlying data problems have not been resolved, Plaintiffs
28 continued to overpay Royalty Fees in 2021 and 2022. Plaintiffs believe that the

1 total amount of Royalty Fee overpayments to date exceed \$800,000.

2 33. On March 17, 2022, Plaintiffs, through their counsel, demanded
3 reimbursement of their overpayment of Royalty Fees, including in the amount of
4 \$388,153 for the 2020 calendar year. Plaintiffs have also suffered damages by
5 incurring increased expenses and costs in an effort to address the overpayment
6 issues.

7 34. Yet Despite Corcoran Group’s knowledge of the overpayments and
8 the cause of the errors, Corcoran Group has failed to correct the problem and has
9 failed and refused to refund the overpayments.

10 **COUNT I**

11 **Breach of ELI Realty Investments Contract**

12 35. Plaintiffs incorporate the allegations of paragraphs 1 through 34
13 hereinabove as though set forth in full.

14 36. ELI Realty Investments performed all its obligations under the ELI
15 Realty Investments Contract, except those which have been excused or prevented
16 by Corcoran Group.

17 37. Corcoran Group has breached the ELI Realty Investments Contract
18 by, among other things, overcharging for Royalty Fees, failing to refund
19 overpayment of Royalty Fees by ELI Realty Investments, and failing to provide the
20 training required by the Franchise Documents within one year.

21 38. As a direct and proximate result of Corcoran Group’s breaches of the
22 ELI Realty Investments Contract, ELI Realty Investments has been damaged in an
23 amount according to proof, but which is believed to be in excess of \$500,000.

24 **COUNT II**

25 **Breach of Exclusive Lifestyles SF Contract**

26 39. Plaintiffs incorporate the allegations of paragraphs 1 through 38
27 hereinabove as though set forth in full.

28 40. Exclusive Lifestyles San Francisco performed all its obligations under

1 the Exclusive Lifestyles SF Contract, except those which have been excused or
2 prevented by Corcoran Group.

3 41. Corcoran Group has breached the Exclusive Lifestyles SF Contract
4 by, among other things, overcharging for Royalty Fees, failing to refund
5 overpayment of Royalty Fees by Exclusive Lifestyles San Francisco, and failing to
6 provide the training required by the Franchise Documents within one year.

7 42. As a direct and proximate result of Corcoran Group's breaches of the
8 Exclusive Lifestyles SF Contract, Exclusive Lifestyles San Francisco has been
9 damaged in an amount according to proof, but which is believed to be in excess of
10 \$500,000.

11 **COUNT III**

12 **Breach of Exclusive Lifestyles SoCal Contract**

13 43. Plaintiffs incorporate the allegations of paragraphs 1 through 42
14 hereinabove as though set forth in full.

15 44. Exclusive Lifestyles SoCal performed all its obligations under the
16 Exclusive Lifestyles SoCal Contract, except those which have been excused or
17 prevented by Corcoran Group.

18 45. Corcoran Group has breached the Exclusive Lifestyles SoCal Contract
19 by, among other things, overcharging for Royalty Fees and failing to refund
20 overpayment of Royalty Fees by Exclusive Lifestyles SoCal.

21 46. As a direct and proximate result of Corcoran Group's breaches of the
22 Exclusive Lifestyles SoCal Contract, Exclusive Lifestyles SoCal has been
23 damaged in an amount according to proof, but which is believed to be in excess of
24 \$500,000.

25 **COUNT IV**

26 **Breach of Exclusive Lifestyles LV Contract**

27 47. Plaintiffs incorporate the allegations of paragraphs 1 through 46
28 hereinabove as though set forth in full.

1 48. Exclusive Lifestyles Las Vegas performed all its obligations under the
2 Exclusive Lifestyles LV Contract, except those which have been excused or
3 prevented by Corcoran Group.

4 49. Corcoran Group has breached the Exclusive Lifestyles LV Contract
5 by, among other things, overcharging for Royalty Fees and failing to refund
6 overpayment of Royalty Fees by Exclusive Lifestyles Las Vegas.

7 50. As a direct and proximate result of Corcoran Group's breaches of the
8 Exclusive Lifestyles LV Contract, Exclusive Lifestyles Las Vegas has been
9 damaged in an amount according to proof, but which is believed to be in excess of
10 \$200,000.

11 **COUNT V**

12 **Breach of Exclusive Lifestyles Ohio Contract**

13 51. Plaintiffs incorporate the allegations of paragraphs 1 through 51
14 hereinabove as though set forth in full.

15 52. Exclusive Lifestyles Ohio performed all its obligations under the
16 Exclusive Lifestyles Ohio Contract, except those which have been excused or
17 prevented by Corcoran Group.

18 53. Corcoran Group has breached the Exclusive Lifestyles Ohio Contract
19 by, among other things, overcharging for Royalty Fees and failing to refund
20 overpayment of Royalty Fees by Exclusive Lifestyles Ohio.

21 54. As a direct and proximate result of Corcoran Group's breaches of the
22 Exclusive Lifestyles Ohio Contract, Exclusive Lifestyles Ohio has been damaged
23 in an amount according to proof, but which is believed to be in excess of \$200,000.

24 **COUNT VI**

25 **Fraud**

26 55. Plaintiffs incorporate the allegations of paragraphs 1 through 54
27 hereinabove as though set forth in full.

28 56. In October 2019 through January 2020, Corcoran Group directly and

1 through its agents, including Ryan Schneider, John Peyton, Richard Green, David
2 Cernich, Pam Liebman, Luke Barton, April Kearney and Monique Sofu
3 misrepresented to or concealed from Plaintiffs the following facts:

- 4 **a.** Misrepresented that Corcoran Group had developed technology
5 systems that would allow Plaintiffs to transmit required listing
6 information and transaction reporting information and other relevant
7 reporting data via the internet, and that would generate accurate
8 information regarding Royalty Fees to be paid by franchisees.
9 Corcoran Group concealed from Plaintiffs that its DASH system was
10 not fully functional as represented, causing major disruptions to
11 Plaintiffs' businesses and the repeated and uncured Royalty Fee
12 overpayments alleged herein.
- 13 **b.** Misrepresented that corcoran.com was capable of serving as
14 Plaintiffs' primary website presence, including for MLS listings.
15 Corcoran Group concealed that corcoran.com was deficient in that
- 16 • corcoran.com was non-compliant with state real estate guidelines
 - 17 for how listings and agents should appear online on (missing DRE
 - 18 numbers and MLS IDs)
 - 19 • corcoran.com was missing MLS feeds, including for many months
 - 20 after Plaintiffs launched their franchises
 - 21 • corcoran.com was incapable of presenting Plaintiffs' business as a
 - 22 whole their leadership with correct structure and titles, or other
 - 23 local/regional-level services
- 24 **c.** Misrepresented that Corcoran Group had the capabilities to provide
25 marketing support, including without limitation implementation of a
26 Launch Advertising Plan. Corcoran Group concealed that it lacked
27 these capabilities, including a grossly deficient presentations tool,
28 inadequate, non-compliant and/or unusable templates, inability and/or

1 unwillingness of Corcoran Group’s marketing personnel to provide
2 support or approval.

3 57. Also in January 2020, at the time Corcoran Group entered into the
4 ELI Realty Investments Contract and the Exclusive Lifestyles SF Contract,
5 Corcoran Group promised in written Conversion Promissory Note that it would
6 forgive the Yearly Principal on the CPN notes if ELI Realty Investments met the
7 “Forgiveness Threshold” and paid the applicable Royalty Fees.

8 58. Corcoran Group made the same promise in September 2020 at the
9 time of the Exclusive Lifestyles SoCal Contract, as well as in CPNs dated March
10 15, 2021, August 12, 2021, September 1, 2021, and January 27, 2022.

11 59. At the time that Corcoran Group made the misrepresentations and
12 false promises alleged herein, it knew them to be false as it had full knowledge of
13 the true facts and intentions, and knew that the concealed facts would be material
14 to Plaintiffs in entering into the Franchise Agreements. With respect to the false
15 promises regarding the CPNs, on information and belief, Corcoran Group never
16 intended to forgive the Yearly Principal over the term of the Franchise
17 Agreements, but rather to manipulate calculation of commission income and
18 engage in other acts that prevented ELI Realty Investments from achieving the
19 Forgiveness Thresholds, at least according to Corcoran Group.

20 60. Corcoran Group intended to induce Plaintiffs to rely on the
21 misrepresentations, concealment and false promises alleged herein by entering into
22 the Franchise Agreements, as Corcoran Group knew that the misrepresented and
23 concealed information and false promises would be important to any reasonable
24 franchisee in deciding whether to enter into a franchise relationship.

25 61. Plaintiffs relied on the misrepresentations, concealment and false
26 promises alleged herein by entering into the Franchise Agreements, and their
27 reliance was justifiable because, among other things, Corcoran Group was
28 affiliated with several other well-established franchise systems and because certain

1 of the misrepresentations were in writing, including in a publicly filed Franchise
2 Disclosure Document.

3 62. As a direct and proximate result of Corcoran Group’s
4 misrepresentations, concealment and false promises alleged herein, Plaintiffs have
5 been damaged in amount according to proof, but which is believed to be in excess
6 of \$2 million.

7 **COUNT VII**

8 **Violation of Cal. Bus. and Prof. Code § 17200**

9 63. Plaintiffs incorporate the allegations of paragraphs 1 through 62
10 hereinabove as though set forth in full.

11 64. Business and Professions Code section 17200 et seq. (the Unfair
12 Competition Law or UCL) prohibits any unlawful, unfair or fraudulent business act
13 or practice.

14 65. The acts of Corcoran Group alleged hereinabove were unlawful,
15 unfair or fraudulent business acts or practices, entitling Plaintiffs to and injunction
16 and restitution of an amount according to proof.

17 66. In addition to the acts alleged hereinabove, Corcoran Group engaged
18 in additional unlawful, unfair or fraudulent business acts or practices including,
19 without limitation:

- 20 a. Manipulating the amounts forgiven under the CPN’s alleged above by
21 miscalculating commission income, including by reliance on what the
22 parties called “doughnut holes” in commission income,
23 notwithstanding the parties’ agreement to correct the doughnut-hole
24 issues;
- 25 b. Interfering with ELI Realty Investments’ efforts to negotiate with
26 additional potential franchisees;
- 27 c. Reneging on its commitment to provide Plaintiffs with primary status
28 with the Cartus Relocation Network;

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DATED: June 21, 2022

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