

IN THE DISTRICT COURT OF JOHNSON COUNTY, KANSAS
Division _____

STATE OF KANSAS, *ex rel.*
STEVE SIX, Attorney General,

Plaintiff,

v.

Case No. 09 CV 11613

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PUBLISHER'S RENEWAL SERVICE CO.
d/b/a
NATIONAL READERS SERVICE
a/k/a
READERS SOURCE
and
RUSSELL J. RAHM, individually,
and
COAST TO COAST MARKETING, LLC
and
MEDIA INK, LLC
and
MO MANAGEMENT, LLC
and
TREASURE COAST RENEWALS, INC.

Defendants.


(Pursuant to K.S.A. Chapter 60)

PETITION

COMES NOW the Plaintiff, State of Kansas, *ex rel.* Steve Six, Kansas Attorney General, by and through counsel, Meghan E. Barnds, Assistant Attorney General, and for its cause of action against the Defendants, alleges and states as follows:

PARTIES

1. Steve Six is the duly appointed, qualified and acting Attorney General for the State of Kansas.


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JOHNSON COUNTY, KS

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2. The Attorney General's authority to bring this action is derived from the statutory and common law of the State of Kansas, specifically the Kansas Consumer Protection Act, K.S.A. 50-623, *et seq.*

3. Defendant Publisher's Renewal Service Co. ("Defendant PRS") is a company organized and existing under the laws of Kansas and registered with the Kansas Secretary of State.

4. Defendant PRS has a principal place of business at 10406 Shawnee Mission Parkway in Shawnee, Kansas 66203.

5. Defendant PRS can be served with process through its registered agent, Russel J. Rahm at 10406 Shawnee Mission Parkway in Shawnee, Kansas 66203.

6. Defendant Russell J. Rahm ("Defendant Rahm") is an individual and serves as the president for Defendant PRS.

7. As president for Defendant PRS, Defendant Rahm controls or possesses the authority to control PRS's acts and practices.

8. Defendant Rahm resides at 10505 South Highland Lane in Olathe, Kansas 66061.

9. Defendant Rahm can be served with process at his residence.

10. Defendant Coast to Coast Marketing, LLC ("Defendant CCM") is a limited liability company organized under the laws of Kansas. Defendant CCM failed to file an annual report with the Kansas Secretary of State, and its status was forfeited on or around July 15, 2009.

11. Defendant CCM can be served with process through its registered agent, Shannon Rheaume at 39220 West 87th Street in Eudora, Kansas 66025.

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12. Defendant Media Ink, LLC (“Defendant Media Ink”) is a limited liability company organized under the laws of Kansas. Defendant Media Ink failed to file an annual report with the Kansas Secretary of State, and its status was forfeited on or around July 15, 2009.

13. Defendant Media Ink can be served with process through its registered agent, Amy Johnson at 7852 Quivira Road in Shawnee, Kansas 66216.

14. Defendant MO Management, LLC (“Defendant MO”) is a limited liability company organized and existing under the laws of Florida.

15. Defendant MO can be served with process through its registered agent, Michael Oelrich at 4218 Cleveland Avenue in Fort Meyers, Florida 33901.

16. Defendant Treasure Coast Renewals, Inc. (“Defendant TCR”) is a foreign corporation organized and existing under the laws of Florida.

17. Defendant TCR can be served with process through its registered agent, Anne Oelrich at 4218 Cleveland Avenue in Fort Meyers, Florida 33901.

18. All references to Defendants herein include acts individually, in concert, or by or through employees, agents, representatives, affiliates, assignees and successors.

JURISDICTION AND VENUE

19. This Court has personal and subject matter jurisdiction over this controversy by the Kansas Consumer Protection Act, K.S.A. 50-623, *et seq.*, specifically K.S.A. 50-638(a)

20. Venue is proper in the Tenth Judicial District (Johnson County), pursuant to K.S.A. 50-638(b).

ALLEGATIONS COMMON TO ALL COUNTS

21. All foregoing paragraphs are hereby incorporated by reference.

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22. At all times relevant hereto, and in the ordinary course of business, Defendants have acted as “suppliers” as that term is defined by K.S.A. 50-624(j).

23. At all times relevant hereto, and in the ordinary course of business, Defendants have engaged in “consumer transactions” in Kansas, as that term is defined by K.S.A. 50-624(c).

24. Upon information and belief, and in the ordinary course of business, Defendants CCM, Media Ink, MO and TCR (“the telemarketing Defendants”) contact consumers over the phone to solicit the sale of magazine subscriptions.

25. Upon information and belief, and in the ordinary course of business, the telemarketing Defendants conduct the aforementioned solicitations on behalf, and at the direction, of Defendant PRS and Defendant Rahm.

26. Upon information and belief, Defendant PRS and Defendant Rahm entered into agreements with each of the telemarketing Defendants to conduct the aforementioned telephone solicitations. Exhibits 1-4.

27. Upon information and belief, the aforementioned agreements require the telemarketing Defendants to “transfer all consumer contact information, magazine selections, and billing information to [Defendant] PRS upon consumer acceptance.” See Exhibit 1, p. 1.

28. Upon information and belief, Defendants solicit consumers across the United States, including consumers in Kansas.

29. Upon information and belief, the telemarketing Defendants utilize scripts in the solicitation of consumers.

30. Upon information and belief, Defendant PRS and Defendant Rahm consult with each of the telemarketing Defendants in preparing, and retain ultimately authority to approve, the aforementioned scripts. See Exhibit 1, p. 1-2.

31. Upon information and belief, Defendant PRS continues to solicit consumers through at least one of the telemarketing Defendants.

32. Upon information and belief, consumers purchase magazine subscriptions from Defendants over the phone, by using a credit card, electronic debit or check.

33. Upon information and belief, the aforementioned magazine subscriptions are often renewals of a consumer's existing subscriptions, initially obtained by the consumer through either the magazine publisher or an unrelated magazine subscription service provider.

34. Upon information and belief, the telemarketing Defendants fail to correctly identify themselves to consumers when conducting telephone solicitations on behalf of Defendant PRS.

35. Upon information and belief, Defendant PRS charges consumers thousands of dollars for these magazine subscriptions, often requiring consumers to pay in monthly installments over a period of years. Exhibit 5.

36. Upon information and belief, since January 1, 2007, tens of thousands of consumers have purchased magazine subscriptions from Defendants.

37. Upon information and belief, at least seventy five (75) Kansas consumers have purchased magazine subscriptions from Defendants.

38. Upon information and belief, Defendant PRS and Defendant Rahm earned millions of dollars from the aforementioned transactions.

39. Upon information and belief, if a consumer agrees to purchase a magazine subscription, Defendants tell consumers they must cancel within three (3) days of the initial telephone solicitation.

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40. Upon information and belief, consumers may actually cancel their subscriptions at any time.

41. Upon information and belief, Defendants fail to inform consumers that they may cancel their subscriptions at any time.

42. Upon information and belief, Defendants ask each consumer, in the course of the telephone solicitation, not to cancel their subscriptions.

43. Upon information and belief, consumers receive confirmation letters from Defendant PRS within seven (7) to ten (10) days of agreeing to purchase subscriptions from Defendant PRS. See Exhibit 5.

44. Upon information and belief, the aforementioned confirmation letters identify the telemarketing Defendants as "authorized representative[s]" of Defendant PRS. See Exhibit 5.

45. Upon information and belief, Defendant PRS charges Kansas consumers' credit cards without obtaining a written and signed confirmation of the sale from each Kansas consumer.

46. Upon information and belief, Defendant PRS and Defendant Rahm continue to attempt to collect payment from consumers, even after consumers express a desire to cancel their subscriptions or cease making payments on their accounts. Exhibit 6.

47. Upon information and belief, a number of consumers have defaulted on their payments to Defendant PRS.

48. Upon information and belief, Defendant PRS and Defendant Rahm eventually referred these consumers' accounts to the collection agency, Luebke, Baker and Associates, Inc. of Peoria, Illinois.

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49. Upon information and belief, Defendant PRS and Defendant Rahm earned over one hundred thousand dollars (\$100,000.00) from collection of the aforementioned accounts from consumers.

50. Upon information and belief, Luebke, Baker and Associates, Inc. earned approximately sixty thousand dollars (\$60,000.00) from collection of the aforementioned accounts from consumers.

51. Upon information and belief, Defendants do not consult the National Do-Not-Call Registry, maintained by the Federal Trade Commission, prior to placing telephone calls to consumers for the solicitation of magazine subscriptions.

52. Upon information and belief, a number of consumers contacted by Defendants are listed on the Do-Not-Call Registry.

53. Upon information and belief, a number of consumers contacted by Defendants continued to receive telephone calls from Defendants after requesting no further contact from Defendants.

CLAIMS

COUNT I

Deceptive Acts or Practices

54. All of the foregoing paragraphs are hereby incorporated by reference.

55. Defendants knowingly made misrepresentations regarding consumers' rights, remedies, or obligations regarding the consumers' transactions with Defendant PRS, by specifically stating that consumers had three (3) days to cancel their order, when consumers could, in fact, cancel at any time.

56. Each misrepresentation is a distinct and separate deceptive act in violation of K.S.A. 50-626(b)(8).

COUNT II
Deceptive Acts or Practices

57. All of the foregoing paragraphs are hereby incorporated by reference.

58. Defendants willfully concealed, suppressed or omitted a material fact in their transactions with consumers, specifically that consumers could cancel their order at any time.

59. Each omission of such a fact is a distinct and separate deceptive act in violation of K.S.A. 50-626(b)(3).

COUNT III
Unconscionable Acts or Practices

60. All of the foregoing paragraphs are hereby incorporated by reference.

61. The telemarketing Defendants fail to correctly identify themselves to consumers when conducting telephone solicitations on behalf of Defendant PRS, often using either derivatives of the telemarketing Defendants' legal name or an alias for Defendant PRS.

62. Each failure by the telemarketing Defendants to identify the business on whose behalf the solicitation is being made, as required by K.S.A. 50-670(b)(2), is a distinct and separate unconscionable act in violation of K.S.A. 60-627.

COUNT IV
Unconscionable Acts or Practices

63. All of the foregoing paragraphs are hereby incorporated by reference.

64. Defendant PRS charged Kansas consumers' credit cards, for the purchase of magazine subscriptions, prior to receiving written and signed confirmations from these consumers disclosing in full the terms of the transaction, as required by K.S.A. 50-672.

65. Each transaction constitutes a distinct and separate unconscionable act in violation of K.S.A. 50-627.

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**COUNT V
Unconscionable Acts or Practices**

66. All of the foregoing paragraphs are hereby incorporated by reference.

67. Defendant PRS and Defendant Rahm continue to attempt to collect payment from consumers, even after consumers express a desire to cancel their subscriptions or cease making payments on their accounts, often referring such accounts to independent collection agencies.

68. Each failure by Defendant PRS and Defendant Rahm to cancel such accounts, and each subsequent attempt to collect on such accounts, constitutes a distinct and separate unconscionable act in violation of K.S.A. 50-627(a).

**COUNT VI
Unconscionable Acts or Practices**

69. All of the foregoing paragraphs are hereby incorporated by reference.

70. Defendants made or caused to be made unsolicited consumer telephone calls, for the purpose of soliciting the sale of magazine subscriptions, to consumers with telephone numbers listed on the Do-Not-Call registry, and in violation of K.S.A. 50-670a(e).

71. Each call constitutes a distinct and separate unconscionable act in violation of K.S.A. 50-627.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for judgment as follows:

A. The above-mentioned acts and practices be declared deceptive and unconscionable in violation of the Kansas Consumer Protection Act, pursuant to K.S.A. 50-632(a)(1);

B. Defendants be temporarily and permanently enjoined from these and other practices in violation of the Kansas Consumer Protection Act, pursuant to K.S.A. 50-632(a)(2);

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C. Defendants pay restitution to all consumers referenced in this Petition or revealed during the course of discovery;

D. Defendants and Defendants' owners, operators, board members and principals be restrained from advertising, soliciting and selling any services, goods or property in Kansas until such time that full restitution is made;

E. Defendants pay reasonable investigative fees and expenses to the Office of the Kansas Attorney General, as provided by K.S.A. 50-636(c);

F. Defendants pay civil penalties of \$10,000.00 for each violation of the Kansas Consumer Protection Act alleged herein;

G. Defendants pay \$10,000.00 in enhanced civil penalties for each violation of the Kansas Consumer Protection Act alleged herein that was committed against an individual deemed an "elder or disabled" victim pursuant to K.S.A. 50-676 and 50-627;

H. Defendants pay all Court costs and all costs associated with distributing and executing on any restitution or judgment made by this Court.

Respectfully submitted,




Meghan E. Barnds, # 23685
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DEMAND FOR JURY TRIAL

Pursuant to Section 5 of the Bill of Rights of the Kansas Constitution, and pursuant to K.S.A. 60-238, Plaintiff hereby demands trial by jury for all issues raised by this pleading which are so triable.


Meghan E. Barnds, # 23685

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