IN THE MATTER OF:	ASSURANCE OF VOLUNTARY COMPLIANCE
BLOCKBUSTER INC.,	

1.

Blockbuster Inc. is a corporation of the State of Delaware and does business throughout the United States. This Assurance of Voluntary Compliance (AVC) is between Blockbuster Inc. (hereafter "the Respondent") and the Attorneys General of the states of Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, New Mexico, New York, Nevada, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Washington, West Virginia, Wisconsin, and Wyoming and of the District of Columbia (hereafter "the Attorneys General"[1] or "the States"). This AVC applies to all corporate-owned Blockbuster stores in the United

[1] With regard to Hawaii, Hawaii is represented by its Office of Consumer Protection, an agency which is not part of the state Attorney General's Office, but which is statutorily authorized to represent the State of Hawaii in consumer protection actions.

With regard to Georgia, Georgia is not represented by its Attorney General. Georgia is represented by the Administrator of the Fair Business Practices Act who is not part of the state Attorney General's Office, but who is statutorily authorized to undertake consumer protection investigations and pre-litigation settlement negotiations, including acceptance of Assurances of Voluntary Compliance, for the State of Georgia. For simplicity purposes, the entire group will be referred to as the "Attorneys General" or "the States", and such designation, as it includes Georgia, refers to the Administrator of the Fair Business Practices Act" and as it pertains to Hawaii, refers to the Executive Director of the State of Hawaii's Office of Consumer Protection.

With regard to Montana, Montana is represented by its Office of Consumer Protection, an agency which is not part of the state Attorney General's Office, but which is statutorily authorized to represent the State of Montana in consumer protection actions.

States of America and requires Respondent to take certain actions, including providing advertising material to certain independently-owned franchise stores and to respond to consumer complaints from certain independently-owned franchise stores. Nothing in this Assurance is intended to bind independently owned franchise stores to its terms nor require restitution by those stores. The States act pursuant to their respective consumer protection statutes.[2]

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[2] Alabama Deceptive Trade Practices Act, Alabama Code Section 8-19-1, *et seq.*; Alaska AS 45.50.471 *et seq.*; Arizona Revised Statutes §§ 44-152, *et seq.*; Arkansas Code Ann, 4-88-101 *et seq.*; California Business and Professions Code sections 17200 and 17500; Colorado Consumer Protection Act, §§ 6-1-101 through 6-1-908, C.R.S. (2004); Conn. Gen. Stat. § 42-110a *et seq.*; Delaware's Consumer Fraud Act, 6 Del. C. Sec. 2513 and Uniform Deceptive Trade Practices Act, 6 Del. C. Sec. 3531; District of Columbia Consumer Protection Procedures Act, D.C. Official Code § 28-3901 *et seq.*; Florida Deceptive and Unfair Trade Practices Act, s. 501, Part II, Fl. Stat. (2004); Georgia Fair Business Practice Act of 1975, O.C.G.A. § 10-1-390 *et seq.*; Hawaii Revised Statutes section 480-2(a),section 487-12; Idaho Code Sec. 48-601 *et seq.*; Illinois Consumer fraud and Deceptive Business Practices Act, 815 ILCS 505/6.1 (2002); Indiana Deceptive Consumer Sales Act, Ind. Code § 24-5-0.5-1 *et seq.*; Iowa Consumer Fraud Act, Iowa Code §714.16; K.R.S. 367.110 *et seq.*; K.S.A. 50-623 *et seq.*; K.R.S. 367.110 et seq.; LSA-R.S. 51:1401 *et seq.*; Maine 5 M.R.S.A. section 207, section 210; Maryland Consumer Protection Act Md. Code Ann., Com. Law §§13-101, *et seq.*; Massachusetts Consumer Protection Act, Mass. Gen. Laws c.93A, sec. 4; Michigan Consumer Protection Act, MCL 445.901 *et seq.*; Minn. Stat. sec. 325F.69, subd. 1 (2004); Consumer Protection Law 75-24-1 *et seq.* Ms. Code Annotated; Section 407.020, *et seq.*, Rev. Stat. Mo. 2000; Montana MCA 30-14-112; Consumer Protection Act, Neb.Rev. Stat. 59-1601 *et seq.* (Reissue 2004) Uniform Deceptive Trade Practices Act, Neb.Rev.Stat. 87-301 *et seq.* (Reissue 1999, Cum Supp. 2004); Nevada Revised Statutes ("NRS") 598.0903 *et. seq.*; Section 57-12-1 *et seq.* NMSA 1978; New York General Business Law §§ 349 and 350; North Carolina Unfair and Deceptive Trade Practices Act, N.C.G.S. 75-1.1 *et seq.*; N.D.C.C. § 51-15-01 *et seq.*; Ohio Consumer Sales Practices Act, R C. § 1345.01 *et seq.*; Oklahoma Consumer Protection Act, 15 O.S. § 751, *et seq.* (2004); Oregon's Unlawful Trade Practices Act, ORS 646.605 *et seq.*; Pennsylvania's Unfair Trade Practices and Consumer Protection Law, 73 P.S. 201, et seq.; Rhode Island Deceptive Trade Practices Act, R.I. Gen. Laws Chapter 6-13.1; South Carolina Unfair Trade Practices Act, 39-5-10 *et seq.*(1976, as amended); South Dakota Deceptive Trade Practices Act, SDCL Ch. 37-24; Tenn. Code Ann. Section 47-18-108; Tex. Bus. & Com. Code section 17.41 *et seq.*; Utah Code Ann. § 13-11-1 *et seq.* and Utah's Truth in Advertising Act, Utah Code Ann. § 13-11a-1 *et seq.*; Virginia Consumer Protection Act, Va. Code §§ 59.1-196 through 59.1-207; Revised Code of Washington RCW 19.86.020; West Virginia Consumer Credit and Protection Act, W. Va. Code 46A-1-101 *et seq.*; Wis. Stat. secs. 100.18 and 100.20; Wyoming Consumer Protection Act as set out in Wyo. Stat. §§ 40-12-101 through 114.

PROCEDURE/ GENERAL PROVISIONS

2.

This Assurance of Voluntary Compliance (AVC) is a settlement of a disputed matter. The States allege the advertising by Respondent of its No Late Fees program ("NLF program"), which was first advertised by Blockbuster on December 15, 2004 and effective January 1, 2005 is misleading in much of its media and point-of-sale advertising. Specifically, the States allege Respondent has heavily publicized its NLF program, representing "no late fees" for movie and game rentals, while failing to clearly and conspicuously disclose, in mass media and at point-of-sale, that the alleged absence of such fees is replaced by the sale of the item to the customer after seven days from the due date. Respondent denies the allegations and responds that it has fully and fairly disclosed all terms. Respondent contends it does not charge late fees as part of its NLF program. Respondent contends "late fees" is a term of art to customers of the video rental industry, referring to additional rental charges when a product is kept past its initial due date, and is understood as such by the customers. Respondent contends that if the consumer has not returned the product within seven days after the due date, the customer has chosen to buy the product and the rental transaction is then turned into a sale, and that Respondent's rental programs have included a similar conversion to a sale for a number of years. Further, the States allege Respondent has failed to disclose clearly and conspicuously that in order for a customer to reverse a sale of the item, a restocking fee must be paid. Respondent also denies this allegation and asserts that the restocking fee is disclosed adequately and in numerous ways to the consumer. The States also allege that because many of Respondent's franchise stores are not participating in the NLF program there has been insufficient disclosure to consumers that the NLF program is at participating stores only. Respondent denies this allegation and asserts that it has made it clear that its NLF program is offered at participating stores only. Thus, this AVC shall not be considered an admission by Respondent of a violation of law, statute, or ordinance for any purpose, and should not be construed as such in any enforcement or civil

action that might be instituted as a result of the NLF program. Respondent and the States agree that no provision of the AVC operates as a penalty, forfeiture, or punishment under the Constitution of the United States, or under the Constitution and laws of the States.

3.

Respondent waives receipt of a formal notice from any State of the alleged unlawful trade practice and the relief to be sought.

4.

Respondent understands and agrees this AVC applies to Respondent, Respondent's principals, officers, directors, agents, employees, representatives, successors, and assigns.

5.

Respondent and Respondent's attorney agree and understand that following acceptance of the AVC the enforcement officers and staff of the States will endeavor to communicate to whomever Respondent designates for the purpose of executing and enforcing the terms of this agreement and resolving any existing or future complaints.

6.

Respondent understands and agrees that if this AVC is accepted by the States it may be filed in court in those states that are required or permitted by law to file assurances with the court. The States agree to notify Respondent of a date certain when public notice and court filing of the AVC will take place and Respondent and the States agree not to disclose the settlement until ten o'clock a.m. Pacific Standard time on that day.

7.

Respondent waives any further notice of submission to and filing with any court of this AVC. Respondent agrees to accept service of a conformed copy from each state that files the AVC by prepaid first class mail sent to Ms. Debra L. Witter at Blockbuster Inc., Renaissance Tower, 1201 Elm Street, Dallas, TX 75270.

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8.

Respondent agrees that for this AVC to be accepted by the States a corporate check for the amount set out herein must be represented by Respondent's counsel to have been mailed to the Oregon Attorney General's office. Respondent and the States agree that the terms of this AVC apply only to the Respondent and the signatory States.

9.

Respondent understands that violation of any of the terms of this AVC may result in the States seeking all available relief, including civil penalties and any such further relief as a court may deem appropriate. The States agree that unless the health, safety or welfare of its citizens requires emergency action, that before seeking any relief from any court for any alleged violation of this AVC, the States will give Respondent fourteen days' notice of any alleged violation so that Respondent may address the alleged violation. The giving of such notice does not prevent a state from proceeding for relief following the fourteen-day period. This AVC is a complete resolution of the States' allegations as set forth in paragraph 2 with regard to acts which occurred prior to the date in paragraph 6.

10.

The parties acknowledge that no other promises, representations, or agreements of any nature have been made or entered into by the parties. The parties further acknowledge that this AVC constitutes a single and entire agreement that is not severable or divisible, except that if any provision herein is found to be legally insufficient or unenforceable, the remaining provisions shall continue in full force and effect.

11.

Nothing contained in this AVC shall be construed either to deprive or empower any consumer or other persons or entity of any right to pursue any available remedy or remedies pursuant to applicable law nor create any private rights or causes of action in any third parties.

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REMEDIES[3]

12.

Respondent shall obey the applicable consumer protection laws of the States as listed in footnote 1.

13.

Respondent shall not represent or imply that the States acquiesce in or approve of Respondent's past business practices, current efforts to reform its practices, or any future practices that Respondent may adopt or consider adopting. The States' decision to resolve this matter or to otherwise limit current or future enforcement action does not constitute approval or imply authorization for any past, present, or future business practice. Likewise, Respondent's decision to resolve this matter does not constitute an admission that any of its past, present, or future business practices contravene any applicable laws, including any consumer protection laws. Respondent states that it has chosen to resolve this matter in order to cooperate with the States, to ensure that its customers have the best possible information about its NLF program, and to avoid expensive and potentially protracted litigation.

14.

Upon signing this AVC, Respondent shall pay on behalf of the States directly to the Oregon Attorney General the sum of $630,000 for attorneys fees and investigative costs, consumer education, litigation or local consumer aid funds, or public protection or consumer

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[3] With respect to the remedies set forth in Paragraphs 15-17, Respondent maintains that it operates over 4500 corporate stores throughout the United States, with over 52,100 store employees through whom certain of these remedies must be implemented. Without waiving any relief available to the States under this AVC or applicable law, the States acknowledge that it is not their intent to seek judicial relief under this AVC for incidental failures of Respondent's in-store employees to comply with Paragraphs 15-17, without giving Respondent an opportunity to correct such incidental failures.

protection purposes as allowed by each of the States' laws at the discretion of each of the States' Attorneys General.[4] The Oregon Attorney General will thereafter distribute the funds to the States in accordance with the terms of this AVC and agreements between the States to which Respondent is not a party.

15.

Effective immediately upon execution by Respondent of this AVC, Respondent agrees to adhere to each of the following requirements:

A. Respondent shall, on a one-time per customer basis and with respect to the first rental transaction following the start of the NLF program[5], provide a full refund or credit to any

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[4] With respect to Arkansas, the funds shall be deposited in the consumer education and enforcement fund maintained by the Attorney General and shall be held in trust for uses directly related to the Attorney General's consumer protection efforts.
With respect to Massachusetts, the funds shall be deposited in the Local Consumer Aid Fund, pursuant to Mass. Gen. Laws c.12, sec. 11G.
With respect to Nevada, any penalties or fees received by the Nevada Attorney General must be deposited into the Attorney General Special Fund.
With respect to Georgia, the funds shall be deposited into the Investigative Expense Fund until the earlier of thirty-six (36) months or the time that the Administrator of the FBPA, in his/her sole discretion, determines that there is no need for future monitoring. Any unencumbered funds remaining at that time shall be delivered to the Consumer Education Fund, pursuant to O.C.G.A. § 10-1-381(c).
With respect to Colorado such amount, along with any interest thereon, shall be used first, as reimbursement of the State's actual costs and attorney fees, and second, to be held in trust by the Attorney General for future consumer protection education, consumer protection enforcement and/or antitrust enforcement efforts.
With respect to West Virginia, that amount shall be placed in trust and used solely for consumer protection purposes as designated by the Attorney General of West Virginia, including, but not limited to, restitution, consumer education, credit or bankruptcy counseling and education, conflict resolution programs, and costs associated with implementing restitution orders.

[5] However, a customer who had more than one rental converted to a sale prior to learning or being notified a sale or sales would occur on the first rental transaction is entitled to a refund or credit as set forth above for the selling price charged and/or restocking fees on all such rentals occurring prior to such customer learning or being notified a sale or sales would occur on the first rental transaction.

customer of a corporate store or a franchise store that participated in the NLF program of the selling price of any rental items converted to a sale under the NLF program which rental items were not returned within thirty days from the sale date, upon the return in good condition of the items rented. Respondent will refund these amounts if paid by the customer or charged to the customer's credit card, or remove Blockbuster membership account balances for these amounts for those customers who have not paid the amounts charged to their membership accounts or had their credit cards charged. In those instances in which the sold product was returned and the customer has already received a refund for the selling price of the item or had the balance of the selling price removed from the membership account in accordance with Blockbuster's standard practice under the NLF program, but has been charged a restocking fee under the NLF program, Respondent will refund the restocking fees paid by the customer or charged to the customer's credit card, or remove membership account balances for restocking fees for those customers who have not paid the restocking fees. In order to be eligible for the foregoing refunds or credits, the customer must make or have made a written[6] request to Respondent[7] about the purchase or restocking fee based on failure to understand the terms of the NLF program. A request for a refund[8] must be made prior to or within 30 days after the date in paragraph 6 when the AVC is announced and filed (and in those states such as Tennessee that cannot announce until entry of the AVC, 30 days after the date of entry), or after the 30 days, within one week upon the customer first discovering or being notified that an expenditure in

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[6] Respondent will provide some type of user-friendly form available to customers who request one on which to make their complaint and cooperate in providing information consistent with applicable law including, without limitation, the Video Privacy Protection Act, 18 U.S.C. §2710. Further, Respondent may, but is not required to, provide the foregoing refunds/credits to customers who orally complain at Respondent's stores.

[7] Requests may be sent to Respondent directly, from any corporate or participating store or from the States or a consumer protection agency. Requests by mail should be sent to Blockbuster Inc., 1201 Elm Street, Suite 2100, Dallas, TX 75270, Attention: Mr. Steve Krumholz, Senior Vice President.

[8] A complaint alleging the requisite lack of understanding and a payment of money will be deemed a request for a refund.

addition to the initial sum paid for rental is/was required. The refund or credit shall be made promptly, in the manner in which the original required payment was made by the customer.[9] This paragraph shall only apply to customers who rented product prior to the date that the Respondent implements the corrective actions required by this AVC in the store from which the customer rented product.[10] This obligation to refund or credit only covers requests made by customers within 6 months from the date in paragraph 6 and that otherwise meet the criteria set forth in this Paragraph 15A. Respondent will request and recommend that participating franchise stores forward any written requests for refund as described in this Paragraph 15A to Respondent or redirect such consumers to Respondent unless the store provides the credit or refund directly to the customer. A failure of a participating franchise store to cooperate is not a violation of this AVC.

B. Respondent shall provide rental coupons to customers of franchise stores that did not participate in the NLF program and did not notify customers, through signage or otherwise, that they were not participating in the NLF program, as follows: Eligible customers are those who rented product after December 31, 2004 up to the date in paragraph 6 when the AVC is announced and filed, who paid extended viewing fees or "late fees," and who make a written request as outlined in this Section 15B. Respondent shall provide such customers rental coupon(s) for the number of rentals equivalent to the number of rentals for which the customer was charged extended viewing fees or "late fees."[11] Such rental coupons shall only be issued for rentals in the initial rental transaction following December 31, 2004, but shall apply to all

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[9] In order to receive a refund to a credit card, customers must present the credit card to a store.

[10] Or as to participating franchise stores from the date that Respondent implements these corrective actions in corporate stores.

[11] However, subject to the other requirements and criteria set forth in this Paragraph 15B, if a request alleges that a customer was charged extended viewing fees or "late fees" for an additional rental period in an amount that exceeded the amount charged for the original rental period, Respondent shall provide coupons such that the customer will receive the same or greater number of free rentals as the amount of rentals represented by the amount charged in extended viewing fees or "late fees" for the additional rental period.

items in the initial rental transaction for which the customer was charged extended viewing fees or "late fees." Coupons will be provided for extended viewing fees or "late fees" only, and not for any charges for the conversion of a rental to a sale. Requests must be in writing and may be sent to Respondent directly from a customer, or may be forwarded from any such nonparticipating store, from the States, or from a consumer protection agency. Requests must provide details of the transaction and allege a lack of understanding of the NLF program. Requests must be made to one of these entities prior to or within 30 days after the date in paragraph 6 when the AVC is announced and filed (and in those states such as Tennessee that cannot announce until entry of the AVC, 30 days after the date of entry), or after the 30 days, within one week upon first discovering or being notified that extended viewing fees or "late fees" were charged. This obligation to refund or credit only covers requests made by customers within 6 months from the date in paragraph 6 and that otherwise meet the criteria set forth in this Paragraph 15B. Respondent will request and recommend that non-participating franchise stores forward any written requests to Respondent or redirect such consumers to Respondent unless the store wishes to resolve the request itself. A failure of a non-participating franchise store to cooperate is not a violation of this AVC.

16.

CURRENT AND CORRECTIVE ADVERTISING

No later than thirty days after Respondent executes this AVC, Respondent agrees it will adhere to each of the following "current and corrective advertising" requirements for a period of six months and provide the FAQ brochures and notices for use by participating franchise stores. Respondent will, acting for its corporate stores:

A. Include the terms and conditions of the NLF program as set forth in Respondent's current FAQ brochures (Blockbuster Part Number 4906-982690) clearly and conspicuously on the policy endcap[12] displayed in every store;

[12] An "endcap" is an advertising poster at the end of an aisle.

B. Keep a document containing substantially the same information as the current FAQ brochure in every store, prominently available for customers to read at the store and/or take home (along with a clear and conspicuous sign next to the brochures indicating they contain important information if they are not otherwise placed in close proximity to one of the other corrective disclosures referenced in this Paragraph);

C. Post a one-sided 8-1/2 by 11 inch notice in multiple locations in each store explaining the terms of the NLF program, which locations will be in areas reasonably calculated to inform customers of the terms and conditions of the NLF program in the normal course of transacting business in the store, including, without limitation, on or immediately adjacent to the entrance door to the store facing out and the exit door facing in and in at least one location which can be viewed by all customers in advance of and in connection with customers concluding rental transactions. The notice must include the applicable statement set forth in Exhibit A in, at minimum, 26-point font.

D. Provide store personnel with information regarding how customers may obtain the restitution set forth in Paragraph 15 for use in responding to customer inquiries.

E. As of the date of execution by Respondent, remove from its stores the external window signage advertising the NLF program and request and recommend that participating franchise stores do the same;

F. On or before the later of March 15, 2005 or within five days after the execution of this AVC by Respondent, remove from its stores the current internal signage advertising the NLF program and request and recommend that participating franchise stores do the same;

G. Require any franchise store that is not participating in the NLF program to remove any contrary advertising;

H. Include a hyperlink to the language in Exhibit A on Respondent's blockbuster.com website in, at minimum, 14-point font (both the link and the information);

I. Commencing with the May, 2005, direct mail, all newsletter-format direct mail pieces discussing the NLF program shall include the applicable disclosure in Exhibit A in, at minimum, 12-point font, except for the highlighted wording, which will appear in font at least ¼ headline cap height, and all postcard and one-sheet foldover direct mail pieces that discuss the NLF program shall include the applicable disclosure in Exhibit A in at least ¼ headline cap height and follow the requirements of 17 A; and,

J. Provide the same advertising required in this paragraph of the AVC for corporate stores to participating franchise stores and request and recommend they utilize it.

K. Customers who are sent written notification by Respondent that a rental has been converted to a sale will be told that: "You must present your credit card to the store to apply this credit to your credit card," or a substantially similar disclosure.

17.

FUTURE ADVERTISING

Effective upon Respondent signing this AVC, Respondent agrees to adhere to each of the following "future advertising" requirements for the current NLF program or for any similar program that represents that late fees or charges are eliminated, limited or deferred[13], and that it will:

A. Provide that no English or Spanish language advertising in any medium (including but not limited to (1) all e-newsletters, email and Internet advertisements, (2) all direct mail pieces, (3) any large out-of-home advertising such as on billboard or buses, (4) any television or radio advertising, (5) any print advertising, (6) any large signage on the outside of stores, and (7) any large signage on the inside of stores such as banners, floor decals and

[13] The requirements of this Paragraph 17 do not apply to advertisements for items or programs that do not have due dates, including in-store and online subscription programs that require a periodic membership fee.

signs) represents directly or by implication that there are no late fees or only limited late fees unless such representation is accompanied by and appears proximately to a clear and conspicuous disclosure of the existence of any charge (including, without limitation, any rental fee, restocking fee, or charge associated with a rental transaction that has been converted to a sale) that may be incurred if an item is returned past the due date, and of any limitation on the stores participating in the offer. In the case of the current NLF program, the following disclosure (or a substantially similar disclosure) clearly and conspicuously accompanying and appearing proximately to the phrase "No Late Fees" or "The End of Late Fees" or equivalent phrase is an example of a disclosure that satisfies the foregoing requirement: "Participating stores only. Rental product kept more than 7 days after the due date is converted to a sale. Sale may be reversed by returning the product within 30 days of the sale date and paying a $1.25 restocking fee. Franchisee restocking fees may vary."[14]; and,

B. Provide that all stores clearly and conspicuously display the Respondent's policy for return of rental product and applicable charges if product is not returned.

18.

All terms in this AVC that are specific to the current NLF program will expire when the NLF program expires unless otherwise provided herein.

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[14] In the case of a radio advertisement of thirty seconds or less duration, the following disclosure (or a substantially similar disclosure) clearly and conspicuously accompanying the phrase "No Late Fees" or "The End of Late Fees" or equivalent phrase is an example of a disclosure that satisfies the foregoing requirement: "Participating stores only. See terms of automatic sale and restocking fee."