

IN THE CIRCUIT COURT OF PULASKI COUNTY, ARKANSAS
6th DIVISION

STATE OF ARKANSAS *ex rel.*
DUSTIN MCDANIEL, ATTORNEY GENERAL

PLAINTIFF

vs.

CASE NO. CV8008-4718

EZ MONEY PAWN SUPERSTORE, INC.,
D/B/A EZ MONEY PAYDAY ADVANCE,
EZ MONEY PAWN SUPERSTORE II, LLC,
D/B/A EZ MONEY PAYDAY ADVANCE II
& RONALD STEITLER

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Pat O'Brien Pulaski Circuit Clerk

DEFENDANTS

COMPLAINT

Plaintiff, State of Arkansas *ex rel.* Dustin McDaniel, Attorney General, for its Complaint against the Defendants, states:

PARTIES

1. Plaintiff is the State of Arkansas *ex rel.* Dustin McDaniel, the duly elected Attorney General for the State of Arkansas. This is a consumer protection action. This complaint is brought in the public interest in order to redress and restrain violations of the Arkansas Deceptive Trade Practices Act, Ark. Code Ann. § 4-88-101 *et seq.* and the Arkansas Constitution, *Article 19, Section 13*, prohibiting usury in the State of Arkansas.

2. Defendant EZ Money Pawn Superstore, Inc is an Arkansas corporation. Defendant EZ Money Pawn Superstore II, LLC is an Arkansas Limited Liability Company. These associated entities, together with Defendant Steitler, are hereinafter collectively referred to as "EZ Money."

3. Defendant Ronald Steitler is the owner and operator of EZ Money. Defendant Steitler is a resident of Arkansas. Steitler, as the owner and operator of EZ Money, personally

formulated, directed, controlled, supervised, managed, participated in, had knowledge of, and acquiesced in the practices of EZ Money (as more specifically set out below) to such a degree that Defendant Steitler is personally liable for the unconscionable and otherwise unlawful acts and practices described below. Defendant Steitler is a “controlling person” within the meaning of Ark. Code Ann. § 4-88-113(d).

4. Throughout the Complaint any reference to “Defendants” or “EZ Money” shall be deemed to include EZ Money and Ronald Steitler, as Steitler is, and has been, sole owner and in control of the operations of both EZ Money entities.

JURISDICTION AND VENUE

5. This Court has jurisdiction over this matter pursuant to Ark. Code Ann. § 4-88-104, and the common law of the State of Arkansas. Venue is proper pursuant to Ark. Code Ann. § 4-88-104, § 4-88-112, and the common law of the State of Arkansas. The Defendants have transacted a substantial amount of business in the State of Arkansas with numerous Arkansas consumers.

BUSINESS PRACTICES OF THE DEFENDANTS

6. During the period of time starting approximately May 26, 2005, through the present, Defendants operated what is commonly termed a “payday loan” business called EZ Money Payday Advance at 507 Mt. Pine Rd. in Hot Springs, Arkansas. Sometime after May 26, 2007, Defendants moved EZ Money Payday Advance to 919 Higdon Ferry Rd. in Hot Springs, Arkansas.

7. During the period of time starting approximately January 25, 2006, through the present, Defendants operated what is commonly termed a “payday loan” business called EZ Money Payday Advance II at 830 Hazel St. in Texarkana, Arkansas.

8. EZ Money offered high interest, short term loans to their customers by advancing funds against present-dated checks. The amount of each advance was substantially less than the face value of the check presented. The difference between the amount advanced and the face value of the check is interest on the loan. The resulting annual percentage rates (“APR’s”) of EZ Money’s lending transactions ranged from approximately 173% to 868% depending on the terms of the individual transaction.

9. The following describes a typical initial check advancement (a/k/a deferred presentment) loan transaction: A prospective customer visited an EZ Money location, completed an application, and wrote a present-dated check to Defendants for \$233.25. (The amount of the check may vary from transaction to transaction, but this amount is both typical and instructive.) The customer received \$200.00 in cash. EZ Money agreed to hold the customer’s check for a period of up to fourteen (14) days, with the due date of the loan coinciding with the customer’s next pay day. Exhibit A, attached to this Complaint, contains a copy of the above described transaction. The EZ Money discloses the APR for this transaction as 379.14%.

10. When EZ Money enters into lending transactions like the one described above, the customer and EZ Money know that the customer’s checking account does not have a balance sufficient to cover the check. On the due date, the typical customer deposits his pay check in his checking account and immediately withdraws an amount necessary to pay off the loan. In the above example the amount to pay off the loan would be \$233.25. The customer must then proceed directly to EZ Money and pay off the loan. With his checking account thus depleted, the customer is now likely unable to pay one or more of his monthly bills, such as rent, mortgage payment, utilities, or groceries. Without sufficient funds to pay living expenses, the customer then immediately writes a new check for a new loan under the same or similar terms. In the

above case, on the due date of the original transaction the customer would pay \$233.25, immediately and receive \$200.00 back. The effect is not two separate transactions, but the continuation of the initial \$200.00 transaction, renewed bi-weekly for another interest payment of \$33.25. If the consumer renewed the \$200.00 contract bi-weekly for one year, which is not an uncommon situation, the customer would pay approximately \$864.50 in interest on a loan of \$200.00, and still owe the \$200.00 principal at the end of the year.

11. If the customer described above did not return to EZ Money on the due date, EZ Money would deposit the check. If there are sufficient funds in the account, the check is honored. Of course, since the customers of EZ Money tend to be people who work hard, but who live from paycheck to paycheck, the burden of the interest charged on the loan makes it less likely that the customer will be able to maintain a sufficient balance. The result is that the customer is often forced to obtain additional payday loans from other lenders to juggle loans as they come due. As the customer takes on more payday loans, more and more of the customers' wages are devoted to interest payments to payday lenders, such as EZ Money, and less and less is available to devote to necessary living expenses. A customer who engages in a single transaction with one lender is rare. The majority, including many of the customers of EZ Money, engage in repeated back-to-back transactions with each lender, and many juggle three or more loans with different lenders at any one time. For many customers, this process continues until the customer is somehow, though some windfall income, able to extract himself from the debt cycle, or until the customer's financial situation collapses completely, often resulting in bankruptcy.

12. Two more examples of lending transactions engaged in by EZ Money are found in Exhibit B & C. The disclosed APR's found on these contracts are 186.28% and 579.31%, respectively.

VIOLATIONS OF THE ARKANSAS DECEPTIVE TRADE PRACTICES ACT

13. The Plaintiff incorporates herein by reference all matters set forth in Paragraphs 1 through 12 above.

14. The business practices of the Defendants constitute the sale of “goods” or “services” within the meaning of Ark. Code Ann. § 4-88-102(6) and (7). The same business practices constitute business, commerce, or trade within the meaning of Ark. Ann. § 4-88-107.

15. The conduct engaged in by the Defendants constitutes deceptive and unconscionable trade practices prohibited by the Arkansas Deceptive Trade Practices Act. The prohibited practices engaged in by the Defendants include, but likely are not limited to, violations of Arkansas Code Ann. §§ 4-88-107(a)(1), 4-88-107(a)(8), 4-88-107(a)(10), and 4-88-108. More specifically, the Defendants violate the Arkansas Deceptive Trade Practices Act by:

(a) Charging and collecting unconscionable rates of interest on short term lending transactions. The practice of charging ultra- high usurious rates of interest is unconscionable and deceptive as a matter of law. See *State of Ark. v R & A Investment Co., Inc.*, 336 Ark. 289, 785 SW 2d 299 (1999), *Arkansas Board of Collection Agencies and Old Republic Surety Company v. Mcghee, et al.*, No. 07-129 (AR S. Ct. Jan. 17, 2008), and *Staton v Arkansas Board of Collection Agencies and American Manufactures Mutual Insurance Company*, No. 07-53 (AR S. Ct. Feb. 21, 2008).

VIOLATIONS OF THE ARKANSAS CONSTITUTION

16. The Plaintiff incorporates herein by reference all matters set forth in Paragraphs 1 through 15 above.

17. Article 19, Section 13 of the Arkansas Constitution places a limit on the maximum interest rate that may be charged a borrower in a lending transaction:

(a) General Loans:

(i) The maximum lawful rate of interest on any contract entered into after the effective date hereof shall not exceed five percent (5%) per annum above the Federal Reserve Discount Rate at the time of the contract.

(b) Consumer Loans and Credit Sales: All contracts for consumer loans and credit sales having a greater rate of interest than seventeen percent per annum shall be void as to principal and interest and the General Assembly shall prohibit the same.

18. During the relevant time period, the maximum legal rate of interest permitted on loans such as those made by EZ Money varied between 7.5 % APR (currently) to a high of 11.25% APR.

19. Defendants were engaged in the business of offering and making short term loans in amounts of typically between \$50.00 and \$350.00. The interest, charges, compensation, consideration or expense EZ Money charged, contracted for, and received on those loans greatly exceeded the maximum amount allowed under the Arkansas Constitution.

20. The interest charged by EZ Money on the loan transaction described in Paragraph 9 above was 379.14% APR according to EZ Money's own disclosure. This is a typical lending transaction engaged in by EZ Money. EZ Money has engaged in hundreds or thousands of such transactions.

21. Because EZ Money charged and received interest or other compensation in excess of 17% APR (see Arkansas Constitution, Article 19, Section 13 (b)), each loan was and is void as to principal and interest, and the Defendants should be prohibited from collecting, attempting to collect, or otherwise obtaining any money from any borrower that was charged interest rates in

violation of the Arkansas Constitution. All sums, including principal and interest, collected to date, should be returned to the borrowers.

RELIEF REQUESTED

22. The acts and practices of the Defendants constituting violations of the Arkansas Deceptive Trade Practices Act and the Arkansas Constitution warrant, and the Plaintiff hereby seeks, the following relief:

(a) Injunction – Pursuant to Ark. Code Ann. § 4-88-113(a)(1), the Court should enter such orders or judgments as may be necessary to prevent the use or employment by the Defendants of the practices described herein which are violations of the Arkansas Deceptive Trade Practices Act and the Arkansas Constitution, *Article 19, Section 13* . In addition to enjoining ongoing violations of Arkansas law, Plaintiff requests that the Court cancel all outstanding loan contracts together with any obligations to which any consumers may be arguably be subject based upon such contracts.

(b) Restitution – Pursuant to Ark. Code Ann. § 4-88-113(a)(2), this Court should enter such orders or judgments as may be necessary to restore to any person who has suffered any ascertainable loss by reason of the use of prohibited practices any monies which may have been acquired by the Defendants, together with any other damages which these consumers may have sustained. In addition, or in the alternative, the Defendants should be ordered to disgorge all funds received from borrowers in these unconscionable lending transactions.

(c) Civil Penalties – Pursuant to Ark. Code Ann. § 4-88-113(a)(3), the Plaintiff seeks the imposition of civil penalties to be paid to the State by the Defendants. Plaintiff seeks civil penalties against the Defendants in the amount of \$10,000.00 for each violation of the Arkansas Deceptive Trade Practices Act. Each unconscionable lending transaction should be considered an individual violation of the Arkansas Deceptive Trade Practices Act. The total recovery sought by the Plaintiff for restitution, disgorgement,

and civil penalties is in an amount in excess of that required for federal court jurisdiction in diversity of citizenship cases.

(d) Forfeiture of corporate charters, licenses, permits and authorization to do business in Arkansas – Pursuant to Ark. Code Ann. § 4-88-113(b), the Plaintiff seeks the forfeiture of such charters, licenses, permits or authorizations to do business in Arkansas as may currently be enjoyed by the Defendants.

(e) Attorneys fees and costs – Pursuant to Ark. Code Ann. § 4-88-113(e), the Plaintiff seeks compensation for its services, the reimbursement of all expenses reasonably incurred in the investigation and prosecution of this matter, together with attorneys fees and costs.

WHEREFORE, Plaintiff requests that this Court preliminarily and permanently restrain and enjoin the Defendants from engaging in acts which constitute violations of the Arkansas Deceptive Trade Practices Act and the Arkansas Constitution; that all outstanding loans be voided; that the Defendants be ordered to pay restitution to all affected Arkansas consumers consisting of all payments made by such consumers, together with any other damages sustained by such consumers; alternatively, or in addition, that the Defendants be ordered to disgorge all payments received from Arkansas consumers; that the Defendants be assessed civil penalties; that any corporate charter, license, permit, or authorization to do business in the State of Arkansas and currently enjoyed by the Defendants be revoked; that the Plaintiff be awarded from the Defendants reimbursement for all expenses reasonably incurred in the investigation and prosecution of this matter, together with reasonable attorneys fees and cost, and for all other relief to which the Plaintiff may be entitled.

Respectfully submitted,

DUSTIN MCDANIEL,
Attorney General

By: Charles Saunders

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EXHIBIT A

DEFERRED PRESENTMENT AGREEMENT

In this Consumer Loan Agreement (this "Agreement"), the words "I", "you" and "your" mean the Borrower and all who have signed as Borrower. The words "we", "us" and "our" mean the Lender listed on this agreement.

Agreement #: 1200

Agreement Date: 08/05/2006

MATURITY DATE: 08/21/2006

<p>LICENSEE:</p> <div style="border: 1px solid black; padding: 10px; margin: 5px;"> <p style="text-align: center;">EZ MONEY PAWN SUPERSTORE 507 MOUNTAIN PINE RD. HOT SPRINGS, AR 71913 (501) 760-6666</p> <p style="text-align: center;">EMP: SET</p> </div>	<p>CLIENT:</p> <div style="border: 1px solid black; padding: 10px; margin: 5px;"> <p style="text-align: center;">ID: AR DRIVERS LICENSE</p> </div>		
<p style="font-size: small;">In this Deferred Presentment Services Agreement (this "Agreement"), the words "you" and "your" mean the above customer and all who have signed as customer. The words "us" and "ours" mean EZ Money Payday Advance.</p>			
<p style="text-align: center;">ANNUAL PERCENTAGE RATE <small>The cost of your credit as a yearly rate.</small></p> <p style="text-align: center;">379.14 %</p>	<p style="text-align: center;">FINANCE CHARGE <small>The dollar amount the credit will cost you.</small></p> <p style="text-align: center;">\$ 33.25</p>	<p style="text-align: center;">AMOUNT FINANCED <small>The amount of credit provided to you or on your behalf.</small></p> <p style="text-align: center;">\$ 200.00</p>	<p style="text-align: center;">TOTAL OF PAYMENTS <small>The amount you have paid after you have made all payments as scheduled.</small></p> <p style="text-align: center;">\$ 233.25</p>
<p style="font-size: x-small;">The amount stated in the AMOUNT FINANCED block above consists solely of the amount of cash we are giving you in exchange for your check. The above is a disclosure required by the Federal Truth-in-Lending Act, and Sec. 34-39-180 (c). The amount shown in the finance charge block is deemed a service fee authorized by the Arkansas Check-Cashiers Act and shall not be deemed interest.</p>			
<p>ITEMIZATION OF AMOUNT FINANCED</p>			
<p style="font-size: x-small;">AMOUNT PAID DIRECTLY TO YOU:</p> <p style="text-align: center;">\$ 200.00</p>	<p style="font-size: x-small;">TOTAL PREPAID FINANCE CHARGE</p> <p style="text-align: center;">\$0.00</p>	<p style="font-size: x-small;">AMOUNT FINANCED</p> <p style="text-align: center;">\$ 200.00</p>	
<p>PAYMENT SCHEDULE: One payment in the amount of \$ 233.25 due on 08/21/2006</p> <p>PREPAYMENT: If you pay off the loan early, you will not be entitled to a refund or discount of part of the finance charges.</p> <p style="font-size: x-small;">A handling charge in the amount of \$25.00 will be collected if a check is returned due to insufficient funds, stop payment, or account closed. We also have the right to all civil means available and allowed by law to collect the check and all applicable court costs and Attorney's fees.</p> <p>I hereby acknowledge receipt of these disclosures prior to entering into this deferred presentment agreement.</p> <p>CLIENT SIGNATURE: X _____</p>			

By signing this Agreement, you acknowledge that it was filled in before you did so and that you have received a completed copy of it. You agree that the information you gave us prior to entering into this Agreement is accurate. You also warrant that you are not a debtor under any proceeding in bankruptcy and have no intention to file a petition for relief under any chapter of the United States Bankruptcy Code. You further acknowledge that you have read, understand, and agree to all the terms of the agreement.

The Client, shown above, promises to pay to the Licensee, shown above, the amount set out above as the Total of Payments in accordance with the above Payment Schedule. To satisfy this obligation the Client this date has delivered Client's check to Licensee in the amount of the Total of Payments with the understanding that the Licensee will not present the check for payment until the Payment Due Date as set out in the Payment Schedule. If the borrower has not redeemed the check prior to the above set out Payment due Date, Licensee is authorized to deposit the check to satisfy this obligation.

I, the Presenter and Client shown above, here attest that the check being presented for this Delayed Deposit Agreement is drawn on a legitimate, open and active account, that the check is not altered, forged, stolen, or obtained through fraudulent or illegal means, and that it's not negotiated without proper legal authority or represents the proceeds of illegal activity.

The client agrees not to hold the Licensee or its agents responsible for depositing any check(s) or for any fees the Client must pay as a result of Client's check(s) being deposited at bank.

X _____
Client's Signature

8/5/06
Date

Sarah E Taylor 8-5-06
Licensee's Signature Date

EXHIBIT B

CONSUMER LOAN AGREEMENT

Agreement #: 391

Agreement Date: 01/11/2006

MATURITY DATE: 02/08/2006

LENDER: <div style="border: 1px solid black; padding: 10px; text-align: center;"> <p>EZ MONEY PAWN SUPERSTORE 507 MOUNTAIN PINE RD. HOT SPRINGS, AR 71913 (501) 760-6666</p> <p>EMP: NAT</p> </div>	BORROWER: <div style="border: 1px solid black; padding: 10px; text-align: center;"> <p>ID: AR DRIVERS LICENSE</p> </div>
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ANNUAL PERCENTAGE RATE <small>The cost of your credit as a yearly rate.</small> <p style="text-align: center;">186.28 %</p>	FINANCE CHARGE <small>The dollar amount the credit will cost you.</small> <p style="text-align: center;">\$ 50.00</p>	AMOUNT FINANCED <small>The amount of credit provided to you or on your behalf.</small> <p style="text-align: center;">\$ 350.00</p>	TOTAL OF PAYMENTS <small>The amount you have paid after you have made all payments as scheduled.</small> <p style="text-align: center;">\$ 400.00</p>
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ITEMIZATION OF AMOUNT FINANCED		
AMOUNT PAID DIRECTLY TO YOU \$ 350.00	TOTAL PREPAID FINANCE CHARGE \$0.00	AMOUNT FINANCED \$ 350.00

SECURITY
Unsecured.

PAYMENT SCHEDULE
One payment in the amount of \$ 400.00 due on 02/08/2006

PREPAYMENT: If you pay off the loan early, you will not be entitled to a refund or discount of part of the finance charges.

LATE CHARGE
If the loan is not paid on or before the scheduled payment date, you will be charged another finance charge of \$ 50.00


OTHER CHARGES
If a check you issue to lender in connection with this contract is returned because it is dishonored, you will be charged an additional \$20.00

The borrower promises to pay this loan (total of payments, plus other permitted charges) to the order of lender according to the terms and conditions stated above. Except when prohibited by law, the borrower agrees to pay all reasonable attorney's fees the lender incurs in collecting the monies due on this contract in the event of a default by the borrower. This loan cannot be assumed by a third party without written consent of the lender.

I, the borrower, have signed this consumer loan agreement on the date below and acknowledge that I have read, understand, agree to the agreement. I acknowledge that all information contained herein is true and correct to the best of my knowledge.

X _____
Borrower's Signature

Date


 Lender Agent's Signature

 Date 1-11-06

EXHIBIT C

CONSUMER LOAN AGREEMENT

In this Consumer Loan Agreement (this "Agreement"), the words "I," "you" and "your" mean the Borrower and all who have signed as Borrower. The words "we," "us" and "our" mean the Lender listed on this agreement.

Agreement #: 450

Agreement Date: 01/26/2006

MATURITY DATE: 02/09/2006

LENDER:

EZ MONEY PAWN SUPERSTORE
507 MOUNTAIN PINE RD.
HOT SPRINGS, AR 71913
(501) 760-6666

EMP: CDH

BORROWER:

ID: AR DRIVERS LICENSE

ANNUAL PERCENTAGE RATE The cost of your credit as a yearly rate. 579.31 %	FINANCE CHARGE The dollar amount the credit will cost you. \$ 22.22	AMOUNT FINANCED The amount of credit provided to you or on your behalf. \$ 100.00	TOTAL OF PAYMENTS The amount you have paid after you have made all payments as scheduled. \$ 122.22
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ITEMIZATION OF AMOUNT FINANCED

AMOUNT PAID DIRECTLY TO YOU \$ 100.00	TOTAL PREPAID FINANCE CHARGE \$0.00	AMOUNT FINANCED \$ 100.00
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SECURITY
Unsecured.

PAYMENT SCHEDULE

One payment in the amount of \$ 122.22 due on 02/09/2006

PREPAYMENT: If you pay off the loan early, you will not be entitled to a refund or discount of part of the finance charges.

LATE CHARGE

If the loan is not paid on or before the scheduled payment date, you will be charged another finance charge of \$ 22.22

OTHER CHARGES

If a check you issue to lender in connection with this contract is returned because it is dishonored, you will be charged an additional \$20.00

The borrower promises to pay this loan (total of payments, plus other permitted charges) to the order of lender according to the terms and conditions stated above. Except when prohibited by law, the borrower agrees to pay all reasonable attorney's fees the lender incurs in collecting the monies due on this contract in the event of a default by the borrower. This loan cannot be assumed by a third party without written consent of the lender.

I, the borrower, have signed this consumer loan agreement on the date below and acknowledge that I have read, understand, agree to the agreement. I acknowledge that all information contained herein is true and correct to the best of my knowledge.

X6
Borrower's Signature

1/26/06
Date

Lender Agent's Signature

02/09/06
Date