

RECEIVED
OCT 17 2014
ROOM 102

FILED
Superior Court of California
County of Los Angeles
FEB 10 2015
Sherri B. Carter, Executive Officer/Clerk
By *[Signature]* Steve Temblador Deputy

SUPERIOR COURT OF THE STATE OF CALIFORNIA
COUNTY OF LOS ANGELES

THE PEOPLE OF THE STATE OF CALIFORNIA,

Plaintiff,

v.

AARON'S, INC., a Georgia corporation,

Defendant.

Case No.

BC 559774

[PROPOSED] FINAL JUDGMENT AND PERMANENT INJUNCTION

02/17/2015

Plaintiff, the People of the State of California ("People" or "Plaintiff"), through its attorney, Kamala D. Harris, Attorney General of the State of California, by Deputy Attorneys General Michael E. Elisofon and Timothy D. Lundgren, and defendant Aaron's, Inc. ("Aaron's" or "Defendant"), appearing through its attorney Dominique R. Shelton of Alston & Bird LLP, having stipulated and consented to the entry of this Final Judgment and Permanent Injunction ("Judgment") without the taking of proof and without trial or adjudication of any fact or law, without this Judgment constituting evidence of or an admission by Aaron's regarding any issue of law or fact alleged in the Complaint on file, and without Aaron's admitting any liability, and with all parties having waived their right to appeal, and the Court having considered the matter and good cause appearing:

1 IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT:

2 1. This Court has jurisdiction over the allegations and subject matter of the People's
3 complaint filed in this action, and the parties to this action; venue is proper in this County; and
4 this Court has jurisdiction to enter this Judgment.

5 **DEFINITIONS**

6 2. For purposes of this Judgment:

7 A. "Covered rent-to-own transaction" means any transaction in California where a
8 consumer enters into an agreement for the purchase or rental of any consumer product where the
9 consumer's contract or rental agreement provides for payments over time and an option to
10 purchase the product where the transaction is not subject to the Unruh Act, Civil Code section
11 1801 et seq.

12 B. "Monitoring technology" means any hardware, software, or application utilized
13 in conjunction with a computer that can cause the computer to (1) capture, monitor, or record, and
14 (2) report information about user activities by:

15 (1) Recording keystrokes, clicks, or other user-generated actions;

16 (2) Capturing screenshots of the information displayed on a computer
17 monitor or screen; or

18 (3) Activating the camera or microphone function of a computer to take
19 photographs or record audio or visual content through the computer's webcam or microphone.

20 C. "Franchisee" means an independently owned business that operates under a
21 franchise agreement with Defendant.

22 **INJUNCTION**

23 3. Nothing in this Judgment alters the requirements of federal or state law to the extent
24 they offer greater protection to consumers.

25 4. The injunctive provisions of this Judgment shall apply to Defendant Aaron's, Inc. as
26 well as its subsidiaries; its successors and the assigns of all or substantially all of the assets of its
27 businesses; and its directors, officers, employees, agents, independent contractors, partners,
28 associates and representatives of each of them.

1 5. Under Business and Professions Code sections 17203 and 17535, Defendant is hereby
2 permanently enjoined and restrained from directly or indirectly engaging in any of the following
3 acts or practices in connection with offering to rent, lease or sell, or in renting, leasing or selling
4 any goods or services to consumers in California, or in connection with collecting any debt from a
5 consumer in California:

6 A. Failing to comply with the requirements of the Karnette Rental-Purchase Act,
7 Civil Code section 1812.620 et seq., in connection with any of its business practices related to
8 Covered rent-to-own transactions, including but not limited to all marketing, leasing, sales, and
9 collections activities.

10 B. In connection with a Covered rent-to-own transaction, advertising a periodic
11 lease payment amount that does not include all mandatory or optional periodic fees, including but
12 not limited to the Aaron's Service Plus fee.

13 C. In connection with a Covered rent-to-own transaction, failing to provide the
14 customer with the option to terminate the agreement at any time without penalty.

15 D. Failing to provide a customer with a document entitled "Know Your Rights" at
16 the time the customer enters into a Covered rent-to-own transaction. The "Know Your Rights"
17 document shall use plain language, in the same language as principally used in any oral sales
18 presentation or negotiations leading to the execution of the agreement (e.g., English or Spanish),
19 and shall clearly and conspicuously describe the following rights afforded to the customer under
20 the Karnette Rental-Purchase Act:

21 (1) The right to limitations on liability for loss or damage to the subject
22 property, as provided for in Civil Code section 1812.627, subdivision (b);

23 (2) The right to cancel the Covered rent-to-own transaction, without penalty
24 or obligation if the consumer has not taken possession of the property, as provided for in Civil
25 Code section 1812.628, subdivision (b);

26 (3) The right to reinstate the Covered rent-to-own transaction after default if
27 the provisions of Civil Code section 1812.631, subdivision (c), are satisfied;
28

1 (4) The right to acquire ownership of the subject property at a discounted
2 price during the course of the contract period, as provided for in Civil Code section 1812.632,
3 subdivisions (a) and (b);

4 (5) The right to a reduction in the periodic lease payment amount if the
5 consumer experiences an interruption or reduction in income that satisfies the requirements of
6 Civil Code section 1812.632, subdivision (d); and

7 (6) The right to possession of the subject property in good working order as
8 provided for in Civil Code section 1812.633.

9 E. Soliciting personal information from consumers by stating or implying that the
10 consumer will be entered into a sweepstakes, as that term is defined in Business and Professions
11 Code section 17539.5, subdivision (a)(12), unless Defendant in fact enters the consumer into a
12 sweepstakes that complies in all respects with California law, including but not limited to
13 Business and Professions Code section 17539.15.

14 F. Using any Monitoring technology to gather data or information from or about a
15 consumer from any computer rented to a consumer; or receiving, storing or communicating any
16 data or information from or about a consumer that was gathered from a computer rented to a
17 consumer using any Monitoring technology. The provisions of this paragraph do not apply to
18 Defendant's use of any Monitoring technology to gather data or information from or about a
19 consumer from any computer rented to a consumer, with notice to and consent from the
20 consumer, in connection with a request for technical assistance initiated by the consumer, where
21 Defendant only uses the information to provide, or attempt to provide, the requested technical
22 assistance and for no other purpose.

23 G. In connection with a Covered rent-to-own transaction, making or causing to be
24 made, or assisting others in making or causing to be made, any false representation or depiction in
25 any notice, prompt screen, or other software application appearing on the screen of any computer
26 that results in gathering data or information from or about a consumer.

0211712015

1 H. Misrepresenting, in any manner, expressly or by implication, the extent to
2 which Defendant maintains and protects the security, privacy, or confidentiality of any data or
3 information from or about a consumer.

4 6. Defendant shall develop, implement, and maintain a compliance program designed to
5 be followed by its California Franchisees including all of the following:

6 A. Defendant shall require that each of its Franchisees operating in California
7 refrain from committing any act or practice to the extent such act or practice would violate the
8 injunctive terms of this Judgment if such act or practice were committed by Defendant.

9 B. Defendant shall review all advertisements proposed for use by Franchisees
10 relating to Covered rent-to-own transactions prior to any advertisement being disseminated in
11 California, and Defendant shall prohibit all Franchisees from disseminating advertisements in
12 California that do not comply with the requirements of the Karnette Rental-Purchase Act.

13 C. Defendant shall monitor compliance by each California Franchisee with any
14 requirement imposed on the Franchisee by Defendant in compliance with Paragraph 6.A,
15 including but not limited to, conducting an annual review.

16 D. When Defendant knows, or has reason to know that a Franchisee has violated
17 any requirement imposed on that Franchisee by Defendant in compliance with Paragraph 6.A,
18 Defendant shall:

19 (1) Promptly take action to notify the Franchisee of the violation and instruct
20 the Franchisee to take corrective action to cure the breach, consistent with applicable state law;

21 (2) Subject to applicable state law, terminate any Franchisee that fails to
22 make such correction promptly but in all cases within six months from the time when Defendant
23 knew, or had reason to know, of the Franchisee's violation; and

24 (3) Prepare a written report describing the violation and all actions taken by
25 Defendant in response. A copy of all records prepared in accordance with this paragraph shall be
26 retained by Aaron's and made available for inspection by the Attorney General upon request.

27 7. Defendant shall train its representatives, employees, agents, and Franchisees in
28 California regarding the requirements of the Karnette Rental-Purchase Act and the specific

1 injunctive provisions of this Judgment. This training shall include, but is not limited to, providing
2 its representatives, employees, agents, and franchisee operators in California with:

- 3 A. A description of the Karnette Rental-Purchase Act's requirements; and
- 4 B. A description of the acts and practices that are prohibited by the injunctive
5 terms of this Judgment.

6 **COMPLIANCE**

7 8. Defendant shall retain a qualified compliance monitor at its expense that is approved
8 by the Attorney General to review Defendant's compliance with the injunctive provisions of this
9 Judgment. At the sole direction of the Attorney General, the compliance monitor shall conduct a
10 review and prepare a written report at least semi-annually for two years following the date of
11 entry of this Judgment. The compliance monitor's reports shall detail the monitor's findings and
12 recommendations for corrective action, if any is required. The Attorney General shall keep all
13 written reports prepared pursuant to this paragraph confidential except as needed to enforce
14 compliance with the Judgment or to support any other public enforcement action by the Attorney
15 General, or as required by law.

16 9. Plaintiff may make reasonable requests to Defendant for additional information
17 showing its compliance with any provision(s) of this Judgment. Defendant shall furnish such
18 information within 30 days after the request is made, unless another date is agreed upon in
19 writing. Information provided in accordance with this paragraph shall be kept confidential except
20 as needed to enforce compliance with the Judgment or to support any other public enforcement
21 action by the Attorney General, or as required by law.

22 10. Aaron's shall provide a copy of this Judgment to each of its California Franchisees,
23 and to each of Aaron's store managers and officers responsible for overseeing any of Aaron's
24 corporate-owned stores in California, as well as to all persons who subsequently fall into one of
25 these categories after entry of this Judgment. Aaron's shall obtain from each such person or
26 entity a signed acknowledgment that they have read, understand, and agree to abide by the terms
27 of the Judgment. A copy of each acknowledgment signed pursuant to this paragraph shall be
28 retained by Aaron's and made available for inspection by the Attorney General upon request.

02/17/2015

1 11. Nothing in this Judgment limits Plaintiff's right to request or obtain information from,
2 or otherwise contact, Defendant, its California Franchisees or its California consumers, as
3 otherwise provided in this Judgment or as provided by law.

4 RESTITUTION

5 12. Under Business and Professions Code sections 17203 and 17535, Aaron's shall make
6 restitution as follows:

7 A. Aaron's shall offer restitution to each customer of an Aaron's corporate-owned
8 or franchised-owned store in California who, between April 1, 2010 and March 31, 2014, entered
9 into, or made payments on, a Covered rent-to-own transaction. Aaron's shall offer consumers
10 eligible to receive restitution under this paragraph \$25,000,000 in the aggregate. Each consumer
11 eligible to receive restitution under this paragraph shall receive a pro rata share of the aggregate
12 amount based on the total number of eligible consumers and the total amount paid by the
13 consumer in connection with the Covered rent-to-own transaction, including but not limited to
14 lease payments, Aaron's Service Plus fees, late fees, and collection fees. If the Covered rent-to-
15 own agreement, or a re-write of that agreement, remains in force on the date of entry of this
16 Judgment, or an eligible consumer defaulted on a Covered rent to own agreement between April
17 1, 2010 and March 31, 2014 and failed to return the merchandise, Aaron's or the Franchisee, as
18 applicable, may offer the amount of restitution for that agreement in the form of a credit toward
19 the amount remaining for the consumer to acquire ownership of the consumer product subject to
20 the Covered rent-to-own transaction. If the amount of restitution exceeds the balance remaining
21 for the consumer to acquire ownership of the product, then Aaron's or the Franchisee, as
22 applicable, shall offer to transfer ownership of the product to the consumer at no additional cost
23 and Aaron's shall offer the consumer additional restitution, such that the total of all restitution
24 offered to that consumer equals the consumer's pro rata share of the aggregate restitution amount.

25 B. The restitution required under Paragraph 12.A is cumulative. Aaron's shall
26 offer a consumer all of the restitution to which the consumer is eligible under Paragraph 12.A for
27 all transactions within the prescribed time period.

28

02/17/2015

1 C. At its sole discretion, Plaintiff may use unclaimed restitution funds offered
2 under Paragraph 12.A to increase the amount of restitution offered or awarded to eligible
3 consumers and to pay for the administration costs associated with such additional offers or
4 awards.

5 13. Aaron's and its Franchisees may condition its offer of restitution to a consumer under
6 Paragraph 12 on the consumer's agreement that Aaron's would be entitled to offset that
7 restitution award against any future claim by that consumer against Aaron's related to the same
8 Covered rent-to-own transaction.

9 14. Within 60 days of the date of entry of this judgment, Aaron's shall provide the
10 Attorney General with a list that identifies each consumer entitled to restitution under the terms of
11 this Judgment, the consumer's last known address, and the amount and form of restitution to be
12 offered to the consumer (refund, credit, or both). Aaron's shall also provide the Attorney General
13 with access to information sufficient to confirm the accuracy of the data provided.

14 15. Defendant shall use all reasonable efforts, including an examination of its books and
15 records as well as the books and records of its California Franchisees, to identify the most current,
16 complete, and accurate names and last known addresses of consumers eligible to receive
17 restitution and the amount of restitution which the consumer is eligible to receive.

18 16. Restitution shall be administered by a third party administrator who shall administer
19 restitution according to this Judgment. Subject to Paragraph 12.C, payment for services rendered
20 by the restitution administrator shall be paid entirely and solely by Defendant.

21 17. In connection with this restitution program, Defendant shall instruct each consumer
22 reporting agency to whom it sent a negative report concerning any person eligible to receive
23 restitution under Paragraph 12 above to delete its tradeline. Defendant shall send a letter to each
24 person about whom it made a negative report to a consumer reporting agency stating that it has
25 removed that report.

26 18. At the conclusion of the restitution process outlined in the contract between
27 Defendant and the third party administrator retained pursuant to Paragraph 16 above, and subject
28 to Paragraph 12.C, all unclaimed restitution offered to consumers shall be paid to Plaintiff for the

