

No. D-1-GV-10-000102

THE STATE OF TEXAS,  
Plaintiff

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IN THE DISTRICT COURT OF

V.

TRAVIS COUNTY, TEXAS

BLUEHIPPO FUNDING, LLC ,  
BLUEHIPPO CAPITAL, LLC (Virginia),  
BLUEHIPPO CAPITAL, LLC (Nevada),  
and JOSEPH K. RENSIN, individually.  
Defendants

419<sup>th</sup> JUDICIAL DISTRICT

**PLAINTIFF'S ORIGINAL PETITION**

**TO THE HONORABLE JUDGE OF SAID COURT:**

Plaintiff the STATE OF TEXAS, acting by and through the Attorney General of Texas, Greg Abbott, complains of BLUEHIPPO FUNDING, LLC, BLUEHIPPO CAPITAL, LLC (Virginia), BLUEHIPPO CAPITAL, LLC (Nevada), and JOSEPH K. RENSIN, individually, (Defendants) and for cause of action would respectfully show the Court the following:

**I. DISCOVERY CONTROL PLAN**

1.1 The discovery in this case is intended to be conducted under Level 2 pursuant to Tex. R. Civ. P. 190.3.

**II. JURISDICTION**

2.1 This action is brought by Attorney General Greg Abbott, through his Consumer Protection Division in the name of the State of Texas and in the public interest under the authority granted to him by TEXAS DECEPTIVE TRADE PRACTICES--CONSUMER PROTECTION ACT, TEX. BUS. & COM. CODE § 17.41 *et seq.* (Vernon 2002 & Supp. 2009)("DTPA") upon the grounds that Defendants have engaged in false, misleading and deceptive acts and practices in the conduct of

trade and commerce as defined and declared unlawful by § 17.46(a) of the DTPA.

### III.

#### DEFENDANTS AND SERVICE

3.1 Defendant BLUEHIPPO FUNDING, LLC, is a foreign limited liability corporation which is registered in the State of Maryland. Defendant has done business in the State of Texas but is not registered to conduct business in the State of Texas nor has it designated an agent for service of process in the State of Texas. This suit arises out of Defendant's business in this state as more specifically described below. Pursuant to § 17.044 of the Texas Civil Practices & Remedies Code, Defendant can be served by certified mail, return receipt requested directed to Defendant through the Texas Secretary of State as an agent for service of process at the following address: Citations Section, 1019 Brazos, Austin, Texas 78701. Defendant's home office (principal place of business) is 7000 Security Blvd., Baltimore, MD 21244-2543. Registered Agents are also located at this address and are Joseph K. Rensin and Andrew Campbell.

3.2 Defendant BLUEHIPPO CAPITAL, LLC (Virginia), is a foreign limited liability corporation which is registered in the State of Virginia. Defendant has done business in the State of Texas but is not registered to conduct business in the State of Texas nor has it designated an agent for service of process in the State of Texas. This suit arises out of Defendant's business in this state as more specifically described below. Pursuant to § 17.044 of the Texas Civil Practices & Remedies Code, Defendant can be served by certified mail, return receipt requested directed to Defendant through the Texas Secretary of State as an agent for service of process at the following address: Citations Section, 1019 Brazos, Austin, Texas 78701. Defendant's home office (principal place of business) is 8000 Towers Crescent Drive Fl. 13, Vienna, Va 22182-6211. Registered Agent is

Corporation Service Company, P.O. Box 1463, Richmond, VA 23218-1463.

3.3 Defendant BLUEHIPPO CAPITAL, LLC (Nevada), is a foreign limited liability corporation which is registered in the State of Nevada. Defendant has done business in the State of Texas but is not registered to conduct business in the State of Texas nor has it designated an agent for service of process in the State of Texas. This suit arises out of Defendant's business in this state as more specifically described below. Pursuant to § 17.044 of the Texas Civil Practices & Remedies Code, Defendant can be served by certified mail, return receipt requested directed to Defendant through the Texas Secretary of State as an agent for service of process at the following address: Citations Section, 1019 Brazos, Austin, Texas 78701. Defendant's registered agent in Nevada is CSC Services of Nevada, Inc., 502 East John Street, Carson City, NV 89706.

3.4 Defendant JOSEPH K. RENSIN is an individual who may be served with process at his principal place of residence, 12603 Fawn Run Court, Ellicott City, Maryland 21042-1146. Defendant is a nonresident of Texas and does not maintain a regular place of business in Texas but conducted business in Texas and the lawsuit arises out of his business in Texas. Defendant is the sole owner and shareholder of Defendant BLUEHIPPO FUNDING. In turn, BLUEHIPPO FUNDING is the sole member and shareholder of the other Defendants.

#### IV.

#### VENUE

4.1 Pursuant to §17.47(b) of the DTPA, venue of this suit lies in Austin, Travis County, Texas because the Defendants have done business in this county.

**V.**

**PUBLIC INTEREST**

5.1 Because Plaintiff STATE OF TEXAS has reason to believe that Defendants have engaged in, and will continue to engage in the unlawful practices set forth below, Plaintiff STATE OF TEXAS has reason to believe that Defendants have caused, and will cause adverse effects to legitimate business enterprise which conducts its trade and commerce in a lawful manner in this State. Therefore, the Consumer Protection Division of the Office of the Attorney General of Texas believes and is of the opinion that these proceedings are in the public interest.

**VI.**

**TRADE AND COMMERCE**

6.1 Defendants are engaged in trade and commerce as that term is defined by § 17.45(6) of the DTPA.

**VII.**

**ACTS OF AGENTS**

7.1 Whenever in this Petition it is alleged that Defendants did any act, it is meant that:

- a. Defendants performed or participated in the act; or
- b. Defendants' officers, agents, or employees performed or participated in the act on behalf of and under the authority of the Defendants.

**VIII.**

**STATEMENT OF FACTS**

8.1 Defendant Joseph K. Rensin is the sole owner and shareholder of Defendant BLUEHIPPO FUNDING. In turn, BLUEHIPPO FUNDING is the sole member and shareholder of

BLUEHIPPO CAPITAL, LLC (Nevada) and BLUEHIPPO CAPITAL, LLC (Virginia). Defendant Rensin controls the business operations of all of the Defendants.

8.2 Defendants have advertised, offered for sale and sold computers and other products to consumers throughout the United States, including in Travis County, Texas.

8.3 Defendants advertised via television, radio, inserts in mailers sent to consumers via the U.S. mail and at their website: [www.bluehippo.com](http://www.bluehippo.com).

8.4 In their advertisements Defendants often promote the sale of computers and represent that "Your Approval is Guaranteed! Regardless of your credit" and that there is no credit check. These advertisements feature a toll-free 1-800 telephone number for consumers to call to inquire about the purchase of a computer and other products.

8.5 Consumers who call the 1-800 telephone number are solicited to purchase a computer from the Defendants. At the time of sale Defendants frequently represent to consumers that if they purchase a particular product, they will also receive certain other products for "free." A common example of this is a "free" printer or "free" software.

8.6 Consumers who decide to purchase are asked to agree to make one initial payment (usually for \$99.00) and then 52 weekly payments which will be automatically withdrawn from the consumer's bank account. The Defendants refer to this program as their "lay-a-way program." Consumers are also told that if they make a certain number of consecutive payments (Defendants advertise between 6 and 13) under the "lay-a-way program" the Defendants will offer to finance the balance of the purchase price so that consumers receive the computer more quickly. The Defendants represent their program as follows:

## **Our Guaranteed Approval Program**

Unlike other financial companies, we don't check your credit and measure you based on some score. Instead, all we ask is that you build a little credit history with us by paying a small, one-time initial payment and 52 weeks of lay-a-way payments. However; once you've paid as agreed for just 6-13 consecutive weeks, we'll offer to finance the balance of your purchase price, order your computer and have it shipped directly to your home.

### **It's that simple.**

8.7 Contrary to Defendants' representations regarding the lay-a-way program, many Texas consumers have complained that they have proceeded through the Defendants' lay-a-way program and financing program only to find that the Defendants failed to provide them the promised computer or the free products. The few consumers who eventually receive their computers complain that they received the computers only after repeated telephone calls to Defendants in which they were repeatedly mislead about the expected delivery dates. Many of these consumers complain that they never received the promised free products.

8.8 Many consumers became frustrated with Defendants' failure to ship the purchased computers and decided to cancel their computer order and requested a refund. Defendants accepted the cancellation but did not provide a refund and instead referred consumers to a clause in the "lay-a-way agreement" which provides that if the consumer cancels his/her order the consumer will receive a "store credit" rather than a cash refund from Defendants.

8.10 Some consumers have grown so frustrated with Defendants' failure to deliver the purchased product or to issue a refund that they instruct their bank to cancel the automatic debit payments from their bank accounts. When consumers do this they are subject to the "Default"

provisions of Defendants' "Retail Installment Contract."

8.11 Among other things the "default" provision allows Defendants to raise the interest rate to 24% or to the maximum rate allowed by law. This provision also allows Defendants to draft the checking or savings account of their customers at any time until the account is paid in full.

8.12 Finally, consumers who decide to cancel their orders and use their store credit to purchase another product from the Defendants are informed that they have to pay Defendants an additional amount for shipping and handling of the product and that this amount cannot be deducted from the consumer's accumulated store credit.

8.13 Defendants' "default" provision and other material terms regarding cancellation of orders and refunds are not disclosed to consumers prior to the time that consumers are asked to provide their bank account information to allow Defendants to withdraw weekly payments from the consumer's account. Instead, this material information is provided to consumers in documents mailed to them after they have agreed to do business with Defendants. In those documents, Defendants fail to clearly and conspicuously disclose these material terms.

## **IX.**

### **VIOLATIONS OF TEXAS DECEPTIVE TRADE PRACTICES ACT**

9.1 The State incorporates and adopts by reference the allegations contained in each and every preceding paragraph of this petition.

9.2 Defendants, as alleged and detailed above, have in the course of trade and commerce engaged in false, misleading and deceptive acts and practices as declared unlawful in § 17.46(a) of the DTPA;

9.3 Defendants, as alleged and detailed above, have in the course of trade and commerce violated § 17.46(b)(5) of the DTPA by representing that goods or services have sponsorship, approval, characteristics, ingredients, uses, benefits, or quantities which they do not have or that a person has a sponsorship, approval, status, affiliation, or connection which he does not;

9.4 Defendants, as alleged and detailed above, have in the course of trade and commerce violated § 17.46(b)(12) of the DTPA by representing that an agreement confers or involves rights, remedies, or obligations which it does not have or involve, or which are prohibited by law; and

9.5 Defendants, as alleged and detailed above, have in the course of trade and commerce violated § 17.46(b)(24) of the DTPA by failing to disclose information concerning goods or services which was known at the time of the transaction if such failure to disclose such information was intended to induce the consumer into a transaction into which the consumer would not have entered had the information been disclosed.

**X.**

**TRIAL BY JURY**

10.1 Plaintiff herein requests a jury trial and will tender the jury fee to the Travis County District Clerk's office pursuant to Texas Rules of Civil Procedure 216 and Texas Government Code § 51.604.

**XI.**

**PRAYER**

11.1 WHEREFORE, PREMISES CONSIDERED, Plaintiff requests that Defendants be cited according to law to appear and answer herein; that a TEMPORARY INJUNCTION be issued against Defendants and upon final hearing a PERMANENT INJUNCTION be issued, restraining

and enjoining Defendants, their agents, servants, employees, and representatives from making the following representations and doing the following acts and engaging in the following practices in the pursuit and conduct of trade or commerce within the State of Texas as follows:

- a. Proceeding with any collection actions against any of its Texas consumers unless approved by the Court;
- b. Filing suit against any Texas consumers in any county other than the consumer's county of residence;
- c. Misrepresenting to consumers that a product will be shipped to them within a specific time frame;
- d. Failing to honor all requests by consumers to cancel their contracts with Defendants, including providing a full refund to such consumers;
- e. Submitting a negative credit report to any of the credit bureaus for any of Defendants' customers;
- f. Failing to disclose all material terms to consumers prior to the consumer agreeing to purchase any products from Defendants; and
- g. Requesting and/or accepting any payments from consumers before the consumer has been provided a written copy of all of the material terms of any transaction with the Defendants.

11.2 Plaintiff further requests, that upon final hearing, this Court will order Defendants:

- a. To pay civil penalties of up to \$20,000.00 per violation for each and every violation of the DTPA as authorized by Tex. Bus. & Com Code § 17.47(c)(1);

- b. To restore all money or other property acquired by means of unlawful acts or practices, or in the alternative, to compensate identifiable persons for actual damages; and
- c. To pay all costs of Court, costs of investigation, and reasonable attorney's fees pursuant to TEX. GOVT. CODE ANN. § 402.006 (c).

11.3 Plaintiff further prays for post-judgment interest and such other relief to which Plaintiff may be justly entitled.

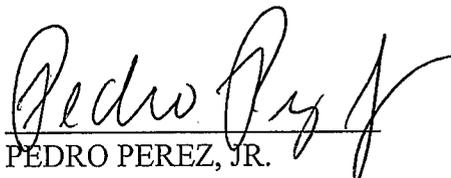
Respectfully submitted,

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