

<p>DISTRICT COURT, CITY AND COUNTY OF DENVER, COLORADO 1437 Bannock Street Denver, Colorado 80202</p> <hr/> <p>STATE OF COLORADO ex rel. CYNTHIA H. COFFMAN, ATTORNEY GENERAL FOR THE STATE OF COLORADO, and JULIE ANN MEADE, ADMINISTRATOR, UNIFORM CONSUMER CREDIT CODE,</p> <p>Plaintiffs,</p> <p>v.</p> <p>FREEDOM STORES, INC. d/b/a FREEDOM FURNITURE & ELECTRONICS, MILITARY CREDIT SERVICES, LLC, and FREEDOM ACCEPTANCE CORPORATION,</p> <p>Defendants.</p>	<p>DATE FILED: April 21, 2015 10:20 AM FILING ID: FEE467C4E9F29 CASE NUMBER: 2015CV31423</p> <p>▲ COURT USE ONLY ▲</p>
<p>CYNTHIA H. COFFMAN, Attorney General JAY B. SIMONSON, #24077* First Assistant Attorney General NIKOLAI N. FRANT, #38716* Assistant Attorney General Ralph L. Carr Colorado Judicial Center 1300 Broadway, 6th Floor Denver, Colorado 80203 Phone Number: 720-508-6111 FAX Number: 720-508-6033 Email: nikolai.frant@state.co.us jay.simonson@state.co.us *Counsel of Record</p>	<p>Case No.</p> <p>Courtroom</p>
<p>COMPLAINT</p>	

Plaintiffs, the State of Colorado ex rel. Cynthia H. Coffman, Attorney General for the State of Colorado Julie Ann Meade, Administrator, Uniform Consumer Credit Code (collectively the State), by and through the undersigned counsel, for their complaint, allege as follows:

I. PARTIES

1. Cynthia H. Coffman is the duly elected Attorney General of the State of Colorado. She is authorized under C.R.S. § 6-1-103 to enforce the Colorado

Consumer Protection Act (the CCPA) by bringing civil actions against those that engage in deceptive trade practices. In such actions, the State may seek injunctive relief, consumer restitution, disgorgement, civil penalties, damages, and attorneys' fees and costs. See C.R.S. §§ 6-1-110, 6-1-112, and 6-1-113.

2. The Administrator is the duly appointed Administrator of the Uniform Consumer Credit Code (the Code). She is authorized to enforce compliance with the Code, *see* Code §§ 5-6-101, *et seq.*, and may bring a civil action against those who make or collect charges in excess of those permitted by the Code. In such action, the Administrator may seek injunctive relief to restrain persons from violating the Code, obtain consumer restitution, and collect civil penalties for violations of the Code. *See* Code §§ 5-6-111, 5-6-112, 5-6-113, and 5-6-114.

3. Defendant Freedom Stores, Inc. (Freedom Furniture) does business as Freedom Furniture & Electronics and is a foreign company organized under the laws of Delaware. Freedom Stores identifies its principal place of business as 700 Godwin Avenue, Suite 210, Midland Park, New Jersey 07432.

4. Defendant Military Credit Services, LLC (Military Credit) is a foreign limited liability company organized under the laws of Virginia. Military Credit's principal place of business is 1150 E. Little Creek Road, Norfolk, Virginia 23518.

5. Defendant Freedom Acceptance Corporation (Freedom Acceptance) is a corporation organized under the laws of Virginia. Freedom Acceptance's principal place of business is 1150 E. Little Creek Road, Norfolk, Virginia 23518.

6. Freedom Furniture, Military Credit, and Freedom Acceptance are sometimes referred to collectively herein as "Defendants."

II. GENERAL FACTS

A. General Business of Freedom Furniture

7. Freedom Furniture sells consumer goods, meaning goods that are purchased primarily for personal, family, or household purposes.

8. Freedom Furniture operates 14 retail store locations across the United States and also maintains an e-commerce website (www.shopfreedom.com) that can be used to purchase consumer goods.

9. Freedom Furniture's Colorado retail store is located at 3775 E. Pikes Peak Avenue, Colorado Springs, CO 80909.

10. Freedom Furniture has filed notification with the Administrator as a retail seller pursuant to Code § 5-6-202 since February 2010.

11. Freedom Furniture targets consumers who are members of the United States Armed Forces. The www.shopfreedom.com website states, “[w]e believe that **our first responsibility** is to the soldiers, sailors, marines, airmen, coast guard and all others who use our products.” The website advertises “[s]pecial financing programs for all active duty military and civil service employees.”

12. Freedom Furniture has located its retail stores in close proximity to large military bases. As of September 2012, approximately 95% of Freedom Furniture’s retail customers were members of the United States Armed Forces.

13. Consumers can pay in full for purchases at Freedom Furniture. However, Freedom Furniture’s business model focuses on the extension of credit to finance consumers’ purchases.

14. Freedom Furniture’s website contains a section titled “Why Freedom?” The “Why Freedom?” section states, amongst other things, “If you’ve had difficulty getting credit elsewhere, Freedom can help! At Freedom, active-duty military, civil service, and government personnel are automatically approved! When other lenders say no, Freedom says YES!”

15. Freedom Furniture sells goods to consumers who are individuals, as opposed to business entities.

16. In connection with the sales, Freedom Furniture has regularly extended credit to consumers by granting them the right to defer payment of debt or to incur debt and defer its payment.

17. When Freedom Furniture has extended credit to consumers in connection with a sale, the consumers’ debt has been by written agreement payable in installments or a finance charge has been made. Such sales have included sales in which the amount financed did not exceed seventy-five thousand dollars.

18. Freedom Furniture solicits or advertises its goods in Colorado.

19. Freedom Furniture’s sales of goods include sales to Colorado residents and include sales for which written agreements evidencing the obligations of the consumers are received in Colorado.

20. Freedom Furniture also purchases from third parties the right to service and collect on debt that is owed by Colorado consumers.

21. The debt owed by Colorado consumers that Freedom Furniture purchases includes debt arising from consumer credit transactions made or arranged by a person regularly engaged in the business of making loans, in which the borrower is a person other than an organization, in which the debt is incurred primarily for a personal, family, or household purpose, and in which the debt is by

written agreement payable in installments or a finance charge is made.

B. General Business of Military Credit

22. Military Credit has filed notification with the Administrator as a sales finance company since 2009.

23. Military Credit is not, and at no relevant times was, licensed as a supervised lender in Colorado authorized to make supervised loans pursuant to the Code.

24. Military Credit does not itself sell goods or services to consumers. Instead, Military Credit partners with third party retailers.

25. The third party retailers who sell goods or services in Colorado (the Colorado Retailers) include, without limitation, Gold Mine Jewelers, Latino Audio, Kingdom Wheels and Tires, LLC, Mi Gente Customs.com, Quality Auto Performance Center, and the Alternate Source.

26. The Colorado Retailers sell goods to Colorado consumers and Military Credit finances the consumers' purchases, thereby creating debt, by paying or agreeing to pay money to the Colorado Retailers for the account of the Colorado consumers.

27. The Colorado consumers involved in such transactions are individuals, as opposed to business entities.

28. The debt that the Colorado consumers incur is initially owed to Military Credit, is primarily for personal, family, or household purposes, and is by written agreement made payable in installments or a finance charge is made.

29. Military Credit has received written agreements in Colorado evidencing consumers' debt obligations to Military Credit.

30. Military Credit has solicited or advertised in Colorado and has entered into transactions with Colorado residents.

31. Military Credit also purchases from third parties the right to service and collect on debt that is owed by Colorado consumers.

32. The debt owed by Colorado consumers that Military Credit purchases includes debt arising from loans made or arranged by a person regularly engaged in the business of making loans, in which the borrower is a person other than an organization, in which the debt is incurred primarily for a personal, family, or household purpose, and in which the debt is by written agreement payable in installments or a finance charge is made.

C. General Business of Freedom Acceptance

33. Freedom Acceptance acts on behalf of Freedom Furniture and Military Credit to service debt owed by Colorado consumers.

34. Freedom Acceptance acquires debt owed by Colorado consumers pursuant to agreements with Freedom Furniture and Military Credit and collects on the acquired debt.

D. Joint Operation and Control of Businesses by Melley Family

35. Freedom Furniture, Freedom Acceptance, and Military Credit are operated and controlled by members of the Melley family, which includes Leonard Melley, Junior, John Melley, and Leonard Melley, Senior.

36. Leonard Melley, Junior, is currently, and at all relevant times has been, an executive officer of Freedom Furniture. He is or has been Freedom Furniture's chief operating officer and is its past or current president. John Melley is currently, and at all relative times has been, an executive officer of Freedom Furniture. He is or has been Freedom Furniture's chief operating officer and is or has been its vice president. Leonard Melley, Senior, is Freedom Furniture's former chief executive officer.

37. John Melley is currently, and at all relevant times has been, an executive officer of Military Credit. He is Military Credit's president and chief executive officer. Leonard Melley, Junior, is currently, and at all relevant times has been, an executive officer of Military Credit. He is Military Credit's chief operating officer.

38. John Melley is currently, and at all relevant times has been, an executive officer of Freedom Acceptance. He is Freedom Acceptance's Vice President and chief executive officer. Leonard Melley, Junior, is currently, and at all relevant times has been, an executive officer of Freedom Acceptance. He is currently Freedom Acceptance's chief operating officer and is also one of its directors.

39. Freedom Furniture, Military Credit Services, and Freedom Acceptance regularly share assets and employees.

40. In January 2011, members of the Melley family executed two "intercompany agreements" obligating Freedom Furniture to provide Military Credit and Freedom Acceptance with employees and business services such as accounting, human resources, and computer software. In exchange, Freedom Acceptance agreed to pay Freedom Furniture \$490,000 per month and Military Credit agreed to pay Freedom Furniture \$120,000 per month.

41. The January 2011 "intercompany agreements" followed a January 2008 "intercompany agreement" pursuant to which Freedom Acceptance agreed to

provide Military Credit with employees and certain business services in exchange for a monthly payment of \$7,500. Although the intercompany agreement purported to obligate Freedom Acceptance, Leonard Melley, Junior, executed the agreement on behalf of Freedom Furniture – not Freedom Acceptance.

42. Freedom Acceptance and Military Credit share the same principal place of business located at 1150 E. Little Creek Road, Norfolk, Virginia 23518.

43. Freedom Acceptance, Military Credit, and Freedom Furniture are all managed from the same corporate headquarters located at 1150 E. Little Creek Road, Norfolk, Virginia 23518.

44. When Freedom Furniture extends credit to a Colorado consumer in connection with the sale of goods, it sometimes extends additional credit to the consumer to pay off the consumer's existing debt obligation owed to Military Credit, thereby consolidating the consumer's debt with Freedom Furniture.

E. The Administrator's Initial Examination of Freedom Furniture in 2012

45. The Administrator employs financial credit examiners who, amongst other things, conduct examinations of companies that make consumer credit transactions in Colorado.

46. In April 2012, the Administrator conducted an examination of Freedom Furniture.

47. The Administrator's examination identified practices by Freedom Furniture that violated Colorado law, including but not limited to the following practices.

48. First, Freedom Furniture included language in its agreements with Colorado consumers that purported to allow Freedom Furniture to sue to collect unpaid debt arising from consumer credit sales in Virginia courts and pursuant to Virginia law.

49. The Administrator advised Freedom Furniture that such jurisdiction, venue, and choice of law provisions violated Colorado law.

50. In September 2012, Freedom Furniture agreed to change the agreements it used in Colorado to include provisions requiring Freedom Furniture to sue to collect unpaid debt in Colorado courts and providing for the application of Colorado law.

51. Second, Freedom Furniture charged fees to Colorado consumers when they purchased debt cancellation insurance from Freedom Furniture in connection with a consumer credit sale. Freedom Furniture also charged consumers fees when

it refinanced existing debts of consumers in connection with a consumer credit sale.

52. The Administrator advised Freedom Furniture that Colorado law required Freedom Furniture to include the debt cancellation insurance fees and refinance fees in the finance charge that Freedom Furniture disclosed to consumers.

53. Third, Freedom Furniture charged fees to Colorado consumers when the consumers made loan payments via electronic means such as by credit card or by Automated Clearing House (ACH) transfer.

54. The Administrator advised Freedom Furniture that Colorado law prohibited Freedom Furniture from charging consumers fees for payments made via electronic means.

55. Fourth, the Administrator's examination revealed that when Freedom Furniture sued Colorado consumers to recover money that was alleged to be past due, Freedom Furniture charged fees to consumers such as court costs that could only be awarded by a court, but charged the fees prior to the entry of a court order awarding such fees.

56. The Administrator advised Freedom Furniture that Colorado law prohibited Freedom Furniture from charging the fees to consumers prior to the entry of a court order awarding such fees.

57. In September 2012, Freedom Furniture agreed to change its practices to ensure that court-related fees would not be charged to consumers until the fees were awarded by a court.

58. Fifth, the Administrator's examination revealed that Freedom Furniture was suing Colorado consumers in court for defaulting on their payment obligations under a loan agreement without first providing the consumers with the written notice regarding their right to cure their default, which notice is required by Colorado law.

59. In September 2012, Freedom Furniture agreed to change its practices to ensure that it provided consumers with notices of their right to cure defaults, as required by Colorado law.

F. The Administrator's Examination of Freedom Furniture in 2014

60. In September 2014, the Administrator conducted a second examination of Freedom Furniture.

61. The Administrator's examination revealed that, notwithstanding its assurances in 2012 that it would change its practices to address violations or law revealed in the Administrator's examination, Freedom Furniture has continued to

engage in some of the same violations of law that were identified in the Administrator's April 2012 examination.

62. First, although Freedom Furniture included new language in its contracts that referenced lawsuits in Colorado's courts, Freedom Furniture included a loophole in the language that it has relied upon to continue suing Colorado consumers in Virginia courts.

63. Specifically, beginning in June 2012, Freedom Furniture included a provision in its contracts with Colorado consumers providing, "[j]urisdiction and venue for any suit or proceeding concerning this Agreement shall be proper in the county of Colorado in which I signed this Contract, unless otherwise required or permitted to be brought in a different state or county by applicable law."

64. Freedom Furniture has, in fact, continued to sue Colorado consumers in Virginia courts since June 2012.

65. Second, Freedom Furniture has continued to charge Colorado consumers fees for payments made via electronic means.

66. Third, Freedom Furniture has continued to charge Colorado consumers fees when those consumers refinance debt that they owed to Freedom Furniture, without including the fees in the finance charge that it discloses to Colorado consumers.

67. Fourth, Freedom Furniture has continued to charge Colorado consumers fees that can only be awarded by a court, and has continued to charge the fees prior to the entry of a court order awarding the fees.

68. In addition to Freedom Furniture's failure to remedy violations identified in April 2012, the Administrator's examination revealed additional violations of Colorado law by Freedom Furniture.

69. The Administrator's examination revealed that Freedom Furniture has engaged in unconscionable conduct when seeking to collect debts from Colorado consumers. By way of example:

a. Freedom Furniture sues in Virginia courts to collect on loans made in Colorado or made to Colorado residents. Freedom Furniture does not serve a copy of the Virginia lawsuits on the Colorado consumers in the manner that would be required if Freedom Furniture sued in Colorado courts. Instead, Freedom Furniture purports to rely upon Section 8.01-329 of the Code of Virginia. In claimed reliance upon Section 8.01-329, Freedom Furniture submits an affidavit swearing that the Virginia courts have personal jurisdiction over the Colorado residents and then purports to serve the Colorado residents with

process by requesting that the Secretary of State of the Commonwealth of Virginia mail the process to the last known address of the Colorado residents. This practice has resulted in the entry of default judgments against Colorado residents, who are primarily military service members and their families.

b. Freedom Furniture has threatened to contact the commanding officer of a Colorado consumer who is in the United States Armed Forces regarding an unpaid debt. More broadly, collectors for Defendants have called or sent written communications to third party references, including the chain-of-command of service member consumers. By phone or in writing, Defendants revealed the existence of service members' debts and delinquencies and requested that the chain-of-command intervene so as to induce payments by subordinate debtor service members to Defendants. By disclosing consumers' debts to their military employers, Defendants knew they were to cause substantial injury to those consumers. For members of the military, consumer-credit problems can result in disciplinary proceedings, lead to loss of supervisory authority or promotion potential, tarnish a soldier's reputation or honor, erode the trust of leadership, and trigger revocation of a security clearance. Buried in Defendants' credit contracts was a provision that purported to secure service members' permission for the Defendants to contact the service members' chain-of-command if they fell behind on payments. When consumers signed the contracts, they were given a very brief opportunity to scroll through multiple pages of dense contract language set out in small font on a computer screen and were instructed to sign and initial the relevant blanks using an electronic signing pad. The companies did not require store employees to explain to consumers that by agreeing to accept financing, Defendants would be allowed to call the consumer's chain-of command to discuss delinquencies.

c. Freedom Furniture has threatened to engage in "embarrassing collection activity" and "forceful collection activity" against Colorado consumers.

70. The Administrator's examination also revealed that Freedom Furniture does not maintain required records regarding its business activities in Colorado.

71. For example, Freedom Furniture's records regarding the payment history for individual Colorado consumers do not contain a complete listing of all fees and charges assessed to each consumer. As another example, Freedom Furniture has not maintained copies of right to cure notices, if any, sent to Colorado consumers.

72. Additionally, the Administrator's examination revealed that Freedom

Furniture has contracted to provide Colorado consumers with life and disability insurance in connection with consumer credit transactions.

73. However, with respect to certain Colorado consumers, Freedom Furniture has failed to obtain the consumer's specific affirmative written indication of the consumer's desire to purchase the insurance. With respect to such Colorado consumers, Freedom Furniture has not included the cost of the insurance in the finance charge Freedom Furniture has disclosed to the consumers.

G. The Administrator's Examination of Military Credit in 2014

74. In September 2014, the Administrator conducted an examination of Military Credit.

75. The Administrator's examination identified the following practices by Military Credit.

76. First, Military Credit has contracted for and received a finance charge from Colorado consumers that exceeds twelve percent per year on the unpaid balance of the amount financed. In fact, Military Credit has contracted for and received a finance charge from Colorado consumers that exceeds twenty-one percent per year on the unpaid balance of the amount financed. Included in the excess finance charges that Military Credit has received from Colorado consumers are fees that Military Credit has charged for debt cancellation insurance and for membership in the United Motor Club of America, Inc.

77. Second, Military Credit has included contract language purporting to allow it to sue Colorado consumers in Virginia courts and under Virginia law.

78. Military Credit has relied upon such contract language to sue Colorado consumers in Virginia courts and under Virginia law.

79. Military Credit has sued Colorado consumers in Virginia courts notwithstanding that fact that the Administrator advised Freedom Furniture in 2012 that such conduct violated Colorado law, and notwithstanding the fact that the same individuals operate and control both Freedom Furniture and Military Credit.

80. Third, Military Credit has purported to disclose to Colorado consumers the "maximum monthly periodic rate" that could be charged to Colorado consumers, but has failed to disclose each periodic rate actually used to compute the finance charge and the corresponding nominal annual percentage rate.

81. Fourth, Military Credit has charged fees to Colorado consumers when the consumers made loan payments via electronic means such as by credit card.

82. Military Credit has charged Colorado consumers fees for payments made

via electronic means notwithstanding that the Administrator advised Freedom Furniture in 2012 that such provisions violated Colorado law, and notwithstanding the fact that the same individuals operate and control both Freedom Furniture and Military Credit.

83. Fifth, when Colorado consumers have failed to make a payment to Military Credit within ten days of the due date for the payment, Military Credit has charged late fees to Colorado consumers. Military Credit's agreements with Colorado consumers provide that Military Credit "will impose a late fee of 5% of the amount past due." However, Military Credit has charged late fees that exceed 5% of the amount past due.

84. Sixth, Military Credit has charged Colorado consumers fees that can only be awarded by a court but has imposed the charges prior to the entry of a court order awarding the fees. In fact, Military Credit has imposed the charges on accounts where a court lawsuit was not even initiated.

85. Military Credit has imposed such charges prior to the entry of a court order notwithstanding the fact that the Administrator advised Freedom Furniture in 2012 that the practice violated Colorado law, and notwithstanding the fact that the same individuals operate and control both Freedom Furniture and Military Credit.

86. Seventh, Military Credit has engaged in unconscionable conduct when seeking to collect debts from Colorado consumers. By way of example:

- a. Military Credit sues in Virginia courts to collect on loans made in Colorado or made to Colorado residents.
- b. Military Credit has threatened to garnish consumers' wages or attach consumers' assets without first obtaining a court judgment against the consumers.
- c. Military Credit has threatened to contact the commanding officer of a Colorado consumer who is in the United States Armed Forces regarding an unpaid debt. More broadly, and as stated above, collectors for Defendants have called or sent written communications to third party references, including the chain-of-command of service member consumers. By phone or in writing, Defendants revealed the existence of service members' debts and delinquencies and requested that the chain-of-command intervene so as to induce payments by subordinate debtor service members to Defendants. By disclosing consumers' debts to their military employers, Defendants knew they were to cause substantial injury to those consumers. For members of the military, consumer-credit problems can result in disciplinary proceedings, lead to loss of

supervisory authority or promotion potential, tarnish a soldier's reputation or honor, erode the trust of leadership, and trigger revocation of a security clearance. Buried in Defendants' credit contracts was a provision that purported to secure service members' permission for the Defendants to contact the service members chain-of-command if they fell behind on payments. When consumers signed the contracts, they were given a very brief opportunity to scroll through multiple pages of dense contract language set out in small font on a computer screen and were instructed to sign and initial the relevant blanks using an electronic signing pad. The companies did not require store employees to explain to consumers that by agreeing to accept financing, Defendants would be allowed to call the consumer's chain-of command to discuss delinquencies.

- d. Military Credit has threatened to sue a Colorado consumer despite the fact that Military Credit's internal collection notes state that Military Credit would not sue the consumer because the amount owed was less than \$200.

87. Eighth, Military Credit has sought to accelerate the maturity of the unpaid balance owed to Military Credit by Colorado consumers without first providing the consumers with a notice of their right to cure the default in the form set forth in Code § 5-5-110.

88. Military Credit has failed to provide consumers with notices of their right to cure a default notwithstanding the fact that the Administrator advised Freedom Furniture in 2012 that the practice violated Colorado law, and notwithstanding the fact that the same individuals operate and control both Freedom Furniture and Military Credit.

89. Ninth, Military Credit has failed to maintain required records of its business activities in Colorado.

90. For example, Military Credit's records regarding the payment history for individual Colorado consumers do not contain a complete listing of all fees and charges assessed to each consumer and do not contain copies of the written notices, if any, that Military Credit sent to consumers advising them of their right to cure defaults.

H. Representations Regarding Bank of Lake Mills

91. With respect to certain Colorado consumers who have obtained credit from Defendants to finance the purchase of goods from Freedom Furniture, or have obtained credit from Defendants to finance the purchase of goods from the Colorado Retailers, Defendants have represented to such consumers that the consumers were

obtaining credit from the Bank of Lake Mills, a FDIC insured bank headquartered in Lake Mills, Wisconsin.

92. In reality, it was Defendants and not the Bank of Lake Mills that were the true parties who were extending credit to consumers in connection with such transactions.

93. Specifically, pursuant to a power of attorney or similar agreement with the Bank of Lake Mills, Defendants made the decisions regarding the terms under which Colorado consumers received credit to finance their purchase of goods, Defendants used their own capital to finance the Colorado consumers' purchases and accepted the ultimate credit risk for the loans, and Defendants obtained the right to service and collect from the Colorado consumers who were involved in the transactions.

94. Defendants have violated Colorado law, including making excess charges, in deliberate violation of or in reckless disregard of the Code. Defendants' violations have been repeated and willful.

III. FIRST CLAIM FOR RELIEF
UNLICENSED LENDER - CODE
(Against All Defendants)

95. The State repeats and realleges paragraphs 1 through 94 above, inclusive, as if alleged herein.

96. The finance charges that Military Credit charges for its loans exceed the finance charges allowable under Code § 5-2-201.

97. By reason of the foregoing, Military Credit made and collected, and continues to make and collect, loans without being licensed or otherwise authorized to make or collect such loans in violation of Code § 5-2-301.

98. Freedom Furniture and Freedom Acceptance purchased or otherwise acquired the right to collect Military Credit's supervised loans without being licensed or otherwise authorized to collect such loans in violation of Code § 5-2-301.

IV. SECOND CLAIM FOR RELIEF
EXCESS CHARGES - CODE
(Against All Defendants)

99. The State repeats and realleges paragraphs 1 through 98, above, as if alleged herein.

100. Defendants have charged, assessed, collected, or received finance charges in connection with Colorado consumer credit transactions that exceed the

finance charges authorized and allowable under Code § 5-2-201.

101. Defendants have charged, assessed, collected, or received fees for payments made via electronic means that are not allowable under the Code.

102. Military Credit has charged, assessed, collected, or received delinquency charges that exceed the amounts allowable under Code § 5-2-203(1)(a).

103. Defendants have charged, assessed, collected, or received court costs arising from consumer credit transactions with Colorado consumers that could only be awarded by a court, but charged the fees prior to the entry of a court order awarding such fees, in violation of C.R.S. § 5-5-112(1).

V. THIRD CLAIM FOR RELIEF
DISCLOSURE VIOLATION - CODE
(Against All Defendants)

104. The State repeats and realleges paragraphs 1 through 103, above, as if alleged herein.

105. Defendants have disclosed finance charges to Colorado consumers regarding consumer credit transactions that are less than the actual finance charge that Defendants charged, assessed, collected, or received for such consumer credit transactions.

106. By reason of the foregoing, Defendants violated, and continue to violate, Code § 5-3-101.

VI. FOURTH CLAIM FOR RELIEF
UNLAWFUL WAIVER OF RIGHTS - CODE
(Against All Defendants)

107. The State repeats and realleges paragraphs 1 through 106, above, as if alleged herein.

108. With respect to consumer credit transactions, Defendants have included and continue to include terms in agreements with Colorado consumers that purport to waive or forego rights that consumers have under the Code, and have sought to enforce those terms, in violation of Code § 5-1-106(1).

VII. FIFTH CLAIM FOR RELIEF
UNLAWFUL CHOICE OF LAW PROVISIONS - CODE
(Against All Defendants)

109. The State repeats and realleges paragraphs 1 through 107, above, as if alleged herein.

110. With respect to consumer credit transactions, Defendants have included and continue to include terms in agreements with Colorado consumers that purport to provide that the law of a state other than Colorado applies, purport to require the consumer to consent to the jurisdiction of a state other than Colorado, and purport to fix venue, and have sought to enforce such terms, all in violation of Code § 5-1-201(8).

VIII. SIXTH CLAIM FOR RELIEF
FAILURE TO OBTAIN CONSENT FOR INSURANCE - CODE
(Against Freedom Furniture)

111. The State repeats and realleges paragraphs 1 through 110, above, as if alleged herein.

112. Freedom Furniture has contracted to provide Colorado consumers with life and disability insurance in connection with consumer credit transactions.

113. With respect to certain Colorado consumers, Freedom Furniture has not included the cost of such insurance in the finance charge Freedom Furniture has disclosed to the consumers and has also failed to obtain those consumer's specific affirmative written indication of the consumer's desire to purchase the insurance, in violation of Code §§ 5-2-201 and 5-2-202(3)(b).

IX. SEVENTH CLAIM FOR RELIEF
FAILURE TO PROVIDE NOTICE OF RIGHT TO CURE - CODE
(Against All Defendants)

114. The State repeats and realleges paragraphs 1 through 113, above, as if alleged herein.

115. With respect to consumer credit transactions involving Colorado consumers, certain consumers have defaulted on their obligations to Defendants by failing to make a required payment.

116. After such a default by a Colorado consumer consisting only of the consumer's failure to make a required payment, Defendants have accelerated the maturity of the unpaid balance of the consumers' obligations without first providing the consumers with a notice of the consumers' right to cure, in violation of Code § 5-5-111.

X. EIGHTH CLAIM FOR RELIEF
FAILURE TO MAINTAIN REQUIRED RECORDS - CODE
(Against All Defendants)

117. The State repeats and realleges paragraphs 1 through 116, above, as if alleged herein.

118. Defendants are required to maintain certain records regarding their business operations involving Colorado consumers, as set forth in Code §§ 5-2-304 and Code §§ 5-3-109.

119. Defendants have failed to maintain all records that are required to be maintained by Code §§ 5-2-304 and Code §§ 5-3-109.

XI. NINTH CLAIM FOR RELIEF
UNCONSCIONABLE DEBT COLLECTION - CODE
(Against All Defendants)

120. The State repeats and realleges paragraphs 1 through 119, above, as if alleged herein.

121. Defendants have engaged in unconscionable debt collection against Colorado consumers in violation of Code § 5-5-109(2).

XII. TENTH CLAIM FOR RELIEF
UNLICENSED BUSINESS - CCPA
(Against All Defendants)

122. The State repeats and realleges paragraphs 1 through 121, above, inclusive, as if alleged herein.

123. Defendants have failed to obtain all governmental licenses required to make or collect on Colorado loans.

124. By reason of the foregoing, Defendants have engaged in deceptive trade practices in violation of CPA § 6-1-105(1)(z).

XIII. ELEVENTH CLAIM FOR RELIEF
MISLEADING STATEMENTS - CCPA
(Against All Defendants)

125. The State repeats and realleges paragraphs 1 through 124, above, inclusive, as if alleged herein.

126. Through the above-described conduct, in the course of their business, occupation or vocation, Defendants have, by representing that the consumer credit sales or consumer loans are being made by the Bank of Lake Mills when in fact Defendants are the true lender: (1) made false representations as to the source, sponsorship, approval or certification of their consumer credit sales or consumer loans; (2) have knowingly passed the consumer credit sales or consumer loans off as those of another; and (3) knowingly made a false representation as to the characteristics of the consumer credit sales or consumer loans.

127. By reason of the foregoing, Defendants engaged, and continue to engage, in deceptive trade practices in violation of CCPA § 6-1-105 (a), (b), and (e).

XIII. TWELVTH CLAIM FOR RELIEF
MISLEADING STATEMENTS - CCPA
(Against All Defendants)

128. The State repeats and realleges paragraphs 1 through 127, above, inclusive, as if alleged herein.

129. Through the above-described conduct, in the course of their business, occupation or vocation, Defendants have failed to adequately disclose material information concerning their services in violation of CCPA § 6-1-105(u). Defendants failed to disclose the following material information to consumers (each of which constitutes a violation): (1) that Defendants would file all actions in Virginia, Defendants home state, rather than in Colorado where business was transacted and the contract was signed (2) that Defendants would fail to serve pleadings in accordance with Colorado law but would instead rely upon Section 8.01-329 of the Code of Virginia leading to process at the last known address and frequent default for military members (3) that Defendants would wrongfully contact military members' supervisors and chain of command for collection of debt in an attempt to harass or embarrass consumers into payment.

130. By reason of the foregoing, Defendants engaged, and continue to engage, in deceptive trade practices in violation of CCPA § 6-1-105 (u).

WHEREFORE, the State demands judgment, as follows:

(i) preliminarily and permanently restraining Defendants, and their officers, directors, agents, servants, employees, attorneys, heirs, successors, and assigns, from acting as a supervised lender without a license, or otherwise committing any of the practices, acts, conduct, transactions, or violations described above, or otherwise violating the Code or the CCPA, together with all such other relief as may be required to completely compensate or restore to their original position all consumers injured or prevent unjust enrichment of any person, by reason or through the use or employment of such practices, acts, conduct, or violations, or as may otherwise be appropriate, including, without limitation, requiring Defendants to disgorge to the State or make restitution to consumers of all amounts charged, assessed, collected, or received in violation of the Code or the CCPA;

(ii) with respect to all supervised loans made by Defendants without a license, ordering Defendants to refund to each such consumer the loan finance charge plus a penalty in an amount to be determined by the Court not in excess of three times the amount of the loan finance charge;

(iii) for every consumer credit transaction as may be determined at trial or otherwise in which a consumer was charged an excess charge in violation of the Code, ordering Defendants to refund to each such consumer the excess charge;

(iv) for every consumer credit transaction as may be determined at trial or otherwise in which a consumer was charged an excess charge, ordering Defendants to pay to each such consumer a civil penalty determined by the Court not in excess of the greater of either the amount of the finance charge or ten times the amount of the excess charge;

(v) awarding consumers their actual damages sustained as a result of Defendants' unconscionable debt collection;

(vi) ordering Defendants to pay to the State a civil penalty determined by the Court within the limits set forth by statute;

(vii) awarding pre-and post-judgment interest to the State, as may be allowed by contract, law, or otherwise; and

(viii) awarding the State the costs and disbursements of this action, including attorney's fees, together with all such further relief as the Court deems just.

Dated: Denver, Colorado
April 21, 2015

CYNTHIA H. COFFMAN
Attorney General

s/ Jay B. Simonson

JAY B. SIMONSON, 24077*
First Assistant Attorney General
Consumer Fraud Unit
Consumer Protection Section

s/ Nikolai Frant

NIKOLAI FRANT, 38716*
Assistant Attorney General
Consumer Credit Unit
Consumer Protection Section
*Counsel of Record

Attorneys for Plaintiffs
*Counsel of Record

Plaintiffs' Address:

Ralph L. Carr Colorado Judicial Center
1300 Broadway, 6th Floor
Denver, Colorado 80203