
For Immediate Release

Conn's Settles with State

(Beaumont, Texas)-Conn's Chairman Dr. William Nylin announced today that Conn's had settled all claims brought against it by the Texas Attorney General in a suit filed earlier this year. Dr. Nylin stated:

“Today we resolved the suit filed against us last May by Attorney General Abbott. The suit alleged Conn's engaged in deceptive trade practices. Conn's denied those allegations in our answer to the suit and we continue to deny them today. The terms of the settlement provide that Conn's denies any wrong doing.”

Conn's agreed to continue to provide information about its extended service plans to its customers, as well as certain policies regarding replacement products. These procedures have been in effect for more than four months.

Under the terms of the settlement, Conn's will provide \$4.5 million in restitution to Texas consumers and will make a payment of \$250,000 to the Attorney General for attorney's fees and costs. Finally, Conn's will donate \$100,000 to the University of Houston Law School's Consumer Law Center.

Tim Frank, Conn's President & CEO added, “While we continue to feel this suit was without merit, and should never have been brought, we also felt it in the best interest of our employees and their families that we put this matter behind us. Having entered the busy holiday shopping season, which arrived during a difficult time for our nations' economy, resolving this suit now allows us to focus on providing quality merchandise to our customers at prices and on terms that help make their dreams become reality. As we have for nearly 120 years, Conn's will continue to put our customers first.”



OFFICE *of the* ATTORNEY GENERAL
G R E G A B B O T T

November 23, 2009

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Settlement Negotiations Tex. R. Evid. 408

Mr. Kent M. Adams
Lewis Brisbois Bisgaard & Smith LLP
3355 W. Alabama, Suite 400
Houston, Texas 77098

Re: Cause No. 2009-33349; *State of Texas v. Conn's, Inc. and Conn Appliances, Inc.*, In
the 190th Judicial District Court of Harris County, Texas

Dear Kent:

To follow-up on our conversation of last Friday, I am submitting a final offer of settlement.

RULE 11 SETTLEMENT AGREEMENT

Within 30 days, the parties will enter into an agreed final judgment and permanent injunction as follows:

I. Agreed Business Practices

Defendants, their officers, agents, servants, employees, and any other person in active concert or participation with them, whether acting directly or through any trust, corporation, subsidiary, division, or other device, agree to henceforth, without admitting to any conduct alleged in the action referred to above, and while expressly denying any and all such allegations, to the extent Defendants have not already done so, Defendants agree to and will implement the following policies, procedures and practices in connection with the conduct of Defendants' business:

- Provide consumers a copy of the Extended Warranty Agreement, at the time of sale, in the same form or similar form as the Extended Warranty Agreements attached as Exhibits A, B, and C to this Judgment (English or Spanish version as applicable);

- Provide consumers a copy of the Extended Warranty Agreement Brochure at the time of sale, in the same form or similar form as the Extended Warranty Brochures attached as Exhibits D, E, and F to this Judgment (English or Spanish version as applicable);
- Defendants will not represent to consumers that any Extended Warranty Agreement confers rights, remedies or obligations that it does not have;
- Defendants will not add any charges for an Extended Warranty Agreement or other charges to the consumer's invoice without the consumer's express written consent;
- Defendants will not add any charges for a Credit Insurance Product or other charges to the consumer's invoice without the consumer's express written consent;
- Defendants agree that the Extended Warranty Agreement provisions that are being attached to this Judgment will be applicable to any existing Extended Warranties;
- Defendants will remove any charges for property insurance from a consumer's account within 5 business days of Defendants' receipt of the consumer's reasonable proof of property insurance coverage of household goods, including the product financed by Defendants;
- Defendants agree that if a product fails within 72 hours of purchase or delivery to the consumer's home, the product will be replaced. Similarly, if the same model number is not available, a like model with the same functionality as the original model will be provided to the customer; and
- Defendants agree that if a product fails at the time of delivery, the delivery team must not leave the failed product in the home, but must remove the product and exchange it for same or like product.

The parties agree the following terms as used in this Judgment are defined as follows:

- A. "Consumer" means an individual, partnership, corporation, or entity of any kind, including this state, or a subdivision or agency of this state who seeks or acquires, by purchase or lease, any goods or services;
- B. "Defendant(s)" means Conn's, Inc. and Conn Appliances, Inc., their successors, assigns, officers, agents, subcontractors, servants, employees, corporations and any other persons in active concert or participation with them;

- C. "Person" means an individual, sole proprietorship, firm, partnership, corporation, association, joint venture or other group, or business entity, however organized;
- D. "Representing," "selling," "marketing," "promoting," "distributing," or "advertising" means any type of contact with a person or entity for the purpose of requesting, persuading, or seeking any type of contribution, sponsorship, compensation or anything of value from said person or entity for any reason whatsoever, including use of the Internet;
- E. "Extended Warranty Agreement" means Repair Service Agreement, Replacement Product Plan Agreement, or Furnitureguard Comprehensive Plan, copies of which are attached as Exhibits A, B, and C to this Judgment;
- F. "Extended Warranty Agreement Brochure" means the Defendants' in-store brochures for Extended Warranty Agreements, copies of which are attached as Exhibits D, E, and F to this Judgment; and
- G. "Credit Insurance Product" means credit insurance policies sold by Defendants to consumers for insurance coverage of the balance of the consumer's account with Defendants in the event of the consumer's death, disability, or unemployment, or if the product is lost or damaged, a sample copy of which is attached as Exhibit G.

II. Attorneys' Fees/Costs/University of Houston Consumer Law Clinic

Defendants agree to pay Plaintiff \$250,000 in attorneys' fees and any documented out of pocket litigation costs to Plaintiff made payable to the "Office of the Texas Attorney General," plus \$100,000 to the University of Houston Consumer Law Clinic, made payable to "The Center for Consumer Law at the University of Houston Law Center" and delivered to the Office of the Texas Attorney General within thirty (30) days of the signing of this Rule 11 agreement.

III. Restitution

Defendants agree to pay Plaintiff the total sum of \$4.5 million to be paid to Texas consumers for restitution as follows: Defendants will pay Plaintiffs \$2.5 million within thirty (30) days from the date of execution of this Rule 11 settlement agreement. The check will be made payable to the "Office of the Texas Attorney General." The remaining \$2 million will be payable on or before the expiration of ninety (90) days from the date of execution of this Rule 11 agreement. For this remaining amount, Defendants will secure payment by a letter of credit issued by a nation commercial bank, in a form acceptable by the Office of the Texas Attorney General, within ten (10) days of signing this Rule 11 agreement. Plaintiff will be responsible for distributing restitution to consumers, the timing and the amount of payments, etc. Defendants will provide any assistance and

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information needed by the State for implementing the distribution, within thirty (30) days of the State's request, including consumer contact and payment information. Defendants agree that a portion of the settlement funds may be used by the State to pay a disbursing agent to assist the State in distributing restitution to consumers. Any un-distributed restitution funds shall revert to the State of Texas pursuant to §402.007 of the Texas Government Code.

IV. Dismissal

Plaintiff shall file the agreed final judgment and permanent injunction with the Court within thirty (30) days after Defendants have made all payments as described in Sections II and III above.

This offer shall remain open until 12 pm CST, November 24, 2009.

Thank you for your consideration. If the foregoing is agreeable to your clients, please execute in the space below and return to me.

Very truly yours,



Ruth R. Hughes
Associate Deputy Attorney General for
Civil Litigation

RMR:lr

Agreed and Approved:



Kent M. Adams, Counsel for Defendants

11-24-09