

CONFORMED COPY

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8 Attorneys for Plaintiff  
9 THE PEOPLE OF THE STATE OF CALIFORNIA

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

BC 559774

14 THE PEOPLE OF THE STATE OF  
CALIFORNIA,  
15  
16 Plaintiff,  
17 v.  
18 AARON'S, INC., a Georgia corporation,  
19 Defendant.

Case No.  
**STIPULATION FOR ENTRY OF FINAL  
JUDGMENT AND PERMANENT  
INJUNCTION**

20  
21 Plaintiff, the People of the State of California ("People" or "Plaintiff"), through its  
22 attorney, Kamala D. Harris, Attorney General of the State of California, by Deputy Attorney  
23 General Michael E. Elisoffon, and defendant Aaron's, Inc. ("Aaron's" or "Defendant"), appearing  
24 through its attorneys, Alston & Bird LLP, by Dominique R. Shelton, stipulate as follows:

25 1. This Court has jurisdiction of the subject matter hereof and the parties to this  
26 Stipulation for Entry of Final Judgment and Permanent Injunction ("Stipulation").  
27  
28

1           2.       The Final Judgment and Permanent Injunction (“Judgment”), a true and correct  
2 copy of which is attached hereto as Exhibit 1, may be entered by any judge of the Los Angeles  
3 County Superior Court.

4           3.       The Attorney General may submit the Judgment to any judge of the superior court  
5 for approval and signature, based on this stipulation, during the court’s ex parte calendar or on  
6 any other ex parte basis, without notice to or any appearance by the Defendant which notice and  
7 right to appear the Defendant hereby waives.

8           4.       Plaintiff and Aaron’s (collectively, “the Parties”) hereby waive their right to move  
9 for a new trial or otherwise seek to set aside the Judgment through any collateral attack, and  
10 further waive their right to appeal from the Judgment, except that Plaintiff and Aaron’s each  
11 agree that this Court shall retain jurisdiction for the purposes specified in paragraph 22 of the  
12 Judgment.

13           5.       The Parties have stipulated and consented to the entry of the Judgment without the  
14 taking of proof and without trial or adjudication of any fact or law herein, without the Judgment  
15 constituting evidence of or an admission by Aaron’s regarding any issue of law or fact alleged in  
16 the Complaint on file herein, and without Aaron’s admitting any liability regarding allegations of  
17 violations that occurred prior to the entry of the Judgment.

18           6.       Aaron’s will accept service of any Notice of Entry of Judgment entered in this  
19 action by delivery of such notice to its counsel of record, and agrees that service of the Notice of  
20 Entry of Judgment will be deemed personal service upon it for all purposes.

21           7.       The individuals signing below represent that they have been authorized by the  
22 parties they represent to sign this Stipulation.

23           8.       This stipulation may be executed in counterparts, and the Parties agree that a  
24 facsimile signature shall be deemed to be, and shall have the full force and effect as, an original  
25 signature.

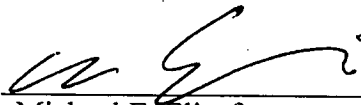
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KAMALA D. HARRIS  
Attorney General  
State of California

DATED: 10/2/14

By:   
\_\_\_\_\_  
Michael E. Elisofon  
Deputy Attorney General  
Attorneys for Plaintiff

ALSTON & BIRD LLP  
333 South Hope St., 16<sup>th</sup> Floor  
Los Angeles, CA 90071

DATED: \_\_\_\_\_

By: \_\_\_\_\_  
Dominique R. Shelton  
California Bar No. 157710  
Attorneys for Aaron's, Inc.

AARON'S, INC.

DATED: \_\_\_\_\_

By: \_\_\_\_\_  
Robert W. Kamerschen  
Executive Vice President, General Counsel,  
& Corporate Secretary  
Aaron's, Inc.

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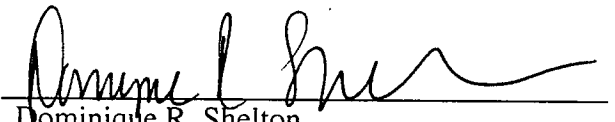
KAMALA D. HARRIS  
Attorney General  
State of California

DATED: \_\_\_\_\_

By: \_\_\_\_\_  
Michael E. Elisofon  
Deputy Attorney General  
Attorneys for Plaintiff


ALSTON & BIRD LLP  
333 South Hope St., 16<sup>th</sup> Floor  
Los Angeles, CA 90071

DATED: 10/3/2014

By:   
Dominique R. Shelton  
California Bar No. 157710  
Attorneys for Aaron's, Inc.

AARON'S, INC.

DATED: 9/30/14

By:   
Robert W. Kamerschen  
Executive Vice President, General Counsel,  
& Corporate Secretary  
Aaron's, Inc.

# EXHIBIT 1

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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.  
  
**[PROPOSED] FINAL JUDGMENT AND PERMANENT INJUNCTION**

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.

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 Karmette 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 Karmette 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.



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

1 benefit of the California Community Foundation, a California nonprofit public benefit  
2 corporation, so that Aaron's total obligation under Paragraph 12 is \$25,000,000. Said funds shall  
3 be distributed by Plaintiff to the California Community Foundation for the specific purpose of  
4 supporting programs that benefit California consumers in the areas of consumer lending,  
5 consumer finance, debt collection, or the sale or lease of consumer goods and services.

6 **OTHER MONETARY PROVISIONS**

7 19. Within 30 days of the date of entry of this Judgment, Aaron's shall pay Plaintiff the  
8 sum of \$1,420,000 as reasonable attorney fees and costs related to the investigation and the  
9 prosecution of this matter, which shall distribute as follows:

10 A. To the California Attorney General's office: \$1,400,000.

11 B. To the Los Angeles County Department of Consumer Affairs: \$20,000.

12 20. Within 30 days of the date of entry of this judgment, Aaron's shall pay Plaintiff the  
13 sum of \$2,000,000 in and for civil penalties.

14 21. The checks required to be paid pursuant to Paragraphs 19 and 20 of this Judgment  
15 shall be made payable to the specific entities named in those paragraphs. All the checks shall be  
16 sent to the Attorney General's Office, Attention Michael Elisofon, 455 Golden Gate Ave., Suite  
17 11000, San Francisco, California 94102.

18 **OTHER TERMS**

19 22. Jurisdiction is retained by the Court for the purpose of enabling any party to the  
20 Judgment to apply to the Court at any time for such further orders and directions as may be  
21 necessary or appropriate for the construction or the carrying out of this Judgment, for the  
22 modification of any of the injunctive provisions hereof, for enforcement of compliance herewith,  
23 and for the punishment of violations hereof, if any.

24 23. The clerk is ordered to enter this Judgment forthwith.

25  
26 DATED: \_\_\_\_\_

27  
28 \_\_\_\_\_  
JUDGE OF THE SUPERIOR COURT