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SUPERIOR COURT
COUNTY OF SAN FRANCISCO

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SUPERIOR COURT OF THE STATE OF CALIFORNIA

IN AND FOR THE COUNTY OF SAN FRANCISCO

UNLIMITED JURISDICTION

PEOPLE OF THE STATE OF CALIFORNIA, Plaintiff, v. RENT-A-CENTER, INC., and RENT-A-CENTER WEST, INC., Defendants.	Case No. CGC-06-457887 **FINAL JUDGMENT**

Plaintiff, the People of the State of California have appeared through its attorneys Bill Lockyer, Attorney General of the State of California, through Supervising Deputy Attorney General Ronald A. Reiter and Deputy Attorney General Joseph A. Ragazzo. Defendants Rent-A-Center, Inc. and Rent-A-Center West, Inc. (hereafter collectively referred to as "RAC") have appeared through their attorneys Stern, Van Vleck & Ruehmann, by Stanley O. Van Vleck (Cal. State Bar No. 158347) and Luce, Forward, Hamilton & Scripps, by Christopher Healey (Cal. State Bar No. 105798). Plaintiff and RAC have stipulated to the entry of this judgment without the taking of proof, without the adjudication of any fact or law, and without this judgment

constituting evidence against or an admission of any party regarding any issue of law or fact alleged in the complaint filed in this action, and without any defendant admitting any liability. Good cause appearing:

IT IS HEREBY ORDERED, ADJUDGED AND DECREED as follows:

JURISDICTION

1. This Court has jurisdiction of the subject matter hereof and the parties hereto.

DEFINITIONS

2. The following terms have the meaning listed below:

A. The terms "cash price," "rental-purchase agreement," "lessor," "lessor's cost," "computer system," "electronic set," "appliance," "total of payments," and "consumer" have the meaning set forth in Civil Code section 1812.622 as amended by Chapter 410 of the Statutes of 2006.

B. The term "Club Membership Program" means any membership program, benefit program, or other arrangement offered to consumers for a fee (including the Rent-A-Center Preferred Customer Club) which purportedly entitles the purchaser to discounts, benefits, or services on a preferential basis not made generally available to the public.

INJUNCTIVE RELIEF

3. The injunctive provisions of this judgment apply to (a) RAC, (b) the officers and directors of RAC, (c) the successors and assigns of RAC, (d) any person who acquires the right to use RAC's name, logo, or trademark or the bulk of RAC's assets in connection with renting or proposing to rent goods to the public under rental-purchase agreements, and (e) all persons with actual or constructive knowledge of this judgment who act in concert or in participation with any of the persons or entities described herein in (a) through (d). The term "Defendants" applies to each of the persons and entities described herein in (a) through (e) individually and collectively to all or any combination of these persons and entities.

4. Defendants are permanently enjoined and restrained pursuant to Sections 17203 and 17535 of the Business and Professions Code from directly or indirectly engaging in any of the

following acts or practices in or from California:

A. Defendants shall not represent, disclose in a rental-purchase agreement, or charge a cash price, total of payments, or purchase option price for any property subject to a rental-purchase agreement that exceeds the maximum amount provided under the Karnette Rental-Purchase Act (Civil Code section 1812.620 et seq.), as amended by Chapter 410 of the Statutes of 2006, as permitted under Section 6 of Chapter 410 of the Statutes of 2006 until January 1, 2007 and as required thereafter.

B. Defendants shall not do any of the following in selling, offering to sell, or providing any Club Membership Program:

(1) Solicit a consumer to purchase a Club Membership Program before the consumer has signed a rental-purchase agreement or include in a rental-purchase agreement any terms or obligation for a Club Membership Program.

(2) Fail to disclose clearly and conspicuously in writing in plain language to each consumer all of the following before or at the time of the offer of a Club Membership Program and before the consumer signs any agreement to purchase a Club Membership Program: (a) all benefits, services, features, and discounts included as part of the Club Membership Program, (b) the cost to the consumer of the Club Membership Program, including all weekly or monthly fees, (c) that the purchase of the Club Membership Program is optional and may be canceled at any time without charge, penalty, or obligation, and (d) that purchasing or not purchasing the Club Membership Program does not affect the consumer's rights, obligations, or cost for the rental or purchase of goods under the rental-purchase agreement.

(3) Request or require a consumer to sign, initial, or date a Club Membership Program application, contract form, or other document referring to a Club Membership Program before the consumer has agreed to purchase the Club Membership Program.

(4) Request or require a consumer to sign a statement opting out of purchasing a Club Membership Program.

(5) Sell more than one Club Membership Program to a consumer during the term of any

rental-purchase agreement.

(6) Fail to disclose clearly and conspicuously all of the terms of a Club Membership Program in a written agreement in the form of a single document including (a) all benefits, services, features, and discounts included as part of the Club Membership Program, (b) the cost of the Club Membership Program, including all weekly or monthly fees, and (c) consumer cancellation rights.

(7) Represent that a Club Membership Program includes or purports to include any of the following provisions:

(a) Any insurance, service contract, or extended warranty for the rented goods or any term purporting to provide coverage, security, or protection for rented goods.

(b) Any benefits, services, discounts or referrals for any form of medical care or treatment by a physician, hospital, health-related facility, or dispensary in violation of Health & Safety Code section 445.

(c) Any automotive purchase discount service which uses the terms "invoice," "dealer invoice," "wholesale price," or any similar terms that refer to a dealer's cost for a motor vehicle in violation of Business and Professions Code section 17537.7.

(d) Any rebates, discounts, or other economic benefits such as earning points or credits toward future purchases of merchandise, when such rebates, discounts, or benefits are contingent upon a future event such as customer referrals.

(e) A free loaner of the same or similar merchandise to customers while the rented or purchased merchandise is being repaired.

(f) A replacement of rental merchandise and the continuation of the customers' rental-purchase agreement when the rental property is damaged or destroyed by accident, fire, flood, natural disaster, or is taken as a result of burglary.

(g) Any arrangement for coupons, vouchers, or discounts for groceries or household goods unless all the terms and conditions for obtaining and using the coupons, vouchers, or discounts are clearly and conspicuously disclosed.

(h) Any arrangement for coupons, vouchers, or discounts for groceries or household goods if the consumer must pay additional fees, such as convenience charges or postage and handling fees, to use or obtain the coupons, vouchers, or discounts.

(8) Prohibit a consumer from canceling participation in a Club Membership Program at any time without charge, penalty, or obligation.

(9) Fail to refund, within 10 days after cancellation, any charge allocable to the unexpired balance of the term of the Club Membership Program.

(10) Fail to apply payments received from a consumer first to the amount owed under outstanding rental-purchase agreements and then to the Club Membership Program.

5. RAC shall maintain a training and compliance program including all of the following:

A. RAC shall train its representatives, employees, and agents in California regarding the requirements of the Karnette Rental-Purchase Act and the specific injunctive provisions of this judgment, including the required disclosures and the avoidance of any statement that misrepresents consumers' rights and obligations under rental-purchase agreements or any Club Membership Program.

B. RAC shall provide written directives and training materials to its representatives, employees, and agents in California which include the following:

(1) A description of all benefits, obligations, services, discounts, programs, and charges related to rental-purchase agreements and any Club Membership Program;

(2) Sample Questions and Answers about rental-purchase agreements that accurately provide information about rental-purchase agreements and the Club Membership Program and that may be used by representatives, employees, agents and marketing personnel to inform consumers;

(3) A description of statements and sales practices that are prohibited by this injunction.

C. RAC shall retain a qualified compliance monitor at its expense that is approved by the Attorney General to monitor and review defendants' compliance with the injunctive provisions of this judgment and determine whether RAC has reasonably implemented policies and

procedures that are reasonably designed to prevent and detect misrepresentations and violations of law by RAC's employee, representative, or agents in their dealings with consumers. These audits shall cover all items specifically enumerated in the injunction. The compliance monitor shall conduct a review and prepare a written report at least annually that details the monitor's findings and recommendations for corrective action, if any is required. The specific tasks to be undertaken by the compliance monitor in connection with assuring compliance with this judgment shall be set forth more fully in an agreement to be entered into by RAC and the compliance monitor, subject to the approval of the Attorney General. The Attorney General shall treat all audits and written reports prepared pursuant to this injunction as confidential and not subject to disclosure to third parties to the same extent as if the audits and written reports had been produced pursuant to a subpoena issued by the Attorney General pursuant to Government Code section 11180 et seq.

RESTITUTION

6. RAC is ordered pursuant to Business and Professions Code sections 17203 and 17535 to offer restitution as follows:

A. RAC shall offer restitution to each RAC consumer in California who, between November 1, 2004 and the date of the entry of judgment, entered into a rental-purchase agreement for, and acquired ownership of, new or used electronic sets, appliances, computer systems, or any combination of these products, through the exercise of an early purchase option provided in the agreement or required by statute. The amount of restitution to each consumer required by this paragraph for each item of merchandise is the difference between the actual amount paid by the consumer for the early purchase (including sales tax) and the amount that the consumer would have paid for the early purchase (including sales tax) if the original cash price disclosed in the rental-purchase agreement for the merchandise when new had been (1) for electronic sets, 1.8 times the lessor's cost of the product to RAC, (2) for computer systems, 1.45 times the lessor's cost of the product to RAC, and (3) for appliances, 1.6 times the lessor's cost of the product to RAC.

B. RAC shall offer restitution to each RAC consumer in California who entered into a rental-purchase agreement for, and acquired ownership of, new or used electronic sets, appliances, computer systems, or any combination of these products, by paying the total amount (e.g., total of payments) needed to acquire ownership under the rental-purchase agreement between November 1, 2004 and the date of entry of judgment. The amount of restitution to each consumer required by this paragraph 6B for each item shall be the average payment that RAC paid as restitution to consumers for the same product type under paragraph 6A.

C. RAC shall offer restitution to each RAC consumer in California who entered into a rental-purchase agreement for new or used electronic sets, computer systems, appliances, or any combination of these products, between November 1, 2004 and the date of entry of this judgment and whose agreement remains in force on the date of entry of this judgment. The amount of restitution to each consumer required by this paragraph 6C for each item shall be the average payment for that RAC paid as restitution to consumers for the same product type under paragraph 6A.

D. RAC shall offer restitution to each RAC consumer in California who purchased any Club Membership Program between November 1, 2004 and the date of entry of judgment. The amount of restitution to each consumer required by this paragraph is the total amount paid by the consumer for all Club Membership Programs during that period.

E. The restitution required under paragraphs 6A through 6D is cumulative. RAC shall offer a consumer all of the restitution to which the consumer is eligible under paragraphs 6A through 6D for all transactions within the prescribed time period.

7. A. RAC may condition payment of full restitution to a consumer pursuant to paragraphs 6A through 6C on the consumer's limited release of all claims the consumer may have against RAC based on the cash price for goods set forth in the consumer's rental-purchase agreement. RAC may condition payment of full restitution pursuant to paragraph 6D on the consumer's limited release of any claim the consumer may have against RAC based on the consumer's purchase of any Club Membership Program.

B. The release shall be clearly and conspicuously printed on the back of the restitution check in the space reserved for the consumer's endorsement and shall be in the following form with the appropriate language as set forth in brackets below depending on the basis or bases for restitution : "By cashing this check, I release in full settlement all claims that I may have against Rent-A-Center, Inc. and Rent-A-Center West, Inc. that arise from or relate to [the cash price set forth in any and all rental-purchase agreements I entered into on or after November 1, 2004] [my purchase of the Preferred Customer Club Program on or after November 1, 2004]."

8. The distribution of restitution payments to eligible consumers shall be handled by a Settlement Administrator approved by the Attorney General and retained by RAC within 30 days of the date of the entry of this judgment or such other reasonable time to which RAC and the Attorney General may agree. The Settlement Administrator's responsibilities shall be set forth in an agreement that is approved by the Attorney General. The Settlement Administrator's charges, including all costs and expenses, shall be paid solely by RAC. The Settlement Administrator shall be independent of Defendants and shall be substantially experienced in the administration of consumer restitution or payment programs, including restitution programs involving government agencies. The Settlement Administrator shall have on staff or shall contract with one or more certified public accountants that may monitor and verify compliance as required by this judgment.

9. RAC shall use all reasonable efforts, including an examination of its books and records, to identify the most current, complete, and accurate names and last known addresses of consumers eligible to receive restitution and the amount of restitution which the consumer is eligible to receive. RAC shall transmit this information to the Settlement Administrator and the Attorney General within 30 days after the Settlement Administrator has been retained. Thereafter and before mailing any check as provided in paragraph 11, the Settlement Administrator shall conduct reasonable address checks, including, when appropriate, the use of the National Change of Address data base, to confirm and update the address information provided by RAC. The Settlement Administrator shall use reasonable skip tracing services to

locate an eligible consumer for whom a current address cannot otherwise be reasonably obtained if the cost of the service is reasonable under the circumstances including the amount of restitution and the likelihood that the skip tracing service would successfully locate the eligible consumer.

10. RAC shall designate an employee, agent, or other representative to oversee the identification of the consumers eligible to receive restitution and the appropriate amount thereof as provided in paragraph 6. The person designated shall prepare a declaration or affidavit based on personal knowledge that describes in detail (a) the books, records, databases, or other electronic or paper documents or other sources of information containing the identity of consumers and the payment and other data required to determine the amount of restitution owed under paragraph 6, (b) the steps undertaken to identify consumers eligible to receive restitution, (c) the steps undertaken to determine the amount of restitution each consumer is eligible to receive, and (d) the preparation of the information transmitted to the Settlement Administrator. The declaration shall be prepared and provided to the Settlement Administrator and the Attorney General within 10 days after the information is transmitted to the Settlement Administrator as provided in paragraph 9.

11. A. Prior to the mailing of the letters and checks as provided in subparagraph C of this paragraph, the Settlement Administrator shall conduct a reasonable review of the procedures undertaken by RAC to ascertain the identity of consumers eligible to receive restitution and the amount of restitution. The review shall include a sufficient reasonable sampling of the data base and the calculation of refund amounts to enable the Settlement Administrator to represent to the Attorney General that RAC has satisfied its restitution obligation under this judgment. The review shall be completed within 30 days or such other time as may be agreed among the Settlement Administrator, RAC, and the Attorney General but in no event more than 90 days.

B. If the Settlement Administrator concludes that RAC's procedures were deficient, the Settlement Administrator shall ascertain the identity of consumers eligible for restitution and the proper amount thereof. The Settlement Administrator shall present the revised information to

RAC and the Attorney General within 10 days of completing the review. If RAC disputes the Settlement Administrator's determination that additional restitution should be paid and the parties are unable to resolve the dispute, RAC, the Attorney General, or the Settlement Administrator may seek direction from the court. If RAC does not dispute the Settlement Administrator's determinations, RAC shall deliver all restitution checks to the Settlement Administrator within 10 days after receiving the Settlement Administrator's review, and the Settlement Administrator shall distribute the checks and letter as provided in subparagraph C of this paragraph.

C. Within 15 days of completing its review of the procedures undertaken by RAC as set forth in subparagraphs A and B of this paragraph, and upon finally receiving the information about the identity of consumers and the amount of restitution as provided in paragraph 9, the Settlement Administrator shall mail checks for restitution to each eligible consumer accompanied by a letter in substantially the following form:

"[Date the letter is mailed]

[Name]

[Address]

Re: People of the State of California v. Rent-A-Center, Inc. (San Francisco County Superior Court Case No. [insert case number])

The California Attorney General and Rent-A-Center, Inc. and Rent-A-Center West, Inc. (together referred to as Rent-A-Center) have settled a dispute about whether Rent-A-Center properly disclosed the cash price of certain merchandise in rental-purchase agreements and about whether Rent-A-Center engaged in proper practices in the sale of its Preferred Customer Club Program. Without admitting any violation of law or wrongful conduct, Rent-A-Center is required to make refunds to certain groups of customers (1) who bought property under rental-purchase agreements after November 1, 2004, (2) who signed rental-purchase agreements after November 1, 2004 that were still ongoing after the settlement date, or (3) who were members of the Preferred Customer Club between November 1, 2004 and the date of the settlement.

According to Rent-A-Center records, you are entitled to a refund. Enclosed is your refund check.

PLEASE READ THIS LETTER CAREFULLY. IF YOU CASH THE ENCLOSED CHECK YOU WILL RELEASE CERTAIN LEGAL CLAIMS AGAINST RENT-A-CENTER. By signing and cashing this check, you will give up your right to sue Rent-A-Center, Inc. and Rent-A-Center West, Inc. for any claims you may have based on the amount of the cash price of merchandise disclosed in rental-purchase agreements and based on the sale of memberships in the Preferred Customer Club Program between November 1, 2004 and the date of the settlement.

If you decide not to accept this refund, please return or destroy the check. If you want to consider whether you may have any private claim and whether it is worth pursuing, you may want to contact a lawyer to advise you. Please note that Rent-A-Center, the California Attorney General, and the Settlement Administrator who has mailed you this letter and check cannot give you legal advice.

If you would like additional information or have any questions, please contact the RAC Settlement Administrator: [Name, address, and toll free number of RAC Settlement Administrator.]

12. To facilitate the Settlement Administrator's responsibilities, RAC shall make available to the Settlement Administrator within 15 days after retaining the Settlement Administrator sufficient documents, persons, and other information, including data bases, names of customers, most recent addresses, Social Security numbers, driver's license numbers, and all other information reasonably related to the determination of whether a person is a consumer eligible to receive restitution under this judgment, the identity and location of the consumer, the proper amount of restitution, and any other information that would facilitate the delivery of restitution or that would facilitate the Settlement Administrator's performance of its duties under this judgment. The information received by the Settlement Administrator shall be treated as consumers' confidential personal identifying information and not disclosed to third parties other than the Attorney General.

13. A. If any check sent to a consumer is returned undeliverable or if a consumer's check is not cashed within six months of the date of issue, all funds payable under paragraph 6 but not deliverable or remaining uncashed shall promptly but in no event later than July 1, 2007, be paid to the Attorney General.

B. The Attorney General shall place the funds in the Special Deposit Fund pursuant to Government Code section 16370 or any other appropriate interest bearing or revenue earning trust account approved by the Attorney General and shall separately account for the funds.

C. Subject to paragraph 13D, the Attorney General shall make the funds received under paragraph 13A available for (1) the payment of properly calculated restitution amounts under this judgment, and (2) the payment of any settlement or judgment arising from any claims against defendants after the date of the entry of this judgment that relate to the amount or disclosure of cash price in violation of former Civil Code sections 1812.622(e) and 1812.644 (in effect before January 1, 2007) or the sale of memberships in a Club Membership Program.

D. Paragraph 13C applies only to claims made by and payable to consumers whom RAC identified as eligible to receive restitution under paragraph 6 but who did not receive or cash restitution checks. Funds may not be used to pay for attorney's fees, costs, noneconomic damage, exemplary damages, statutory damages, fines, or penalties. The Attorney General's obligation to make funds available for the payment of claims, as described in paragraphs 13C and 13D, ends upon the expiration of the statute of limitations or other bar to consumer claims described in paragraph 13C and in no event later than October 31, 2010. Thereafter, any remaining funds shall become the funds of the Attorney General and shall be subject to all of the provisions of paragraphs 15B through 15E.

14. Within 210 days after all restitution checks have been mailed, the Settlement Administrator shall deliver to RAC and the Attorney General a confidential written report describing its activities in effectuating the restitution program and a list of all consumers to whom a restitution check was mailed that indicates for each consumer whether the check was cashed, was returned by the post office as undeliverable, or was not returned as undeliverable but was not cashed.

MONETARY PAYMENT

15. A. Upon entry of judgment, RAC shall cause to be directed to the Attorney General the full amount of the "AG Reserve," including accrued interest, as described in the Addendum to Stipulation of Settlement in *Griego v. Rent-A-Center, Inc.*, San Diego Superior Court No. JCCP 4244 (hereafter referred to as *Griego*), as entered by the parties on October 11, 2005 and approved by the court on October 12, 2005.

B. The Attorney General shall place the funds described in paragraph 15A in the Special Deposit Fund pursuant to Government Code section 16370 or any other appropriate interest bearing or revenue earning trust account approved by the Attorney General. All interest earned on the funds described in paragraph 15A shall be subject to all of the provisions of paragraphs 15B through 15D. The Attorney General shall hold the funds including all accrued interest in trust and shall expend the funds and accrued interest only for the purposes provided in paragraph 15C. The Attorney General shall separately account for the funds including accrued interest in a manner that clearly distinguishes the funds from other funds that are held or are under the control of the Attorney General. The Attorney General shall account for expenditures to ensure compliance with the use restrictions and reporting requirement described in paragraphs 15C and 15D.

C. The Attorney General shall use the AG Reserve funds and accrued interest solely and exclusively for the following purposes and subject to the following restrictions as provided in the Designated Use Agreement ordered as part of the *Griego* judgment: All such funds shall be used exclusively by the Attorney General, in the State of California, and solely and exclusively for the benefit of California consumers in the areas of consumer lending, consumer finance, debt collection or the sale and lease of consumer goods or services (including insurance), including but not limited to education, investigation and/or prosecution in those areas, but not for the purpose of investigating or prosecuting antitrust or environmental matters.

D. The Attorney General shall, as provided in the *Griego* judgment, prepare an annual report describing with particularity how the AG Reserve funds have been applied, showing that such funds have been used in accordance with the purposes specified in paragraph 15C (to the

extent such funds have been expended) and accounting for such expenditures. The annual report shall be submitted as provided in the *Griego* judgment. Nothing herein shall be construed to require the Attorney General to disclose the existence of any confidential investigation or otherwise violate any statutory limit or prohibition on the release of information.

E. All interest and other revenues derived from the trust funds described in paragraphs 15A and 15B shall solely and exclusively augment, and in no manner supplant or cause any reduction of any portion of, the Attorney General's budget.

16. Upon entry of judgment, RAC shall pay to the Attorney General the sum of seven hundred fifty thousand ($750,000) pursuant to Business and Professions Code sections 17206 and 17536.

MAINTENANCE OF AND ACCESS TO RECORDS

17. For the purpose of ensuring compliance with the injunctive provisions, RAC shall maintain a log of consumer complaints received by telephone that includes the name, address and telephone number of the complainant and a description of the complaint; all written or electronically transmitted (e.g., e-mail) consumer complaints; written reports; notices; and restitution letters for four (4) years from the date of the judgment. Defendants shall make available to the Attorney General, at Defendants' expense, within 30 days of the Attorney General's written request, copies of all requested documents relating to Defendants' compliance with this injunction. In the event Defendants need additional reasonable time to comply with the document request and cannot agree with the Attorney General on the additional time period, or Defendants otherwise believe that the Attorney General's request for documents is overly broad or unduly burdensome, Defendants may apply to the court for additional time or for such other relief as the court may deem appropriate.

RETENTION OF JURISDICTION

18. The court shall retain jurisdiction for the purposes of enabling any party to this judgment to apply to the court at any time for such further orders and directions as may be necessary or appropriate for (a) the construction or implementation of this judgment; (b) the modification of any of the injunctive provisions for good cause shown because of changed legal

or factual circumstances; and (c) the enforcement of this judgment and punishment of violations thereof.

COSTS

19. Each party shall bear its own costs, including court costs, and attorney's fees.

EFFECTIVE DATE

20. This judgment shall take effect immediately upon entry hereof.

DATE NOV 16 2006

PETER J. BUSCH
JUDGE OF THE SUPERIOR COURT