

**IN THE COURT OF COMMON PLEAS OF  
DAUPHIN COUNTY, PENNSYLVANIA  
CIVIL ACTION**

COMMONWEALTH OF PENNSYLVANIA :  
OFFICE OF ATTORNEY GENERAL :  
PETITIONER :  
LULAROE, LLC AND LLR, INC. :  
RESPONDENTS:

**No. 2020 CV 9737 CV**

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DAUPHIN COUNTY  
PENNSYLVANIA

**ASSURANCE OF VOLUNTARY COMPLIANCE**

AND NOW, comes the Commonwealth of Pennsylvania, acting by Attorney General Josh Shapiro, (hereinafter “Commonwealth” and/or “Petitioner”), which caused an investigation to be made into the business practices of respondents, LuLaRoe, LLC and LLR, Inc. (hereinafter individually referred to a “Respondent LuLaRoe” and “Respondent LLR” and collectively referred to as “Respondents”), pursuant to the provisions of the *Pennsylvania Unfair Trade Practices and Consumer Protection Law*, 73 P.S. §§ 201-1, et seq. (hereinafter “Consumer Protection Law”), and states the following:

**PARTIES**

**WHEREAS**, Petitioner is the Commonwealth of Pennsylvania, acting by Attorney General Josh Shapiro, with offices located at Strawberry Square, 15th Floor, Harrisburg, PA 17120;

**WHEREAS**, Respondent LuLaRoe is a California limited liability company, with a registered address of and its principal place of business located at 4260 Temescal Canyon Road, Corona, CA 92883;

**WHEREAS**, Respondent LLR is a Wyoming corporation with a registered address at 416 Double Eagle Ranch Road, Thayne, WY 83217 and its principal place of business located at 4260 Temescal Canyon Road, Corona, CA 92883;

## BACKGROUND

**WHEREAS**, Respondents have engaged in trade and commerce within the Commonwealth of Pennsylvania by, inter alia, selling, advertising, marketing, offering for sale and negotiating the sale of clothing through over 6,700 Pennsylvania consumers acting as independent distributors (hereinafter “Consultants”);

**WHEREAS**, the Commonwealth has received nineteen (19) consumer complaints, of which seventeen (17) pertain to Respondents’ offering and failing to reasonably process and/or provide Consultants refunds in a timely manner;

**WHEREAS**, based on its investigation, Petitioner alleges the following facts:

1. Respondents’ “Buy Back Policy,” which is incorporated into Respondents’ Independent Fashion Consultant Agreement and posted on LuLaRoe’s website, states that upon the cancellation of an individual’s Consultant contract, Consultants may return the purchased products for a refund as long as the Consultant meets certain conditions;

2. This Buy Back Policy was a part of nationwide marketing and selling, through direct communications with Consultants, during Consultant training seminars, online, in emails, in brochures, and in advertisements to Consultants and the public, that becoming a Consultant was a “risk free opportunity” to earn money without any downside;

3. As a result, Respondents lure Consultants into agreeing to front the required \$5,590.00 to purchase the requisite amount of LuLaRoe clothing to become a Consultant selling exclusively LuLaRoe clothing;

4. Consultants are required to sell thirty-three (33) pieces of clothing a month to remain “active” Consultants, and they are continually encouraged to buy more LuLaRoe goods;

5. In at least some instances, Consultants bought into Respondents’ business premised upon the Respondents’ misrepresentation that they would be able to get a full and/or partial refund on all products not sold;

6. By offering Consultants a refund policy, Respondents made a representation that if a consumer returned products purchased from the Respondents, the consumer could receive a refund, subject of course to any limitations found in Respondents' policies;

7. Since Respondents' policies do not clearly state or disclose to Consultants a time frame that Respondents will provide a refund, particularly in conjunction with Respondents' marketing of a "no risk" opportunity for Consultants, the Buy Back Policy represents to the ordinary individual that the refunds would be provided in a reasonable amount of time;

8. Respondents received at least 1,725 refund requests from Consultants, which generally ranged from \$3,000.00 to 5,000.00, and in total exceeded \$9,000,000.00;

9. Respondents have engaged in a pattern or practice of unfair and deceptive business practices pertaining to the refund claim process, as evidenced by the consumer complainants and further substantiated by the documents and information provided by Respondents;

10. In many instances, there has been a significant and unreasonable delay of time from the date the Consultants requested a refund and the time their refund check was sent;

11. The information provided by Respondent reveals that, on October 11, 2018, fifty-two (52) Pennsylvanians had been promised a refund and had not received any type of payment from Respondents;

12. This extended delay was not disclosed to the Consultants prior to signing their Consultant agreement and could not reasonably have been anticipated with Respondents "risk free" marketing;

13. Respondents' business practice caused particular harm to the Consultants as they are required to advance thousands of dollars in goods at the outset and not receive the undisputed refund amount for time periods up to and exceeding a year;

14. In light of Respondents' representation through the Buy Back Policy and "no risk" opportunity, it is unfair and deceptive not for Respondents to lack the operational capacity or otherwise fail to meet the demands of and timely process Consultant refund claims;

15. It is unfair and deceptive for a business to represent a refund policy to induce Consultants to extend significant capital and then have a slow pace buy-back process resulting in many Consultants being harmed by not having significant capital returned for their personal or business use within a reasonable amount of time;

16. By representing that a Consultant would receive a refund for returned goods and then delaying and/or failing to process such refund for several months and even over a year in some instances, Respondents engaged in “unfair methods of competition” and/or “unfair or deceptive acts or practices” in violation of Section 201-3 of the Consumer Protection Law, as defined by Section 201-2(4)(v) and (xxi);

**WHEREAS**, Respondents fully cooperated with Petitioner’s investigation;

**WHEREAS**, Respondents have represented to the Commonwealth that all Consultants that have participated in the Buy Back Policy and all fifty-two (52) unpaid Consultant claims have been paid in full as of the date of this Assurance of Voluntary Compliance;

**WHEREAS**, Respondents have represented to the Commonwealth that (a) before learning of the existence of Petitioner’s investigation, Respondent LLR had already extended considerable resources to make sure that claims made under the Buy Back Policy were timely processed; and (b) legitimate refund claims will continue to be fully processed within (90) days of the receipt of clothing returned by the Consultant, including the payment of any money owed for the requested refund;

**WHEREAS**, Respondents dispute Petitioner’s factual allegations, dispute that evidence exists to support Petitioner’s factual allegations, and dispute that Respondents have violated the law;

#### **ALLEGED VIOLATIONS**

**WHEREAS**, based upon its investigation, the Commonwealth believes the Respondents have engaged in the aforementioned methods, acts and practices which constitute violations of Section 201-3 of the Consumer Protection Law as “unfair methods of competition” and/or “unfair or deceptive acts or practices,” as more fully set forth below:



1. Representing that goods or services have sponsorship, approval, characteristics, ingredients, uses, benefits or quantities that they do not have or that a person has sponsorship, approval, status, affiliation or connection that he does not have, 73 P.S. § 201-2(4)(v);
2. Engaging in any other fraudulent or deceptive conduct which creates a likelihood of confusion or of misunderstanding, 73 P.S. § 201-2(4)(xxi);

**WHEREAS**, Respondents agree to desist from violating the Consumer Protection Law as set forth above; and desires to comply with the civil laws of the Commonwealth of Pennsylvania;

**WHEREAS**, pursuant to Section 201-5 of the Consumer Protection Law, this Assurance of Voluntary Compliance (hereinafter "AVC") shall not be considered an admission by Respondents of a violation of the Consumer Protection Law for any purpose. 73 P.S. § 201-5; and

**WHEREAS**, this AVC is accepted by the Commonwealth pursuant to Section 201-5 of the Consumer Protection Law, in lieu of commencing statutory proceedings provided under Sections 201-4 and 201-8 of the Consumer Protection Law.

#### **SETTLEMENT TERMS**

**NOW THEREFORE**, having conducted trade and commerce within the Commonwealth, Respondents agree for themselves, their affiliated or related successors and assigns, jointly or individually, directly or indirectly, through any corporate or other business device to the following:

**I. The above recitals are incorporated herein as though fully set forth.**

**II. Injunctive and Affirmative Relief**

A. The forgoing recitals are incorporated herein by reference as though fully set forth.

B. Respondents shall comply with any and all provisions of the Consumer Protection Law and any amendments thereto; and, are permanently enjoined from any violation thereof.

C. Respondents shall not, in the future, engage in conduct which violates the Consumer Protection Law, and any future amendments thereto, specifically including, but not limited to:

1. Representing that goods or services have sponsorship, approval, characteristics, ingredients, uses, benefits or quantities that they do not have or that

a person has a sponsorship, approval, status, affiliation or connection that he does not have, as prohibited by Section 201-2(4)(v) of the Consumer Protection Law, 73P.S. § 201-2(4)(v); and 2. Engaging in other fraudulent or deceptive conduct which creates a likelihood of confusion or of misunderstanding, as prohibited by Section 201- 2(4)(xxi) of the Consumer Protection Law, 73 P.S. § 201-2(4)(xxi).

D. Respondents shall fully process all refund claims and refund the full amount Respondents agree is owed to the Consultant and a written explanation detailing the basis for denying the refund request in full or in part within ninety (90) days from receipt of a written refund claim. Respondents' failure to comply within ninety (90) days shall deem the amount of the Consultant's claim due in full and shall be paid to the Consultant within (120) days from the date of receipt of the Consultant's refund request.

### **III. Monetary Relief**

A. Consistent with the Payment Terms set forth below at Section III(B), Respondents shall be liable for and shall pay to the Commonwealth a total payment in the amount of ONE HUNDRED TEN THOUSAND and 00/100 Dollars (\$110,000.00) (hereinafter "Required Payment"), from which shall be allocated as follows:

1. Civil Penalties in the amount of NINETY FIVE THOUSAND NINE HUNDRED FIFTY and 00/100 Dollars (\$95,950.00) shall be distributed to the Commonwealth of Pennsylvania, Department of Treasury; and
2. Costs of Investigation in the amount of FOURTEEN THOUSAND FIFTY and 00/100 Dollars (\$14,050.00) shall be distributed to the Commonwealth of Pennsylvania, Office of Attorney General, to reimburse the costs incurred in pursuing this enforcement action, and shall be deposited in an interest-bearing account from which both principal and interest shall be expended for future public protection and education purposes.

B. Payment Terms - Respondents shall submit, upon their execution, the Required Payment by certified check, cashier's check, or money order, made payable to the Commonwealth of Pennsylvania, Office of Attorney General, and forwarded to Juan P. Sanchez, Bureau of Consumer Protection, 15th Floor, Strawberry Square, Harrisburg, Pennsylvania 17120.

C. After Respondents have made the Required Payments, Respondents shall no longer have any property right, title, interest, or other legal claim in any funds held in escrow.

#### **IV. Miscellaneous Terms**

A. The Court of Common Pleas of Pennsylvania, Dauphin County shall maintain jurisdiction over the subject matter of this AVC and over the Respondents for purpose of enforcement of the terms of this AVC.

B. Nothing contained in this AVC shall be construed to waive or limit any right of action by any consumer, person or entity, or by any local, state, federal or other governmental entity.

C. Time shall be of the essence with regards to Respondents' obligations hereunder.

D. Respondents further agree to execute and deliver all authorizations, documents and instruments which are necessary to carry out the terms and conditions of this AVC, whether required prior to, contemporaneous with or subsequent to the Effective Date, as defined herein.

E. Respondents understand and agree that if any false statement was made in or related to this AVC, that such statement is made pursuant to and under penalty of 18 Pa.C.S. § 4904 relating to unsworn falsifications to authorities.

F. This AVC may be executed in any number of counterparts and by different signatories on separate counterparts, each of which shall constitute an original counterpart hereof and all of which together shall constitute one and the same document. One or more counterparts of this AVC may be delivered by facsimile or electronic transmission with the intent that it or they shall constitute an original counterpart hereof.



G. This AVC sets forth all of the promises, covenants, agreements, conditions and understandings between the parties, and supersedes all prior and contemporaneous agreements, understandings, inducements or conditions, express or implied. There are no representations, arrangements, or understandings, oral or written, between the parties relating to the subject matter of this AVC that are not fully expressed herein or attached hereto. Each party specifically warrants that this AVC is executed without reliance upon any statement or representation by any other party hereto, except as expressly stated herein.

H. Respondents agree by the signing of this AVC that Respondents shall abide by each of the aforementioned provisions and that the breach of any one of these terms shall be sufficient warrant for the Commonwealth of Pennsylvania to seek penalties provided for under Section 201-8(a) of the Consumer Protection Law, 73 P.S. § 201-8(a), and to seek restitution and/or any other equitable relief which the Court deems necessary or proper, up to and including forfeiture of the right to engage in trade or commerce within the Commonwealth of Pennsylvania.

I. Any failure of the Commonwealth to exercise any of its rights under this AVC shall not constitute a waiver of its rights hereunder.

J. The "Filing Date" and "Effective Date" of this AVC shall mean the date that it is filed with the Court.

K. If any clause, provision or section of this AVC shall, for any reason, be held illegal, invalid or unenforceable, such illegality, invalidity or unenforceability shall not affect any other clause, provision or section of this AVC and this AVC shall be construed and enforced as if such illegal, invalid or unenforceable clause, section or other provision had not been contained herein.

L. Respondents shall not represent or imply that the Commonwealth acquiesces in, or approves of, Respondents' past or current business practices, efforts to improve their practices, or any future practices that Respondents may adopt or consider adopting.

M. The undersigned is authorized to enter into and execute this AVC by and on behalf of Respondents and Respondents have been represented by legal counsel and have been advised by its legal counsel of the meaning and effect of this AVC.



N. Respondents shall not, directly or indirectly, form a separate entity or corporation for the purpose of engaging in acts prohibited by this AVC or for the purpose of circumventing this AVC.

O. Neither Petitioner nor Respondents shall be considered the drafter of this AVC or any of its provisions for the purpose of any statute, case law, or rule of interpretation or construction that would or might cause any provision to be construed against the drafter of this AVC.

**WHEREFORE**, intending to be legally bound, the parties have hereto set their hands and seals.

**SIGNATURES ON SEPARATE PAGE**

For the Petitioner:

COMMONWEALTH OF PENNSYLVANIA  
OFFICE OF ATTORNEY GENERAL

JOSH SHAPIRO  
ATTORNEY GENERAL

Date: October 1, 2020

By:  \_\_\_\_\_

Juan P. Sanchez

Senior Deputy Attorney General

PA Attorney ID. No. 206839

Bureau of Consumer Protection

15th Floor, Strawberry Square

Harrisburg, PA 17120

Telephone: (717) 787-9707

Facsimile: (717) 705-3795

Email: [jpsanchez@attomeygeneral.gov](mailto:jpsanchez@attomeygeneral.gov)

For the Respondents:

LuLaRoe, LLC

Date: September 8, 2020

By: , Managing Member

LLR, Inc.

Date: September 8, 2020

By: , President



**CORPORATE RESOLUTION**

RESOLUTION OF THE CONTROLLING MEMBERS  
OF  
LULAROE, EEC.

The Controlling Members of LuLaRoe, LLC met on the 8th day of  
September \_\_\_\_\_, 2020, and approved the following resolution:

RESOLVED, that DeAnne Brady, Mark Stidham  
of LuLaRoe, LLC, is hereby authorized and empowered on behalf of LuLaRoe, LLC,  
to enter into an Assurance of Voluntary Compliance with the Commonwealth of  
Pennsylvania, Office of Attorney General, Bureau of Consumer Protection upon the  
terms and conditions contained in the proposed Assurance of Voluntary Compliance  
attached hereto and made a part hereof.

Filed with and attested to by the President of the LLC,  
this 8th day of September, 2020.

  
\_\_\_\_\_

**RESOLUTION**

RESOLUTION OF THE BOARD OF DIRECTORS

OF

EUR, INC.

The Board of Directors of LLR, Inc. met on the 8th day of  
September, 2020, and approved the following resolution:

RESOLVED, that DeAnne Brady, Mark Stidham of  
LLR, Inc., is hereby authorized and empowered on behalf of LLR, Inc., to enter into an  
Assurance of Voluntary Compliance with the Commonwealth of Pennsylvania, Office  
of Attorney General, Bureau of Consumer Protection upon the terms and conditions  
contained in the proposed Assurance of Voluntary Compliance attached hereto and  
made a part hereof.

Filed with and attested to by the Secretary of LLC, Inc., this 8th day of  
September, 2020.



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{CORPORATE SEAL}

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COMMONWEALTH OF PENNSYLVANIA :  
OFFICE OF ATTORNEY GENERAL :  
 :  
PETITIONER :  
 :  
LULAROE, LLC AND LLR, INC. :  
 :  
RESPONDENTS:

**CERTIFICATE OF COMPLIANCE**

I certify that this filing complies with the provisions of the *Public Access Policy of the Unified Judicial System of Pennsylvania: Case Records of the Appellate and Trial Courts* that require filing confidential information and documents differently than non-confidential information and documents.

For the Petitioner:

COMMONWEALTH OF PENNSYLVANIA  
OFFICE OF ATTORNEY GENERAL

JOSH SHAPIRO  
ATTORNEY GENERAL

Date: October 1, 2020

By:  \_\_\_\_\_

Juan P. Sanchez  
Senior Deputy Attorney General  
PA Attorney ID. No. 206839  
Bureau of Consumer Protection  
15th Floor, Strawberry Square  
Harrisburg, PA 17120  
Telephone: (717) 787-9707  
Facsimile: (717) 705-3795  
Email: [jpsanchez@attomeygeneral.gov](mailto:jpsanchez@attomeygeneral.gov)



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PETITIONER :  
 :  
LULAROE, LLC AND LLR, INC. :  
 :  
RESPONDENTS:

**CERTIFICATE OF SERVICE**

Undersigned counsel does hereby certify that a true and correct copy of the foregoing Assurance of Voluntary Compliance was served by means of First Class U.S. Mail, postage prepaid, on the date noted below:

Alejandro S. Angulo, Counsel for LuLaRoe, LLC and LLR, Inc.  
Rutan & Tucker, LLP  
611 Anton Boulevard, 14th Floor  
Costa Mesa, CA 92626  
aangulo@rutan.com

Date: October 1, 2020

By:   
\_\_\_\_\_  
Juan P. Sánchez  
Senior Deputy Attorney General