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ENDORSED
FILED
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NOV 14 2006

GORDON PARK-LI, Clerk
BY: CRISTINA E. BAUTISTA
Deputy Clerk

CASE MANAGEMENT CONFERENCE SET

APR 13 2007 - 9:00 AM

DEPARTMENT 212

SUPERIOR COURT OF THE STATE OF CALIFORNIA

IN AND FOR THE COUNTY OF SAN FRANCISCO

UNLIMITED JURISDICTION

Case No.: CGC06- 457887

PEOPLE OF THE STATE OF CALIFORNIA,

Plaintiff,

v.

RENT-A-CENTER, INC., and RAC WEST, INC.,

Defendants.

COMPLAINT FOR CIVIL PENALTIES, RESTITUTION, INJUNCTIVE RELIEF, AND OTHER EQUITABLE RELIEF

Plaintiff, the People of the State of California (the "People" or "Plaintiff"), alleges the following on information and belief:

THE PARTIES AND VENUE

1. This Court has jurisdiction of the subject matter of this action and of the parties. Venue as to all matters between the parties relating to this action is proper in this Court.

2. Defendants Rent-A-Center, Inc. and RAC West, Inc. are Delaware corporations and at all relevant times have transacted business in the State of California, including in the

County of San Francisco. (Defendants are hereafter collectively referred to as "RAC.")

3. The violations of law alleged in this Complaint occurred in San Francisco County and elsewhere in California.

DEFENDANTS' BUSINESS PRACTICES

4. The allegations of this Complaint cover only the time period beginning on November 1, 2004 through the date of the filing of this Complaint.

5. RAC is engaged in the business of renting and selling new and used household merchandise such as electronic sets such as televisions, computers, furniture and appliances to the general public. Typically, customers enter into a self-renewing weekly or monthly lease ("rental-purchase agreement") for the rented merchandise, with an option to purchase the merchandise, either by continuing to pay rent for a specified period of time, or by early payment of some specified proportion of the remaining lease payments ("Early Purchase Option").

6. In California, RAC is subject to the provisions of the the Karnette Rental-Purchase Act (Civil Code section 1812.620 et. seq.). Under the Karnette Rental-Purchase Act, rent-to-own companies must adequately disclose to customers the "Cash Price" of the rented merchandise which means the price at which retail sellers are selling and retail buyers are buying the same or similar property for cash in the same trade area in which the lessor's place of business is located.

7. In setting the Cash Price of its merchandise in California, RAC failed to determine the price at which other retailers were selling the same or similar property for cash in the same trade area as required by law. Instead, RAC established its Cash Price for merchandise by a formula it called "two times landed cost," or twice its actual cost plus freight charges in violation of California law.

8. RAC also offers and sells to its customers, memberships in a "Preferred Customer Club" (The Club) for an additional weekly or monthly fee. The Club purports to provide discounts, benefits, or services to customers on a preferential basis not made generally available to the public.

FIRST CAUSE OF ACTION

VIOLATIONS OF BUSINESS AND PROFESSIONS CODE SECTION 17500 (UNTRUE OR MISLEADING STATEMENTS

9. The People allege and incorporate by reference paragraphs 1 through 8 of this Complaint.

10. RAC has violated Business and Professions Code section 17500, as set forth below, by making or causing to be made untrue or misleading statements, which RAC knows or by exercise of reasonable care should know are untrue or misleading, with the intent to induce members of the public to rent or purchase RAC's goods and services:

A. RAC disseminated or caused to be disseminated statements which misrepresented the Cash Price of electronic sets, computer systems, and appliances subject to the rental purchase agreement because it failed to establish the Cash Price by determining the price at which other retailers were selling the same or similar property for cash in the same trade area as required by Civil Code §1812.622 (e).

B. RAC disseminated or caused to be disseminated statements which misrepresented the actual "Cost of Rental" as defined under Civil Code §1812.622(f) for electronic sets, computer systems, and appliances because it calculated the Cost of Rental based on an improper determination of the Cash Price.

C. RAC disseminated or caused to be disseminated statements which misrepresented the cost of acquiring ownership of electronic sets, computer systems, and appliances under an Early Purchase Option as provided in Civil Code §1812.632(a) because it calculated the Early Purchase Option based on an improper determination of the Cash Price.

D. RAC disseminated or caused to be disseminated statements which misrepresented the terms, features, discounts and benefits of the Preferred

Customer Club that it sold to customers, including the following:

(1) RAC disseminated or caused to be disseminated statements which purported to provide an extended warranty, insurance, or service contract for rental merchandise when in fact this was not true.

(2) RAC disseminated or caused to be disseminated statements which purported to provide "up to $500 in discounts off your grocery bill" when in fact to obtain the maximum $500 in grocery discounts as advertised, the consumer would have to pay over $100.00 in additional handling and postage fees.

(3) RAC disseminated or caused to be disseminated statements which purported to provide a "free loaner" of the same or similar merchandise to customers while the rented or purchased merchandise was being repaired, when in fact this was not true because a consumer could not obtain a free loaner if the merchandise was rendered inoperable by "intentional acts" or "negligence" as determined by RAC.

(4) RAC disseminated or caused to be disseminated statements which purported to provide a "Guaranteed Replacement Program" that provided "an increased level of protection on the rental merchandise in the custody of the Club Member" by providing a replacement of the rental merchandise and the continuation of the customers' rental-purchase agreement when the merchandise is damaged or destroyed by accident, fire, flood, natural disaster, or burglary, when in fact this was not true. This program offered nothing to the customer that is not already provided by law.

SECOND CAUSE OF ACTION

VIOLATIONS OF BUSINESS AND PROFESSIONS CODE SECTION 17200 (UNLAWFUL BUSINESS ACTS OR PRACTICES)

11. The People allege and incorporate by reference paragraphs 1 through 10 of this Complaint.

12. RAC has committed acts of unfair competition, as defined in Business and Professions Code section 17200, by engaging in the following acts or practices:

A. RAC established a Cash Price in its rental-purchase agreements for new and used electronic sets, computer systems, and appliances that exceeded the Cash Price it was permitted to charge as defined under Civil Code §1812.622 (e).

B. RAC established a Cash Price in its rental-purchase agreements for new and used electronic sets, computer systems, and appliances that exceeded the Cash Price it was permitted to charge and failed to refund to consumers all amounts paid in violation of Civil Code §1812.644 (d).

C. RAC established a higher price of acquiring ownership of electronic sets, computer systems, and appliances under the Early Purchase Option than was it was permitted to charge under Civil Code §1812.632(a) because it calculated the Early Purchase Option based on an improper determination of the Cash Price.

D. In violation of Civil Code section 1812.624(a)(3), RAC offered to sell and sold as part of its Club Program benefits that purported to provide an extended warranty, insurance, or service contract for rental merchandise.

E. In violation of Health & Safety Code section 445, RAC offered to sell and sold for profit as part of its Club Membership Program discount medical service plans, including but limited to physician networks, vision discounts; dental discounts, hearing aid discounts, prescription discounts, and medical supplies.

F. In violation of Business and Professions Code section 17537.7, RAC offered to sell and sold as part of its Club Membership Program, automotive purchase

discount services which offered to sell certain vehicles at a price below "dealer invoice."

G. In violation of Civil Code section 1770(a)(17), RAC offered to sell and sold for consideration as part of its Club Membership Program, redeemable points called "Bonus Bucks" that could be used for future purchases or other economic benefits but were contingent upon a future event such as customer referrals.

H. Defendant violated Business and Professions Code section 17500 as set forth in the First Cause of Action.

WHEREFORE, Plaintiff prays for judgment as follows:

1. Pursuant to Business and Professions Code sections 17535 and 17203, that RAC, its agents, employees, officers, representatives, successors, partners, assigns, and all persons acting in concert or participating with him, be permanently enjoined from violating Business and Professions Code sections 17500 and 17200, including but not limited to the violations alleged in this Complaint;

2. Pursuant to Business and Professions Code sections 17536 and 17206, that the Court assess civil penalties against RAC for each violation of Business and Professions Code sections 17200 and 17500 as alleged in this Complaint;

3. Pursuant to Business and Professions Code sections 17535, and 17203, that RAC be ordered to make restitution of any money or other property that may have been acquired by its violations of Business and Professions Code sections 17200 and 17500;

4. That the People recover their costs of suit; and

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5. That the Court grant such other and further relief as it may deem just and proper.

Dated: November 14 , 2006

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Attorney General
ALBERT NORMAN SHELDEN
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