

1 XAVIER BECERRA
Attorney General of California
2 NICKLAS A. AKERS
Senior Assistant Attorney General
3 MICHELE VAN GELDEREN
Supervising Deputy Attorney General
4 ALICIA K. HANCOCK (SBN 240566)
SHANAIRA U. BANERJEE (SBN 236187)
5 MICHAEL REYNOLDS (SBN 270962)
ROSALDA PEREZ (SBN 284646)
6 Deputy Attorneys General
300 South Spring Street, Suite 1702
7 Los Angeles, CA 90013
Telephone: (213) 269-6342
8 Fax: (213) 897-4951
E-mail: Alicia.Hancock@doj.ca.gov
9 *Attorneys for Plaintiff,*
the People of the State of California

[EXEMPT FROM FILING FEES
PURSUANT TO GOVERNMENT
CODE SECTION 6103]

10 SUPERIOR COURT OF THE STATE OF CALIFORNIA
11
12 FOR THE COUNTY OF LOS ANGELES
13
14

15 **THE PEOPLE OF THE STATE OF CALIFORNIA,**
16 **Plaintiff,**
17 **v.**
18 **ADIR INTERNATIONAL, LLC, A DELAWARE**
19 **LIMITED LIABILITY COMPANY, ALSO DOING**
20 **BUSINESS AS CURACAO AND LA CURACAO;**
RON AZARKMAN, AN INDIVIDUAL;
21 **AND DOES 1 THROUGH 100, INCLUSIVE,**
22 **Defendants.**

Case No. BC680425

**FIRST AMENDED COMPLAINT FOR
PERMANENT INJUNCTION, CIVIL
PENALTIES, RESTITUTION, AND
OTHER EQUITABLE RELIEF**

(BUS. & PROF. CODE, §§ 17200 et seq.,
17500 et seq.)

[VERIFIED ANSWER REQUIRED
PURSUANT TO CALIFORNIA CODE OF
CIVIL PROCEDURE SECTION 446]

1 Plaintiff, the People of the State of California (“Plaintiff” or the “People”), by and through
2 Xavier Becerra, Attorney General of the State of California, alleges the following on information
3 and belief:

4 INTRODUCTION

5 1. For years, Defendant Adir International, LLC, dba Curacao, a retail store chain, and
6 its co-founder Ron Azarkman, have preyed upon Curacao’s Latino customer base. While
7 Curacao touts its commitment to the Latino community, the company actually takes advantage of
8 its customers, many of whom are low-income, monolingual Spanish-speaking immigrants who
9 lack access to traditional credit to purchase basic big-ticket household necessities from other
10 retailers. Curacao victimizes consumers through a variety of unlawful, unfair, and fraudulent
11 business practices, including the following: misleading advertising; misleading discounts on
12 merchandise; unwanted contract add-ons; charging illegal fees; illegal sale of warranties; illegal
13 sales of insurance products; failure to honor warranties; failure to make legally required contract
14 disclosures; failure to clearly post return policies; refusal to honor returns; illegal debt collection
15 practices; violating consumers’ rights when suing them in small claims actions; and misusing the
16 small claims court system.

17 2. Curacao’s unlawful business practices are pervasive. They begin even before a
18 consumer walks into a store—through misleading advertisements—and may not end until months
19 or years after the consumer’s original purchase—often in a small-claims judgment obtained by
20 violating court rules. Targeting Latino immigrants who lack credit, Curacao lures consumers into
21 its stores by advertising easy credit and low prices on merchandise ranging from electronics to
22 furniture to appliances. Once in the store, however, consumers discover that they can only
23 purchase merchandise at the advertised price if they agree to buy “add-ons” such as warranties,
24 installation services, and/or accessories. In some instances, Curacao adds these items without
25 consumers’ knowledge or consent, or tells consumers that items are free when, in fact, consumers
26 are charged for them. Curacao conceals these contract add-ons by having consumers sign credit
27 or retail installment contracts electronically without first showing them an itemized receipt, or by
28 giving monolingual Spanish-speaking consumers English-language contracts, which they cannot

1 read or understand. When consumers try to return items that were added without their consent,
2 they are often told that Curacao's return policy—which was not disclosed to consumers—
3 prevents Curacao from accepting the return. When consumers try to use their warranties (many
4 of which are Curacao-backed warranties sold illegally and without the proper financial backing),
5 Curacao often denies them service or forces them to wait months to have their merchandise
6 repaired or replaced. All the while, Curacao expects consumers to continue making regular
7 payments on their purchases. When consumers fall behind on their payments, Curacao debt
8 collectors not only harass the consumers themselves, but also contact their family members and
9 employers. Curacao debt collectors also threaten consumers with arrest if they do not pay.
10 Finally, when Curacao sues consumers in small claims court for outstanding debts, the company
11 often fails to properly serve the customers it is suing. As a result, consumers sued by Curacao
12 discover that they have had default judgments entered against them without any opportunity to
13 defend themselves in court.

14 3. Such business practices are not the actions of rogue employees; they are, in fact, the
15 consequence of Curacao's established sales incentive structure and corporate culture. Curacao
16 instructs its employees that the company's future depends on selling high-margin warranties,
17 services, and accessories. To ensure that sales associates push these items on its customers,
18 Curacao imposes unrealistic sales goals on its employees, constantly monitors them to ensure
19 goals are met, and threatens employees with demotion or termination if they fail to meet those
20 goals. Caught between a rock and a hard place, Curacao employees, many of whom lack other
21 job options, are forced to engage in unfair, unlawful, and fraudulent conduct in order to keep their
22 jobs. Curacao sales representatives are encouraged to lie to customers about contract terms,
23 pricing, and returns, and to add items and services to customers' contracts without their
24 knowledge or consent. This conduct is condoned and sanctioned by Curacao supervisors.
25 Curacao management and executives have been well aware of these practices, and the
26 corresponding customer and employee complaints, for years.

1 4. These business practices violate California's Unfair Competition Law (Business and
2 Professions Code section 17200), the False Advertising Law (Business and Professions Code
3 section 17500), and a number of other California consumer protection statutes.

4 **PLAINTIFF**

5 5. Plaintiff is the People of the State of California, who brings this action by and through
6 Attorney General Xavier Becerra. The Attorney General is authorized by Business and
7 Professions Code sections 17203, 17204, and 17206 to bring actions to enforce the Unfair
8 Competition Law (UCL) and by Business and Professions Code sections 17535 and 17536 to
9 bring actions to enforce the False Advertising Law (FAL).

10 **DEFENDANTS**

11 6. Defendant Adir International, LLC is a Delaware limited liability company with its
12 principal place of business in Los Angeles, California. Adir International, LLC owns and
13 operates a retail store chain under the fictitious business names of Curacao, Curacao Travel,
14 iCuracao, and Curacao Export. At all relevant times, Adir International, LLC, itself and doing
15 business as La Curacao, Curacao Travel, iCuracao, and Curacao Export, has transacted business
16 in the County of Los Angeles and elsewhere within the State of California.

17 7. The retail store chain now known as Curacao was formerly known as La Curacao,
18 from its inception in 1981 until the chain was rebranded as Curacao on or around August 1, 2012.

19 8. Defendant Ron Azarkman (Mr. Azarkman), an individual, is a principal of Adir
20 International, LLC. According to a Statement of Information filed with the Secretary of State on
21 September 25, 2013, Azarkman is the Chief Executive Officer of Adir International, LLC.
22 According to a Statement of Information filed with the Secretary of State on January 26, 2006,
23 Azarkman is or was the Chief Executive Officer and Chief Financial Officer of La Curacao, as
24 well as a director of La Curacao. According to an application for registration filed with the
25 Bureau of Electronic and Appliance Repair in November 1996, Azarkman is one of the two
26 officers listed as "in charge of" Adir International LLC's service contract program, through which
27 Curacao ostensibly sold its warranties. Azarkman also signed this application for registration. At
28 all times relevant, Azarkman was in a position of responsibility allowing him to create, direct, and

1 influence corporate policies or activities with respect to Defendants' compliance with California
2 consumer protection laws and regulations at their retail stores and in the conduct of their business
3 in the State of California, and had, by reason of his position in the company and corporation,
4 responsibility and authority either to prevent in the first instance, or promptly correct, the
5 violations complained of herein, but failed to do so. In addition to any direct personal liability,
6 Azarkman is also personally liable as a responsible corporate officer for violations of law
7 committed by Defendants as alleged herein. Azarkman is a resident of Los Angeles County.

8 9. Plaintiff is not aware of the true names and capacities of defendants sued herein as
9 DOES 1 through 100, inclusive, and, therefore, sues these defendants by such fictitious names.
10 Each fictitiously named defendant is responsible in some manner for the violations of law alleged.
11 Plaintiff will amend this Complaint to add the true names of the fictitiously named defendants
12 once they are discovered. Whenever reference is made in this Complaint to "Defendants," such
13 reference shall include DOES 1 through 100 as well as the named defendants.

14 10. The defendants identified in Paragraphs 6 through 9 above are hereafter referred to
15 collectively in this Complaint as "Defendants" or "Curacao."

16 11. At all relevant times, each Defendant acted individually and jointly with every other
17 named Defendant in committing all acts alleged in this Complaint.

18 12. At all relevant times, each Defendant acted: (a) as a principal; (b) under express or
19 implied agency; and/or (c) with actual or ostensible authority to perform the acts alleged in this
20 Complaint on behalf of every other named Defendant.

21 13. At all relevant times, some or all Defendants acted as the agent of the others, and all
22 Defendants acted within the scope of their agency if acting as an agent of another.

23 14. At all relevant times, each Defendant knew or realized, or should have known or
24 realized, that the other Defendants were engaging in or planned to engage in the violations of law
25 alleged in this Complaint. Knowing or realizing that the other Defendants were engaging in such
26 unlawful conduct, each Defendant nevertheless facilitated the commission of those unlawful acts.
27 Each Defendant intended to and did encourage, facilitate, or assist in the commission of the
28 unlawful acts, and thereby aided and abetted the other Defendants in the unlawful conduct.

1 15. Defendants have engaged in a conspiracy, common enterprise, and common course of
2 conduct, the purpose of which is and was to engage in the violations of law alleged in this
3 Complaint. The conspiracy, common enterprise, and common course of conduct continue to the
4 present.

5 **JURISDICTION AND VENUE**

6 16. This Court has original jurisdiction over this action pursuant to California,
7 Constitution article VI, section 10.

8 17. This Court has jurisdiction over Defendants because Defendants, by maintaining
9 Curacao's principal place of business in the state of California, marketing its merchandise
10 throughout California, and operating stores and selling merchandise in California, intentionally
11 availed themselves of the California market so as to render the exercise of jurisdiction over
12 Defendants by the California courts consistent with traditional notions of fair play and substantial
13 justice.

14 18. The violations of law alleged in this Complaint occurred in the County of Los
15 Angeles and elsewhere throughout California.

16 19. Venue is proper in this Court pursuant to Code of Civil Procedure section 395.5
17 because Defendants' marketing and sales activities included the Los Angeles region and therefore
18 Defendants' liability arises in the County of Los Angeles.

19 20. Venue is also proper in this Court pursuant to Code of Civil Procedure section 393,
20 subdivision (a) because violations of law that occurred in the County of Los Angeles are a "part
21 of the cause" upon which the Plaintiff seeks the recovery of penalties imposed by statute.

22 **DEFENDANTS' BUSINESS PRACTICES**

23 21. Curacao operates nine retail stores in California, two retail stores in Arizona, and one
24 retail store in Nevada, as well as an online shopping site at <http://www.icuracao.com/>.

25 22. Curacao actively markets its products to the Latino community, the most vulnerable
26 members being low-income, monolingual Spanish-speaking immigrants. These consumers often
27 have minimal experience with credit card and retail installment contracts because they do not
28 qualify for traditional credit or financing. This lack of access to traditional credit makes it

1 difficult for these consumers to purchase necessary big-ticket home staples such as refrigerators
2 and beds at other retailers.

3 23. While claiming to help the Latino community, Curacao instead takes advantage of
4 and exploits this community. Curacao takes advantage of consumers through a variety of
5 unlawful, unfair, and fraudulent business practices, including:

- 6 a. **Bait-and-switch Advertising/Bundling.** Curacao lures consumers into its
7 stores through advertisements disseminated via mailers, television, radio, and
8 the internet. These advertisements contain false or misleading statements about
9 the condition, price, and availability of particular products. Curacao sales
10 associates are instructed not to sell available merchandise at the advertised
11 prices unless they can sell the products bundled with high-margin services,
12 warranties, and accessories. As a result, Curacao often tells consumers that
13 merchandise advertised by Curacao is either unavailable, or available only as
14 part of a more expensive bundle that was not disclosed in Curacao's
15 advertising. Curacao fails to honor prices as they are advertised and marked on
16 its sales floor, and fails to supply reasonably expected demand for the
17 merchandise it advertises. Curacao also markets and sells used items to
18 consumers without disclosing that they are not new.
- 19 b. **Deceptive Reference Price Advertising.** Curacao's advertisements often
20 identify alleged "regular" prices, along with lower sale prices, implying that the
21 advertised product is available at a discount from a purported "regular" price.
22 Consumers' alleged savings can amount to hundreds of dollars on a single
23 television or appliance. But, the advertised "regular" price does not always
24 reflect a price at which Curacao regularly sells the product. In fact, Curacao
25 may have never sold the product at that inflated "regular" price.
- 26 c. **Store Credit.** Curacao encourages consumers to apply for store credit and pay
27 for merchandise via retail installment contracts. Curacao claims that opening
28 credit with the store will improve consumers' credit scores and open up other

1 avenues for financing in the future. Curacao also promotes low monthly
2 payments on advertised items if purchased with Curacao credit. Such promises
3 of easy credit and low monthly payments are attractive to many consumers,
4 especially those who lack a positive credit history. But in reality, the advertised
5 low monthly payments are based on an APR of 19.99%, a rate very few
6 consumers actually get. Curacao conducts most of its sales through retail
7 installment contracts, typically charging consumers a 34.99% APR. Once a
8 consumer is approved for credit, Curacao sales associates encourage the
9 consumer to use all available credit in the first purchase, as instructed by their
10 supervisors. Sometimes, Curacao opens new accounts or sub-accounts for
11 consumers without their knowledge or consent. Curacao sales associates also
12 mislead consumers by telling them that Curacao can reactivate or increase a
13 consumer's credit line without running a hard inquiry on the consumer's credit
14 report. In reality, Curacao runs hard inquiries on consumer credit reports
15 without the consumer's informed consent, and at times, in direct contravention
16 of the consumer's explicit requests.

- 17 d. **Contract Add-Ons.** To meet the company's aggressive and strict sales goals,
18 Curacao sales associates add warranties and services to consumer contracts by
19 any means possible: sometimes by misleading the consumer about the terms,
20 conditions, or price of a warranty or service, and sometimes by simply adding a
21 warranty or service to a consumer's contract without the consumer's knowledge
22 or consent. Accessories are often added to a consumer's purchase through
23 deception. Sales representatives lie about the price of accessories, and
24 sometimes falsely claim that accessories are essential to the proper operation of
25 certain merchandise.
- 26 e. **Failing to Timely Disclose Contract Terms.** Curacao sales associates ask
27 consumers to electronically sign their retail installment contracts on a small
28 touchpad similar to a credit card terminal before giving them an itemized

1 receipt or paper contract. This enables Curacao sales associates to
2 systematically add unwanted items to customers' contracts and bind customers
3 to those contracts, without their knowledge or consent. Curacao does not
4 provide consumers with a paper copy of their retail installment contract until
5 they have already signed it. While Curacao sales associates sometimes show
6 consumers some of the terms of their contract on the sales computer screen, the
7 screen does not display all of the relevant terms, omits important disclosures,
8 and is not in the format (or sometimes in the language) of the contract that is
9 printed after the consumer signs, making it difficult or impossible for
10 consumers to discern key terms before signing. As a consequence, consumers
11 often leave the store with a contract that binds them to pay Curacao hundreds of
12 dollars more than they expected or intended, for services or items they did not
13 want or did not agree to purchase, or for fees and finance charges that were not
14 disclosed. Further, even Curacao's printed contracts do not provide the full
15 information required by law to help consumers understand the terms of their
16 credit. For example, Curacao's contracts do not identify Curacao's method of
17 computing the unearned portion of the finance charge in the event of a
18 consumer's prepayment of contract debt.

- 19 f. **Unlawful Charges.** Often without getting the consumer's informed consent,
20 Curacao sales associates add financial products, such as Curacao Credit Shield,
21 Adir Global Protection ("AGP") or AGP Plus, to retail installment contracts or
22 retail installment accounts. Curacao refers to Curacao Credit Shield and AGP
23 as "debt suspension and debt cancellation" products, which offer customers a
24 chance to defer payments on a credit account for certain events (e.g.,
25 unemployment, family leave) or to cancel the debt under certain circumstances
26 such as death or disability. Curacao charges the consumer a monthly fee for
27 those products, generally ranging from \$4/month to \$29/month, on each of the
28 consumer's Curacao accounts. This monthly fee for Curacao Credit Shield,

1 AGP, or AGP Plus is not permitted by law on either retail installment accounts
2 or retail installment contracts. Curacao has not filed any documentation of its
3 Curacao Credit Shield or AGP debt cancellation products with the California
4 Department of Insurance. Nevertheless, Curacao Credit Shield and AGP Plus
5 plans contain insurance that is underwritten by a third-party insurance
6 company. Curacao also encourages and incentivizes its managers, sales
7 associates, and other employees to sell Curacao Credit Shield and AGP
8 products, including the associated insurance, despite the fact that none of
9 Curacao's employees are licensed or trained to sell insurance under California
10 law. Curacao also fails to provide required disclosures to consumers before they
11 offer to sell them insurance policies.

12 g. **Contract Translations.** In some instances, Curacao negotiates with consumers
13 in Spanish, but provides those consumers with only an English-language
14 contract. Even when Curacao sales associates provide a Spanish-language
15 translation of the contract, important contract terms and conditions remain in
16 English. Curacao also fails to post any signs or notices informing consumers of
17 their right to receive a version of their contract that is fully translated into
18 Spanish.

19 h. **Warranties.** Curacao sales associates misrepresent the terms of the warranties
20 (also known as service contracts) that Curacao sells and they often do not
21 provide consumers with a copy of the warranty terms or contract. In some
22 instances, sales associates fail to provide the consumer with *any* information
23 about the warranty added to their contract. For years, Curacao misled the
24 Bureau of Household Goods and Services (formerly the Bureau of Electronic
25 and Appliance Repair, Home Furnishings, and Thermal Insulation, hereinafter
26 BEAR), the agency tasked with regulating the sale of warranties. While
27 applying to sell only warranties administered by another company, Curacao
28 actually sold its own self-administered warranties, without the necessary

1 financial backing or insurance policy required by California law. Curacao also
2 fails to respond in a timely manner (or at all) to consumer requests for repairs,
3 and in many instances it cancels or voids warranties without proper
4 justification. Curacao has refused to replace or repair defective items covered
5 by Curacao's warranty, falsely claiming that damage to a product was caused
6 by the consumer. Curacao has also, in several instances, charged customers for
7 third-party warranty coverage without actually enrolling the product or
8 activating the third-party warranty. In instances when consumers return
9 merchandise for which a warranty was also purchased, Curacao continues to
10 charge consumers for the warranty or charges them an insurance cancellation
11 fee, even when consumers do not attempt to use the merchandise or the
12 warranty and they cancel the warranty within thirty days.

13 i. **Returns.** For years, Curacao failed to post or otherwise alert consumers to its
14 return policies *before* customers made a purchase. Until recently, Curacao's
15 return policy was posted only on retail installment contracts or product receipts
16 (both provided *after* purchase), and at some of its merchandise pick-up
17 windows. Yet, Curacao often relied on its alleged return policies to refuse
18 consumers' return attempts, claiming that merchandise was "final sale" or
19 subject to a 10% or 15% restocking fee. Curacao associates are incentivized to
20 reject valid returns because their strict sales goals, their compensation, and
21 ultimately their jobs are at stake.

22 j. **Debt Collection.** When consumers fall behind in their monthly payments,
23 Curacao's debt collection agents harass them by calling early in the morning or
24 late at night, berating them, and threatening them with litigation, arrest, losing
25 their home, and/or ruined credit reports. Curacao's debt collection agents also
26 reveal details about debts to consumers' relatives, roommates, neighbors,
27 coworkers, and/or employers. Curacao follows up its debt collection calls by
28 sending written debt collection notices to consumers that threaten actions it

1 does not intend to—or cannot legally—take, including seizure of consumers’
2 homes. In some instances, Curacao continues debt collection efforts against
3 consumers, including negative reporting to the credit reporting agencies,
4 months and even years after having received payment in full.

5 k. **Small Claims.** Curacao files 250 to 400 small claims actions for allegedly
6 delinquent debt against its consumers each month. Until recently, Curacao used
7 an unregistered process server who failed to personally serve consumers, and
8 fabricated proofs of service. Improper or non-existent service prevented
9 numerous consumers from contesting their alleged debt in court or seeking a
10 stipulated judgment with Curacao. Through subsequent orders and wage
11 garnishment, Curacao has collected on default judgments against consumers
12 who never received proper notice of the small claims lawsuits, and had no
13 opportunity to be heard in court. Curacao also hired an independent contractor
14 to represent the company at small claims hearings by falsely claiming that he
15 was Curacao’s in-house “collector.” This independent contractor has, on many
16 occasions, testified against consumer defendants and provided information to
17 the court about Curacao records and the alleged consumer debt owed.

18 24. When consumers attempt to contact Curacao about unauthorized contract add-ons,
19 defective products, poor customer service, harassing debt collection, or subpar warranty service,
20 they are confronted with long wait times. Their telephone calls are transferred among several
21 Curacao customer service representatives, and often get disconnected in the process. Customer
22 service representatives are rarely authorized to resolve issues themselves, so consumers are often
23 told that someone will call them back. Consumers routinely wait weeks for a callback and, in
24 many cases, never receive one. Consumers who go directly to a Curacao store to lodge a
25 complaint are often confronted by hostile employees and managers who claim that nothing can be
26 done because the consumer signed the contract and should have known what it entailed. When a
27 consumer persists in her complaint, Curacao elevates the complaint to its Escalations Department,
28

1 where it is ultimately vetted by executives. Even if Curacao resolves these elevated complaints,
2 the resolution rarely involves making the consumer whole.

3 25. The pervasiveness of Curacao's unlawful, unfair, and fraudulent conduct is
4 perpetuated by the company's sales model and corporate culture. Curacao requires its sales
5 associates to meet daily, weekly, and monthly sales goals for each of the following categories:
6 merchandise, accessories, warranties, services (such as delivery or installation), approved credit
7 applications, and profit margin. Curacao also incentivizes its sales associates to sell AGP by
8 setting AGP-specific goals and paying bonuses specific to AGP products. The monthly sales
9 goals, however, are not always clear and often increase unexpectedly in the middle of the month.
10 A sales associate who was on target to meet her monthly goals may suddenly discover, in the
11 third week of the month, that Curacao has raised her goals to a level that is unattainable. Curacao
12 sales associates often express confusion about how their sales goals are calculated and adjusted.
13 Many are unable to meet their monthly goals without resorting to unlawful, unfair, or fraudulent
14 tactics because there simply are not enough customers coming through their department.

15 26. Curacao encourages the sale of Curacao Credit Shield, AGP, and AGP Plus because
16 those are high margin products. Curacao incentivizes its employees to sell AGP by paying them
17 bonuses for every AGP and AGP Plus sale, plus an additional bonus for upgrading a customer
18 from AGP to AGP Plus. Curacao closely tracks AGP cancellations, which affect these
19 employees' bonuses. Thus, Curacao employees are incentivized not only to add Curacao Credit
20 Shield, AGP, and AGP Plus to customers' contracts, but also to deflect, avoid, or reject customer
21 cancellation requests.

22 27. Curacao strictly enforces its sales goals through constant monitoring of its employees.
23 Curacao managers are required to meet their own departmental sales goals for all categories.
24 They are instructed to create a sense of urgency in their sales associates by checking in with them
25 on an hourly basis to ensure they are meeting goals for services, accessories, and warranties.
26 Sales associates who are not meeting all of their goals are often approached or called by their
27 managers and reprimanded or berated. At times, managers will actually interrupt a sale and take
28

1 over communications with a particular consumer to ensure that the consumer purchases services,
2 accessories, and a warranty along with merchandise.

3 28. Curacao also enforces its sales goals through its employee review process. In
4 periodic formal and informal performance reviews, sales associates are rated on their ability to
5 exceed their sales goals in each category. A sales associate cannot earn the highest performance
6 ranking unless she has actually achieved well over 100% of her goals. Sales associate hourly pay
7 is adjusted accordingly; if an associate exceeds her goals, her hourly pay may increase, but if she
8 fails to meet her goals, her hourly pay may decrease, sometimes by as much as \$2.00 per hour.
9 Managers are also subject to periodic formal performance reviews, in which they are rated and
10 ranked based on their department's ability to sell beyond its goals in each category. Sales
11 associates and managers both receive written performance warnings for failing to meet their
12 goals. These documents inform sales associates and managers that their continued failure to meet
13 Curacao's sales goals in each category will result in demotion or termination. And, indeed,
14 Curacao regularly demotes or terminates associates and managers for failing to meet their sales
15 goals. These performance reviews, warnings, demotions, and terminations are regularly reviewed
16 and approved by Curacao management and executives.

17 29. This combination of unrealistic and opaque sales goals, the constant monitoring of
18 those sales goals, and the severe repercussions of falling short predictably and naturally drive
19 Curacao's associates to engage in fraudulent behavior to meet their goals and keep their jobs.

20 30. Since the store's inception, Mr. Azarkman has been involved in creating and revising
21 this compensation structure, as well as directing Curacao's retail and inventory strategy,
22 communicating with executives and store management, and cultivating Curacao's corporate
23 culture and corporate image. Mr. Azarkman is a regular member or participant in Curacao
24 executive committees or sub-committees that review and analyze consumer complaints or
25 experiences, including complaints or reports about false advertising and deceptive sales practices.

26 31. Defendants also engage in deceptive and unlawful practices when seeking to enforce
27 the payment of delinquent accounts. Defendants file thousands of small claims cases against their
28 customers each year, but flout the small claims procedures intended to protect consumers in that

venue. For example, as a small claims plaintiff, Defendants are only allowed to file, at most, two small claims cases in a single calendar year in which they seek more than \$2,500. Defendants violate this rule. In some cases, Defendants split a single cause of action against a single customer defendant in order to evade the dollar limit and take advantage of small claims court jurisdiction and procedure to seek judgment against customers with large balances. Until at least March 2017, Defendants assigned an independent contractor to fill out their small claims forms, with no oversight or access to Defendants' payments and debits system, even though those forms must be completed under oath by the small claims plaintiff. Defendants have won judgment amounts they were not legally entitled to collect, by fraudulently reporting overinflated service fees and failing to provide customers with proper credit for unearned interest on their outstanding balances. Defendants were able to obscure these overcharges because they failed to provide customers with the statutorily required statement of calculation of liability.

FIRST CAUSE OF ACTION AGAINST ALL DEFENDANTS

VIOLATIONS OF BUSINESS AND PROFESSIONS CODE

SECTION 17500 ET SEQ.

(False or Misleading Statements)

32. The People reallege and incorporate by reference each of the paragraphs above as though fully set forth herein.

33. Defendants have violated, and continue to violate, Business and Professions Code section 17500 et seq. by making or disseminating, or causing to be made or disseminated, false or misleading statements with the intent to induce members of the public to purchase Curacao products when Defendants knew, or by the exercise of reasonable care should have known, that the statements were false or misleading. The false or misleading statements include, but are not limited to, the following:

- a. In print, online, and televised advertisements, as well as in in-store displays, Defendants advertise merchandise for sale at certain prices, but then refuse to sell that merchandise at the advertised price unless the consumer also agrees to

1 purchase a warranty, services, or accessories—a condition that is not stated in
2 the advertisements;

- 3 b. In print and online advertisements, as well as in in-store displays, Defendants
4 advertise merchandise for sale at specified monthly payments based on an APR
5 of 19.99%, an interest rate that most consumers do not get;
- 6 c. Defendants advertise items on sale from a false or misleading regular price from
7 which merchandise is purportedly being offered at a discount;
- 8 d. Defendants fail to honor prices as stated in the in-store displays; and
- 9 e. Defendants misrepresent used or second-hand merchandise as new.

10 **SECOND CAUSE OF ACTION AGAINST ALL DEFENDANTS**

11 **VIOLATIONS OF BUSINESS AND PROFESSIONS CODE**

12 **SECTION 17200 ET SEQ.**

13 **(Unlawful, Unfair, and/or Fraudulent Business Practices)**

14 34. The People reallege and incorporate by reference each of the paragraphs above as
15 though fully set forth herein.

16 35. Defendants have engaged, and continue to engage, in unlawful, unfair, or fraudulent
17 acts or practices, which constitute unfair competition within the meaning of Section 17200 of the
18 Business and Professions Code. Defendants' acts or practices include, but are not limited to, the
19 following:

- 20 a. Defendants have violated Business and Professions Code section 17500 et seq.,
21 as alleged above in the First Cause of Action.
- 22 b. Defendants have violated the Consumer Legal Remedies Act, Civil Code section
23 1770 et seq., by:
- 24 i. Selling used and secondhand items as new, in violation of Civil Code
25 section 1770, subdivision (a)(6);
- 26 ii. Advertising items for sale with an intent not to sell them as advertised, in
27 violation of Civil Code section 1770, subdivision (a)(9);
- 28

- iii. Advertising items for sale with an intent not to supply reasonably expectable demand, in violation of Civil Code section 1770, subdivision (a)(10);
 - iv. Adding items to consumer contracts without consumers' knowledge or consent, in violation of Civil Code section 1770, subdivision (a)(13), (14), (16), and (19);
 - v. Misleading consumers about the price of items added to their contracts, in violation of Civil Code section 1770, subdivision (a)(13), (14), and (16);
 - vi. Making false or misleading statements of fact concerning the existence or amounts of price reductions, in violation of Civil Code section 1170, subdivision (a)(13); and
 - vii. Misleading consumers about the terms or conditions of Curacao's contracts, in violation of Civil Code section 1770, subdivision (a)(14).
- c. Defendants have violated the California Translations Act, Civil Code section 1632 et seq., by:
- i. Failing to provide a full Spanish-language translation of Curacao contracts to consumers who negotiated their purchase in Spanish, in violation of Civil Code section 1632, subdivision (b); and
 - ii. Failing to conspicuously display a notice stating that Curacao is required to provide a contract in Spanish to consumers who negotiate their purchase in Spanish, in violation of Civil Code section 1632, subdivision (f).
- d. Defendants have violated Business and Professions Code section 9855.2, subdivision (a) by issuing, selling, or offering for sale Curacao service contracts without filing with the director of BEAR sufficient proof of financial backing for those contracts.
- e. Defendants have violated Business and Professions Code section 9855.3 by:
- i. Issuing and using a service contract without first filing with the director of BEAR the service contract form; and

- 1 ii. Failing to file with their application for registration and application for
2 registration renewal the requisite proof of financial backing.
- 3 f. Defendants have violated California Code of Regulations section 2758 by failing
4 to provide to BEAR the records they are required to maintain.
- 5 g. Defendants have violated Civil Code section 1723, subdivision (a) by failing to
6 conspicuously display return policies for items on which they refuse to give full
7 cash or credit refunds or equal exchanges.
- 8 h. Defendants have violated the Rosenthal Fair Debt Collection Practices Act, Civil
9 Code section 1788 et seq., by:
- 10 i. Threatening to arrest, garnish the wages of, and/or seize the property or
11 homes of, consumers who owe debts to Curacao, even when such action
12 was not in fact contemplated or permitted by law, in violation of Civil
13 Code section 1788.10;
- 14 ii. Harassing consumers with frequent and repeated telephone calls, often
15 made at times known to be inconvenient, in violation of Civil Code
16 sections 1788.11 and 1788.17;
- 17 iii. Communicating repeatedly with persons other than the consumer for the
18 purpose of acquiring location information about the consumer and/or
19 discussing the details of consumers' debts with consumers' employers or
20 family members, when such communication was not necessary to the
21 collection of debt, in violation of Civil Code sections 1788.12 and 1788.17;
22 and
- 23 iv. Collecting or attempting to collect debts from consumers when Curacao
24 knew that service of process of the underlying small claims actions had not
25 been legally effected, in violation of Civil Code section 1788.15.
- 26 i. Defendants have violated the Song-Beverly Consumer Warranty Act, Civil Code
27 section 1790 et seq., by:
- 28

- 1 i. Failing to provide consumers at or before the time of purchase a copy of
2 the service contract sold or a brochure which specifically describes the
3 terms, conditions, and exclusions of the service contract sold, in violation
4 of Civil Code section 1794.41, subdivision (a); and
- 5 ii. Failing to provide consumers with a full refund for service contracts on
6 home electronic products or home appliances returned within 30 days of
7 purchase, and where no claim was filed, in violation of Civil Code section
8 1794.41, subdivision (a)(4)(A).
- 9 j. Defendants have violated the Truth-in-Lending Act and its implementing
10 Regulation Z (15 U.S.C. § 1601 et seq.; 12 C.F.R. § 226.1 et seq.), by requiring
11 consumers to sign retail installment contracts before printing those contracts out
12 for the customer's review and by failing to make required credit disclosures to
13 consumers in a form that the consumer may keep before signature.
- 14 k. Defendants have violated the California Unruh Act, Civil Code section 1801 et
15 seq., by:
- 16 i. Requiring consumers to sign retail installment contracts before printing
17 those contracts out for the customer's review and by failing to make
18 required credit disclosures to consumers in a form that the consumer may
19 keep before signature;
- 20 ii. Failing to disclose in Defendants' retail installment contracts the method of
21 computing the unearned portion of the finance charge in the event of a
22 consumer's prepayment of contract debt;
- 23 iii. Charging consumers a fee incident to the making of a retail installment
24 contract;
- 25 iv. Charging consumers a fee not allowed by law for the extension or
26 deferment of payments under a retail installment contract; and
- 27 v. Charging consumers a fee incident to the making of a retail installment
28 account;

1. Defendants have violated the Small Claims Act, Code of Civil Procedure section 116.110 et seq., by:
 - i. Failing to timely serve consumers with Curacao's claim and the associated order to appear, in violation of Code of Civil Procedure section 116.340, subdivisions (b) and (c);
 - ii. Authorizing an independent contractor to appear on Curacao's behalf and participate in small claims actions, in violation of Code of Civil Procedure section 116.540, subdivision (c);
 - iii. Splitting a single cause of action against a single customer defendant in order to take advantage of small claims court jurisdiction and procedure;
 - iv. Filing, in one calendar year, more than two small claims actions in which the amount demanded exceeds \$2,500;
 - v. Signing, under oath, forms that have been filled out by an independent contractor;
 - vi. Claiming costs to which they are not entitled as the prevailing party;
 - vii. Failing to provide the required statement of calculation of liability; and
 - viii. Failing to properly credit customer defendants for unearned interest.
- m. Defendants have violated the California Insurance Code, section 1758.9 et seq., by:
 - i. Selling and offering to sell credit insurance policies without providing the required documentation, training materials, or fees to the California Department of Insurance;
 - ii. Selling and offering to sell credit insurance policies without providing the required written materials and/or making the required disclosures to prospective purchasers;
 - iii. Selling credit insurance through employees who are not endorsed to sell such insurance;

- 1 iv. Paying employees bonuses, incentives, or other compensation for selling
2 credit insurance when those employees were not licensed as insurance
3 agents or endorsees;
4 v. Failing to train its employees about lawfully selling insurance products;
5 and
6 vi. Selling and offering to sell insurance not in conjunction with, or incidental
7 to, a loan or extension of credit.

8 **PRAYER FOR RELIEF**

9 WHEREFORE, Plaintiff prays for judgment as follows:

- 10 1. Pursuant to Business and Professions Code section 17535, that Defendants, along
11 with Defendants' successors, agents, representatives, employees, and all persons who act in
12 concert with Defendants, be permanently enjoined from making any false or misleading
13 statements in violation of Business and Professions Code section 17500 as alleged in this
14 Complaint;
15 2. Pursuant to Business and Professions Code section 17203, that the Court enter all
16 orders necessary to prevent Defendants, as well as Defendants' successors, agents,
17 representatives, employees, and all persons who act in concert with Defendants from engaging in
18 any act or practice that constitutes unfair competition in violation of Business and Professions
19 Code section 17200;
20 3. Pursuant to Business and Professions Code section 17203, that the Court enter all
21 orders or judgments as may be necessary to restore to any person in interest any money or other
22 property that Defendants may have acquired by violations of Business and Professions Code
23 section 17200, as proved at trial;
24 4. Pursuant to Business and Professions Code section 17536, that the Court assess a civil
25 penalty of two thousand five hundred dollars (\$2,500) against Defendants for each violation of
26 Business and Professions Code section 17500, as proved at trial;
27
28

1 5. Pursuant to Business and Professions Code section 17206, that the Court assess a civil
2 penalty of two thousand five hundred dollars (\$2,500) against Defendants for each violation of
3 Business and Professions Code section 17200, as proved at trial;

4 6. Pursuant to Business and Professions Code section 17206.1, subdivision (a), that the
5 Court assess, in addition to any penalties assessed under Business and Professions Code sections
6 17206 and 17536, a civil penalty of two thousand five hundred dollars (\$2,500) against
7 Defendants for each violation of Business and Professions Code section 17200 perpetrated
8 against senior citizens or disabled persons, as proved at trial;

9 7. That Plaintiff recover its costs of suit; and

10 8. For such other and further relief that the Court deems just and proper.

11
12
13 Dated: February 19, 2020

Respectfully Submitted,

14 XAVIER BECERRA
15 Attorney General of California
16 NICKLAS A. AKERS
17 Senior Assistant Attorney General
18 MICHELE VAN GELDEREN
19 Supervising Deputy Attorney General



20 ALICIA K. HANCOCK
21 Deputy Attorney General
22 *Attorneys for Plaintiff, the People of the*
23 *State of California*
24
25
26
27
28

DECLARATION OF SERVICE BY U.S. MAIL, E-MAIL & PERSONAL SERVICE

Case Name: **The People of the State of California v. Adir International, LLC dba Curacao, et al.**

LASC Case No.: **BC680425**

I declare:

I am employed in the Office of the Attorney General, which is the office of a member of the California State Bar, at which member's direction this service is made. I am 18 years of age or older and not a party to this matter. I am familiar with the business practice at the Office of the Attorney General for collection and processing of correspondence for mailing with the United States Postal Service. In accordance with that practice, correspondence placed in the internal mail collection system at the Office of the Attorney General is deposited with the United States Postal Service with postage thereon fully prepaid that same day in the ordinary course of business.

On February 19, 2020, I served the attached **FIRST AMENDED COMPLAINT FOR PERMANENT INJUNCTION, CIVIL PENALTIES, RESTITUTION, AND OTHER EQUITABLE RELIEF** by transmitting a true copy via electronic mail. In addition, I placed a true copy thereof enclosed in a sealed envelope, in the internal mail system of the Office of the Attorney General, addressed as follows:

PLEASE SEE ATTACHED SERVICE LIST

In addition, on February 19, 2020, I caused **ACE Attorney Service** to personally deliver a true copy of the above document to the following persons at the addresses listed below:

Michael Boardman
DLA Piper LLP
550 South Hope Street, Suite 2400
Los Angeles, CA 90071-2678
Attorneys for Defendants Adir International

I declare under penalty of perjury under the laws of the State of California the foregoing is true and correct and that this declaration was executed on February 19, 2020, at Los Angeles, California.

Blanca Cabrera
Declarant


Signature

Case Name: **The People of the State of California v. Adir International, LLC dba Curacao, et al.**

LASC Case No.: **BC680425**

SERVICE LIST VIA U.S. MAIL AND E-MAIL

Jeffrey E. Tsai
DLA Piper LLP
555 Mission Street, Suite 2400
San Francisco, CA 94105-2933
E-Mail: jeff.tsai@dlapiper.com
Attorneys for Defendants
Adir International

Miles Cooley
DLA Piper LLP
2000 Avenue of the Stars
Suite 400, North Tower
Los Angeles, CA 90067-4704
E-Mail: miles.cooley@dlapiper.com
Attorneys for Defendants Adir International

Michael Boardman
DLA Piper LLP
550 South Hope Street, Suite 2400
Los Angeles, CA 90071-2678
E-Mail: michael.boardman@dlapiper.com
Attorney for Defendants Adir International

Matthew H. Schwartz
Schwartz Law Center, LLC
2985 Gordy Pkwy, Suite 550
Marietta, GA 30066
E-Mail: matt@schwartzlawgroup.com
Attorney for Defendants Adir International

Andrew I. Chung
Pettit Kohn Ingrassia Lutz & Dolin PC
5901 W. Century Blvd, Ste 1100
Los Angeles, CA 90045
E-Mail: achung@pettitkohn.com
Attorneys for Defendants Adir International