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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

Annual Report Pursuant to Section l3 or l5(d)
of the Securities Exchange Act of l934

For the fiscal year ended January 31, 2006   Commission File Number 000-50421

CONN'S, INC.
(Exact Name of Registrant as Specified in its Charter)

A Delaware Corporation	06-1672840
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

3295 College Street
Beaumont, Texas 77701
(Address of Principal Executive Offices)

(409) 832-1696
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section l2(b) of the Act:
NONE

Securities registered pursuant to Section 12(g) of the Act:

Title of Class
Common Stock, Par Value $0.01 Per Share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ] No [x]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [ ] No [x]

Indicate by check mark whether the registrant (l) has filed all reports required to be filed by Section l3 or l5(d) of the Securities Exchange Act of l934 during the preceding l2 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [x] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (ss.229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check One): Large accelerated filer [ ] Accelerated filer [x]
Non-accelerated filer [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes [ ] No [x]

The aggregate market value of the voting and non-voting common equity held by non-affiliates as of July 29, 2005 was approximately $180,604,464 based on the closing price of the registrant's common stock as reported on the NASDAQ National Market.

There were 23,571,564 shares of common stock, $0.01 par value per share, outstanding on March 27, 2006.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Definitive Proxy Statement for the Annual Meeting of Stockholders to be held May 31, 2006 (incorporated herein by reference in Part III).

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PART I

ITEM 1. BUSINESS.

Unless the context indicates otherwise, references to "we," "us," and "our" refer to the consolidated business operations of Conn's, Inc. and all of its direct and indirect subsidiaries, limited liability companies and limited partnerships.

Overview

We are a specialty retailer of home appliances and consumer electronics. We sell major home appliances including refrigerators, freezers, washers, dryers and ranges, and a variety of consumer electronics including projection, plasma and LCD televisions, camcorders, DVD players and home theater products. We also sell home office equipment, lawn and garden equipment, mattresses and furniture and we continue to introduce additional product categories for the home and for consumer entertainment, such as MP3's, to help increase same store sales and to respond to our customers' product needs. We offer over 1,100 product items, or SKUs, at good-better-best price points representing such national brands as General Electric, Whirlpool, Frigidaire, Maytag, LG, Mitsubishi, Samsung, Sony, Toshiba, Serta, Hewlett Packard and Compaq. Based on revenue in 2004, we were the 12th largest retailer of home appliances in the United States. Additionally, historically we are the second or third leading retailer of home appliances in terms of market share in the majority of our established markets. Likewise, in the home entertainment product categories in which we compete, we rank third or fourth in market share in the majority of our established markets.

We began as a small plumbing and heating business in 1890. We began selling home appliances to the retail market in 1937 through one store located in Beaumont, Texas. We opened our second store in 1959 and have since grown to 56 stores.

We have been known for providing excellent customer service for over 115 years. We believe that our customer-focused business strategies make us an attractive alternative to appliance and electronics superstores, department stores and other national, regional and local retailers. We strive to provide our customers with:

- a high level of customer service;
- highly trained and knowledgeable sales personnel;
- a broad range of competitively priced, customer-driven, brand name products;
- flexible financing alternatives through our proprietary credit programs;
- same day and next day delivery capabilities; and
- outstanding product repair service.

We believe that these strategies drive repeat purchases and enable us to generate substantial brand name recognition and customer loyalty. During fiscal 2006, approximately 62% of our credit customers, based on the number of invoices written, were repeat customers.

In 1994, we realigned and added to our management team, enhanced our infrastructure and refined our operating strategy to position ourselves for future growth. From fiscal 1994 to fiscal 1999, we selectively grew our store base from 21 to 26 stores while improving operating margins from 5.2% to 8.7%. Since fiscal 1999, we have generated significant growth in our number of stores, revenue and profitability. Specifically:

- we have grown from 26 stores to 56 stores, an increase of over 115%, with several more stores currently under development;
- total revenues have grown by 200% at a compounded annual rate of 17.0% from $234.5 million in fiscal 1999, to $702.4 million in fiscal 2006;

- net income from continuing operations has grown by 360% at a compounded annual rate of 24.7% from $8.8 million in fiscal 1999 to $41.2 million in fiscal 2006; and

- our same store sales growth from fiscal 1999 through fiscal 2006 has averaged 9.2%; it was 16.9% for fiscal 2006. See additional discussion about same store sales under Managements Discussion and Analysis of Financial Condition and Results of Operations.

Our principal executives offices are located at 3295 College Street, Beaumont, Texas 77701. Our telephone number is (409) 832-1696, and our corporate website is www.conns.com. We do not intend for information contained on our website to be part of this Form 10-K.

Corporate Reorganization

We were formed as a Delaware corporation in January 2003 with an initial capitalization of $1,000 to become the holding company of Conn Appliances, Inc., a Texas corporation. Prior to the completion of our initial public offering (the "IPO") in November 2003, we had no operations. As a result of the IPO, Conn Appliances, Inc. became our wholly-owned subsidiary and the common and preferred stockholders of Conn Appliances, Inc. exchanged their common and preferred stock on a one-for-one basis for the common and preferred stock of Conn's, Inc. Immediately after the IPO, all preferred stock and accumulated dividends were redeemed, either through the payment of cash or through the conversion of preferred stock to common stock.

Industry Overview

The home appliance and consumer electronics industry includes major home appliances, small appliances, home office equipment and software, projection, plasma and LCD televisions, and audio, video and portable electronics. Sellers of home appliances and consumer electronics include large appliance and electronics superstores, national chains, small regional chains, single-store operators, appliance and consumer electronics departments of selected department and discount stores and home improvement centers.

Based on data published in Twice, This Week in Consumer Electronics, a weekly magazine dedicated to the home appliances and consumer electronics industry in the United States, the top 100 major appliance retailers reported sales of approximately $22.1 billion in 2004, up approximately 10.0% from reported sales in 2003 of approximately $20.1 billion. The retail appliance market is large and concentrated among a few major dealers. Sears has been the leader in the retail appliance market, with a market share of the top 100 retailers of approximately 39% in 2004, down from approximately 42% in 2003. Lowe's and Home Depot held the second and third place positions, respectively, in national market share in 2004.

As measured by Twice, the top 100 consumer electronics retailers in the United States reported equipment and software sales of $96.7 billion in 2004, a 7.9% increase from the $89.6 billion reported in 2003. According to the Consumer Electronics Association, or CEA, total industry manufacturer sales of consumer electronics products in the United States, including imports, are projected to exceed $109 billion by 2007. The consumer electronics market is highly fragmented. We estimate, based on data provided in Twice, that the two largest consumer electronics superstore chains together accounted for less than 28% of the total electronics sales attributable to the 100 largest retailers in 2004. New entrants in both the home appliances and consumer electronics industries have been successful in gaining market share by offering similar product selections at lower prices.

In the home appliance market, many factors drive growth, including consumer confidence, household formations and new product introductions. Product design and innovation is rapidly becoming a key driver of growth in this market. Products either recently introduced or scheduled to be offered include high efficiency, front-loading laundry appliances, three door refrigerators, double ovens, free-standing ranges, cabinet style dishwashers, and dual fuel cooking appliances.

Technological advancements and the introduction of new products have largely driven growth in the consumer electronics market. Recently, industry growth has been fueled primarily by the introduction of products that incorporate digital technology, such as portable and traditional DVD players, digital cameras and camcorders, digital stereo receivers, satellite technology, MP3 products and high definition flat panel and projection televisions. Digital products offer significant advantages over their analog counterparts, including better clarity and quality of video and audio, durability of recording and compatibility with computers. Due to these advantages, we believe that digital technology will continue to drive industry growth as consumers replace their analog products with digital products. We believe the following product advancements will continue to fuel growth in the consumer electronics industry and that they offer us the potential for significant sales growth:

- Digital Television (DTV and High Definition TV). The Federal Communications Commission has set a hard date of February 17, 2009 for all commercial television stations to transition from broadcasting analog signals to digital signals. The Yankee Group, a communications and networking research and consulting firm, estimates that by the year 2007, HDTV signals will be in nearly 41.6 million, or 40%, of homes in the United States. This represents a compounded annual growth rate of 17.1% from the estimated 18.9 million homes receiving digital cable at the end of 2002. To view a digital transmission, consumers will need either a digital television or a set-top box converter capable of converting the digital broadcast for viewing on an analog set. According to the CEA, DTV unit sales are expected to grow from 12.0 million units in 2005 to 15.8 million units in 2006, representing an annual growth rate of 32.5%. We believe the high clarity digital flat panel televisions in both liquid crystal display (LCD), and plasma formats has increased the quality and sophistication of these entertainment products and will be a key driver of digital television growth as more digital and high definition content is made available either through traditional distribution methods or through emerging content delivery systems. As prices continue to drop on such products, they become increasingly attractive to larger and more diverse group of consumers.

- Digital Versatile Disc (DVD). According to the CEA, the DVD player has become the fastest growing consumer electronics product in history. First introduced in March 1997, DVD players are currently in 80% of U.S. homes. We believe newer technology based on the DVD delivery system, such as high definition DVD, "blu-ray", and portable players will continue to drive consumer interest in this entertainment category.

- Portable electronics. Compressed-music portables, represented most notably by the Apple "iPod", enjoy significant growth, and accounted for 84.5% of total dollar sales in battery-operated music portables in 2005 according to the CEA as reported in TWICE magazine. Apple shipped more than 14 million units of the iPod in the quarter ended December 31, 2005 as compared to 4.6 million in the prior year period.

Business Strategy

Our objective is to be the leading specialty retailer of home appliances and consumer electronics in each of our markets. We strive to achieve this objective through a continuing focus on superior execution in five key areas: merchandising, consumer credit, distribution, product service and training. Successful execution in each area relies on the following strategies:

- Providing a high level of customer service. We endeavor to maintain a very high level of customer service as a key component of our culture, which has resulted in average customer satisfaction levels of approximately 91% over the past three years. We measure customer satisfaction on the sales floor, in our delivery operation and in our service department by sending survey cards to all customers to whom we have delivered or installed a product or made a service call. Our customer service resolution department attempts to address all customer complaints within 48 hours of receipt.

- Developing and retaining highly trained and knowledgeable sales personnel. We require all sales personnel to specialize in home appliances, consumer electronics or "track" products. Some of our sales associates qualify in more than one specialty. Track products include small appliances, computers, camcorders, DVD players, cameras, MP3 players and telephones that are sold within the interior of a large colorful track that circles the interior floor of our stores. This specialized approach allows the sales person to focus on specific product categories and become an expert in selling and using products in those categories. New sales personnel must complete an intensive two-week classroom training program conducted at our corporate office and an additional week of on-the-job training riding in a delivery and a service truck to observe how we serve our customers after the sale is made.

- Offering a broad range of customer-driven, brand name products. We offer a comprehensive selection of high-quality, brand name merchandise to our customers at guaranteed low prices. Consistent with our good-better-best merchandising strategy, we offer a wide range of product selections from entry-level models through high-end models. We maintain strong relationships with approximately 50 manufacturers and distributors that enable us to offer over 1,100 SKUs to our customers. Our principal suppliers include General

Electric, Whirlpool, Frigidaire, Maytag, LG, Mitsubishi, Samsung, Sony, Toshiba, Serta, Poulan, Weedeater, American Yard Products, Hewlett Packard and Compaq. To facilitate our responsiveness to customer demand, we use our prototype store, located near our corporate offices in Beaumont, Texas, to test the sales process of all new products and obtain customers' reactions to new display formats before introducing these products and display formats to our other stores.

- Offering flexible financing alternatives through our proprietary credit programs. In the last three years, we financed, on average, approximately 57% of our retail sales through our internal credit programs. We believe our credit programs expand our potential customer base, increase our sales revenue and enhance customer loyalty by providing our customers immediate access to financing alternatives that our competitors typically do not offer. Our credit department makes all credit decisions internally, entirely independent of our sales personnel. We provide special consideration to the customer's credit history with us. Before extending credit, we match our loss experience by product category with the customer's credit worthiness to determine down payment amounts and other credit terms. This facilitates product sales while keeping our credit risk within an acceptable range. Approximately 58% of customers who have active credit accounts with us take advantage of our in-store payment option and come to our stores each month to make their payments, which we believe results in additional sales to these customers. Through our predictive dialing program, we contact customers with past due accounts daily and attempt to work with them to collect payments in times of financial difficulty or periods of economic downturn. Our credit decisions and collections process enabled us to achieve a 2.9% net loss ratio in fiscal 2004, a 2.4% net loss ratio in fiscal 2005 and a 2.5% net loss ratio in fiscal 2006 on the credit portfolio that we service for a Qualifying Special Purpose Entity or QSPE.

- Maintaining same day and next day distribution capabilities. We maintain four regional distribution centers and three other related facilities that cover all of the major markets in which we operate. These facilities are part of a sophisticated inventory management system that also includes a fleet of approximately 130 transfer and delivery vehicles that service all of our markets. Our distribution operations enable us to deliver products on the day of, or the day after, the sale to approximately 95% of our customers.

- Providing outstanding product repair service. We service every product that we sell, and we service only the products that we sell. In this way, we can assure our customers that they will receive our service technicians' exclusive attention to their product repair needs. All of our service centers are authorized factory service facilities that provide trained technicians to offer in-home diagnostic and repair service as well as on-site service and repairs for products that cannot be repaired in the customer's home.

Store Development and Growth Strategy

In addition to executing our business strategy, we intend to continue to achieve profitable, controlled growth by increasing same store sales, opening new stores and updating, expanding or relocating our existing stores.

- Increasing same store sales. We plan to continue to increase our same store sales by:
  - continuing to offer quality products at competitive prices;
  - re-merchandising our product offerings in response to changes in consumer demand;
  - adding new merchandise to our existing product lines;
  - training our sales personnel to increase sales closing rates;
  - updating our stores on a three-year rotating basis;
  - continuing to promote sales of computers and smaller electronics within the interior track area of our stores, including the expansion of high margin accessory items;

- continuing to provide a high level of customer service in sales, delivery and servicing of our products; and

- increasing sales of our merchandise, finance products, service maintenance agreements and credit insurance through direct mail and in-store credit promotion programs.

- Opening new stores. We intend to take advantage of our reliable infrastructure and proven store model to continue the pace of our new store openings by opening six to eight new stores in fiscal 2007. This infrastructure includes our proprietary management information systems, training processes, distribution network, merchandising capabilities, supplier relationships and centralized credit approval and collection processes. We intend to expand our store base in existing, adjacent and new markets, as follows:

  - Existing and adjacent markets. We intend to increase our market presence by opening new stores in our existing markets, in adjacent markets and in new markets as we identify the need and opportunity. New store openings in these locations will allow us to maximize opportunity in those markets and leverage our existing distribution network, advertising presence, brand name recognition and reputation.

  - New markets. In fiscal 2006, we opened another new store in South Texas in Harlingen and continued to open new stores in our Dallas/Fort Worth and San Antonio markets. We have identified several new markets that meet our criteria for site selection, including East Texas and central Louisiana around Shreveport, Monroe and Alexandria, southern Oklahoma and southwest Arkansas. We intend to consider these new markets, as well as others, over the next several fiscal years. We intend to first address markets in states in which we currently operate. We expect that this new store growth will include major metropolitan markets in both Texas and Louisiana. We have also identified a number of smaller markets within Texas and Louisiana in which we expect to explore new store opportunities. Our long-term growth plans include markets in other areas of significant population density within neighboring states.

- Updating, expanding or relocating existing stores. Over the last three years, we have updated, expanded or relocated most of our stores. We have implemented our larger prototype store model at all locations at which the market demands support such store size, and where available physical space would accommodate the required design changes. As we continue to add new stores or replace existing stores, we intend to modify our floor plan to include this new model as we perceive market support. We continuously evaluate our existing and potential sites to ensure our stores are in the best possible locations and relocate stores that are not properly positioned. We typically lease rather than purchase our stores to retain the flexibility of subleasing a location if we later decide that the store is performing below our standards or the market would be better served by a relocation. After updating, expanding or relocating a store, we expect to increase same store sales at those stores.

The addition of new stores has played, and we believe will continue to play, a significant role in our continued growth and success. We currently operate 56 retail stores located in Texas and Louisiana. We opened three stores in fiscal 2004; and we opened six stores in each of fiscal 2005 and fiscal 2006. We also closed one clearance store in one of our markets in fiscal 2005. We plan to continue our store development program by opening an additional six to eight new stores, or an approximately 10% increase, per year and continue to update a portion of our existing stores each year. We believe that continuing our strategies of updating existing stores, growing our store base and locating our stores in desirable geographic markets are essential for our future success.

Customers

We do not have a significant concentration of sales with any individual customer and, therefore, the loss of any one customer would not have a material impact on our business. No single customer accounts for more than 10% of our total revenues; in fact, no single customer accounted for more than $500,000 (less than 0.1%) of our total revenue of $702.4 million during the year ended January 31, 2006.

Products and Merchandising

Product Categories. Each of our stores sells five major categories of products: major home appliances, consumer electronics, computers and peripheral equipment, delivery and installation services and other household products, including lawn and garden equipment and mattresses. The following table, which has been adjusted from previous filings to ensure comparability, presents a summary of net sales by major product category, service maintenance agreement commissions and service revenues, for the years ended January 31, 2004, 2005, and 2006:

	Years Ended January 31,					
	2004		2005		2006	
	Amount	%	Amount	%	Amount	%
	(dollars in thousands)					
Major home appliances	$ 159,401	36.2%	$ 168,962	34.2%	$ 223,651	36.0%
Consumer electronics	139,417	31.6	154,880	31.3	186,679	30.1
Track	70,031	15.9	85,644	17.3	100,154	16.1
Delivery	6,726	1.5	7,605	1.5	9,870	1.6
Lawn and garden	11,505	2.6	13,710	2.8	17,083	2.8
Bedding	6,441	1.5	10,262	2.1	13,126	2.1
Furniture	5,712	1.3	7,182	1.5	15,313	2.5
Other	3,346	0.8	3,315	0.7	4,001	0.6
Total product sales	402,579	91.3	451,560	91.4	569,877	91.8
Service maintenance agreement commissions	20,074	4.6	23,950	4.8	30,583	4.9
Service revenues	18,265	4.1	18,725	3.8	20,278	3.3
Total net sales	$ 440,918	100.0%	$ 494,235	100.0%	$ 620,738	100.0%

Within these major product categories (excluding service maintenance agreements, service revenues and delivery and installation), we offer our customers over 1,100 SKUs in a wide range of price points. Most of these products are manufactured by brand name companies, including General Electric, Whirlpool, Frigidaire, Maytag, LG, Mitsubishi, Samsung, Sony, Hitachi, Toshiba, Serta, Hewlett Packard and Compaq. As part of our good-better-best merchandising strategy, our customers are able to choose from products ranging from low-end to mid- to high-end models in each of our key product categories, as follows:

Category	Products	Selected Brands
Major appliances	Refrigerators, freezers, washers, dryers, ranges, dishwashers, air conditioners and vacuum cleaners	General Electric, Frigidaire, Whirlpool, Maytag, LG, KitchenAid, Sharp, Samsung, Friedrich, Roper, Hoover and Eureka
Consumer electronics	Projection, plasma, LCD and DLP televisions, and home theater systems	Mitsubishi, Sony, Toshiba, Samsung, Sanyo, JVC, Hitachi, Yamaha, Apple and Fujifilm
Track	Computers, computer peripherals, VCRs, camcorders, digital cameras, DVD players, audio components, compact disc players, speakers and portable electronics (e.g. iPods)	Hewlett Packard, Compaq, Sony
Other	Lawn and garden, furniture and mattresses	Poulan, Husqvarna, Toro, Weedeater, Ashley and Serta

Purchasing. We purchase products from over 100 manufacturers and distributors. Our agreements with these manufacturers and distributors typically cover a one or two year time period, are renewable at the option of the parties and are terminable upon 30 days written notice by either party. Similar to other specialty retailers, we purchase a significant portion of our total inventory from a limited number of vendors. During fiscal 2006, 60.6% of our total inventory purchases were from six vendors, including 17.0%, 12.2% and 11.4% of our total inventory from Frigidaire, Whirlpool and Sony respectively. The loss of any one or more of these key vendors or our failure to establish and maintain relationships with these and other vendors could have a material adverse effect on our results of operations and financial condition. We have no indication that any of our suppliers will discontinue selling us merchandise. We have not experienced significant difficulty in maintaining adequate sources of merchandise, and we generally expect that adequate sources of merchandise will continue to exist for the types of products we sell.

Merchandising Strategy. We focus on providing a comprehensive selection of high-quality merchandise to appeal to a broad range of potential customers. Consistent with our good-better-best merchandising strategy, we offer a wide range of product selections from entry-level models through high-end models. We primarily sell brand name warranted merchandise. Our established relationships with major appliance and electronic vendors and our affiliation with NATM, a major buying group, give us purchasing power that allows us to offer custom-featured appliances and electronics and provides us a competitive selling advantage over other independent retailers. We use our prototype store, located near our corporate offices in Beaumont, Texas, to test the sale of all new products and obtain customers' reactions to new display formats before introducing these products and display formats to our other stores. As part of our merchandising strategy, we operate clearance centers, either as stand-alone units or incorporated within one of our retail stores, in our Houston, San Antonio and Dallas markets to help sell damaged, used or discontinued merchandise. We have recently redesigned our approach to the merchandising of our "track" products to provide consumer-friendly point of sale transactions that take place within a track area located in the interior of our store. We believe that this focused approach to creating consumer awareness and ease of purchase of our track products will help increase same store sales.

Pricing. We emphasize competitive pricing on all of our products and maintain a low price guarantee that is valid in all markets from 10 to 30 days after the sale, depending on the product. At most of our stores, to print an invoice that contains pricing other than the price maintained within our computer system, sales personnel must call a special "hotline" number at the corporate office for approval. Personnel staffing this hotline number are familiar with competitor pricing and are authorized to make price adjustments to fulfill our low price guarantee when a customer presents acceptable proof of the competitor's lower price. This centralized function also allows us to maintain control of pricing and to store and retrieve pricing data of our competitors.

Customer Service

We focus on customer service as a key component of our strategy. We believe our same day or next day delivery option, which is not offered by most of our competitors, is one of the keys to our success. Additionally, we attempt to answer and resolve all customer complaints within 48 hours of receipt. We track customer complaints by individual salesperson, delivery person and service technician. We send out over 36,000 customer satisfaction survey cards each month covering all deliveries and service calls. Based upon a response rate from our customers of approximately 15%, we consistently report an average customer satisfaction level of approximately 91%.

Store Operations

Stores. At the end of fiscal 2006 we operated 56 retail and clearance stores located in Texas and Louisiana. The following table illustrates our markets, the number of freestanding and strip mall stores in each market and the calendar year in which we opened our first store in each market:

Market	Number of Stores: Stand Alone	Number of Stores: Strip Mall	First Store Opened
Houston	8	10	1983
San Antonio/Austin	6	7	1994
Golden Triangle (Beaumont, Port Arthur and Orange, Texas and Lake Charles, Louisiana)	1	4	1937
Baton Rouge/Lafayette	1	4	1975
Corpus Christi	1	0	2002
Dallas/Fort Worth	1	11	2003
South Texas	1	1	2004
Total	19	37	

Our stores have an average selling space of approximately 21,100 square feet, plus a rear storage area averaging approximately 6,000 square feet for fast-moving or smaller products that customers prefer to carry out rather than wait for in-home delivery. Two of our stores are clearance centers for discontinued product models and damaged merchandise, returns and repossessed product located in our Houston and Dallas markets and contain 28,800 square feet of combined selling space. All stores are open from 10:00 a.m. to 9:00 p.m. Monday through Friday, from 9:00 a.m. to 9:00 p.m. on Saturday, and from 11:00 a.m. to 7:00 p.m. on Sunday. We also offer extended store hours during the holiday selling season.

Approximately 66% of our stores are located in strip shopping centers and regional malls, with the balance being stand-alone buildings in "power centers" of big box consumer retail stores. All of our locations have parking available immediately adjacent to the store's front entrance. Our storefronts have a distinctive front that guides the customer to the entrance of the store. Inside the store, a large colorful tile track circles the interior floor of the store. One side of the track leads the customer to major appliances, while the other side of the track leads the customer to a large display of television and projection television products. The inside of the track contains various home office and consumer electronic products such as computers, printers, DVD players, camcorders, digital cameras and MP3 players. We are continually refining our approach to merchandising of our track products, and in fiscal 2006 expanded our small kitchen appliance assortment, introduced musical products and expanded our offering of seasonal products. Mattresses, furniture and lawn and garden equipment displays occupy the rear of the sales floor. To reach the cashier's desk at the center of the track area, our customers must walk past our products. We believe this increases sales to customers who have purchased products from us on credit in the past and who return to our stores to make their monthly credit payments.

We have updated most of our stores in the last three years. We expect to continue to update our stores as needed to address each store's specific needs. All of our updated stores, as well as our new stores, include modern interior selling spaces featuring attractive signage and display areas specifically designed for each major product type. Our prototype store for future expansion has from 25,000 to 30,000 square feet of retail selling space, which is approximately 20% more than the average size of our existing stores and a rear storage area of between 5,000 and 7,000 square feet. Our investment to update a store has averaged approximately $220,000 per store over the past three years, and as a result of the updating, we expect to increase same store sales at those stores. Over the last three years, we have invested approximately $7.8 million updating, refurbishing or relocating our existing stores.

Site Selection. Our stores are typically located adjacent to freeways or major travel arteries and in the vicinity of major retail shopping areas. We prefer to locate our stores in areas where our prominent tower storefront will be the anchor of the shopping center or readily visible from major thoroughfares. We also attempt to locate our stores in the vicinity of major home appliance and electronics superstores. We have typically entered major metropolitan markets where we can potentially support at least 10 to 12 stores. We believe this number of stores allows us to optimize advertising and distribution costs. We have and may continue, however, to elect to experiment with opening lower numbers of new stores in smaller communities where customer demand for products and services outweighs any extra cost. Other factors we consider when evaluating potential markets include the distance from our distribution centers, our existing store locations and store locations of our competitors and population, demographics and growth potential of the market.

Store Economics. We lease 50 of our 56 current store locations, with an average monthly rent of $18,800. Our average per store investment for the 12 new stores we have opened in the last two years was approximately $1.5 million, including leasehold improvements, fixtures and equipment and inventory (net of accounts payable). For these new stores, the net sales per store have averaged $0.7 million per month.

Our new stores have typically been profitable on an operating basis within their first three to six months of operation and, on average have returned our net cash investment in 20 months or less. We consider a new store to be successful if it achieves $8 million to $9 million in sales volume and 2% to 5% in operating margins before other ancillary revenues and allocations of overhead and advertising in the first full year of operation. We expect successful stores that have matured, which generally occurs after two to three years of operations, to generate annual sales of approximately $12 million to $15 million and 5% to 9% in operating margins before other ancillary revenues and overhead and allocations. However, depending on the credit and insurance penetration of an individual store, we believe that a store that does not achieve these levels of sales can still contribute significantly to our pretax margin.

Personnel and Compensation. We staff a typical store with a store manager, an assistant manager, an average of 23 sales personnel and other support staff including cashiers and/or porters based on store size and location. Managers have an average tenure with us of approximately seven years and typically have prior sales floor experience. In addition to store managers, we have seven district managers that generally oversee from six to eight stores in each market. Our district managers generally have five to fifteen years of sales experience and report to our vice president of store operations, who has over twenty years of sales experience.

We compensate our sales associates on a straight commission arrangement, while we generally compensate store managers on a salary basis plus incentives and cashiers at an hourly rate. In some instances, store managers receive earned commissions plus base salary. Our clearance center is staffed with a manager and six to eight sales personnel who are paid on a straight commission arrangement. We believe that because our store compensation plans are tied to sales, they generally provide us an advantage in attracting and retaining highly motivated employees.

Training. New sales personnel must complete an intensive two week classroom training program conducted at our corporate office. We then require them to spend an additional week riding in a delivery and service truck to gain an understanding of how we serve our customers after the sale is made. Installation and delivery staff and service personnel receive training through an on-the-job program in which individuals are assigned to an experienced installation and delivery or service employee as helpers prior to working alone. In addition, our employees benefit from on-site training conducted by many of our vendors.

We attempt to identify store manager candidates early in their careers with us and place them in a defined program of training. They generally first attend our in-house training program, which provides guidance and direction for the development of managerial and supervisory skills. They then attend an external Dale Carnegie certified management course that helps solidify their management knowledge and builds upon their internal training. After completion of these training programs, manager candidates work as assistant managers for six to twelve months and are then allowed to manage one of our smaller stores, where they are supervised closely by the store's district manager. We give new managers an opportunity to operate larger stores as they become more proficient in their management skills. Each store manager attends mandatory training sessions on a monthly basis and also attends bi-weekly sales training meetings where participants receive and discuss new product information.

Marketing

We design our marketing and advertising programs to increase our brand name recognition, educate consumers about our products and services and generate customer traffic in order to increase sales. Our programs include periodic promotions such as three, six, twelve, eighteen, twenty-four or thirty-six months of no interest financing. We conduct our advertising programs primarily through local newspapers, local radio and television stations and direct marketing through direct mail, telephone and our website.

Direct marketing has become an effective way for us to present our products and services to our existing customers and potential new customers. We use direct mail to target promotional mailings to credit worthy individuals, including new residents in our market areas from time to time. In addition, we use direct mail to market increased credit lines to existing customers, to encourage customers using third party credit to convert to our credit programs and for customer appreciation mailings. We also conduct a mail program to reestablish contact with customers who applied for credit recently at one of our stores but did not purchase a product. We also call customers who recently applied for credit at one of our retail locations but did not purchase a product; this often redirects potential purchasers back into the original store location.

Our website, www.conns.com, offers information about our selection of products and provides useful information to the consumer on pricing, features and benefits for each product and required corporate governance information. Our website also allows the customers residing in the markets in which we operate retail locations to apply and be considered for credit, to see our special on-line promotional items and to make purchases on-line through the use of approved credit cards. The website currently averages approximately 5,040 visits per day from potential and existing customers and during fiscal 2006, was the source of approximately 80,400 credit applications. The website is linked to a call center, allowing us to better assist customers with their credit and product needs.

Distribution and Inventory Management

We typically locate our stores in close proximity of our five regional distribution centers located in Houston, San Antonio, Dallas and Beaumont, Texas and Lafayette, Louisiana and smaller cross-dock facilities in Austin and Harlingen, Texas. This enables us to deliver products to our customers quickly, reduces inventory requirements at the individual stores and facilitates regionalized inventory and accounting controls.

In our retail stores, we maintain an inventory of fast-moving items and products that the customer is likely to carry out of the store. Our sophisticated Distribution Inventory Sales computer system and the recent introduction of scanning technology in our distribution centers allow us to determine on a real-time basis the exact location of any product we sell. If we do not have a product at the desired retail store at the time of sale, we can provide it through our distribution system on a next day basis.

We maintain a fleet of tractors and trailers that allow us to move products from market to market and from distribution centers to stores. Our fleet of home delivery vehicles enables our highly-trained delivery and installation specialists to quickly complete the sales process, enhancing customer service. We receive a delivery fee based on their choice of same day or next day delivery. Additionally, we are able to complete deliveries to our customers on the same day as, or the day after the sale for approximately 95% of our customers who have requested delivery.

Finance Operations

General. We sell our products for cash or for payment through major credit cards, which we treat as cash sales. We also offer our customers several financing alternatives through our proprietary credit programs. In the last three fiscal years, we financed, on average, approximately 57% of our retail sales through one of our two credit programs. We offer our customers a choice of installment payment plans and revolving credit plans through our primary credit portfolio. We also offer an installment program through our secondary credit portfolio to a limited number of customers who do not qualify for credit under our primary credit portfolio. The following table shows our product sales and gross service maintenance agreements sales, excluding returns and allowances and service revenues, by method of payment for the periods indicated.

	Years Ended January 31,					
	2004		2005		2006	
	Amount	%	Amount	%	Amount	%
			(dollars in thousands)			
Cash and other credit cards	$ 198,765	47.0%	$ 193,753	40.8%	$ 254,047	42.3%
Primary credit portfolio:						
Installment	182,802	43.3	225,369	47.4	263,667	43.9
Revolving	16,627	3.9	20,663	4.3	30,697	5.1
Secondary credit portfolio	24,459	5.8	35,725	7.5	52,049	8.7
Total	$ 422,653	100.0%	$ 475,510	100.0%	$ 600,460	100.0%

Credit Approval. Our credit programs are operated by our centralized credit department staff, completely independent of sales personnel. As part of our centralized credit approval process, we have developed a proprietary standardized scoring model that provides preliminary credit decisions, including down payment amounts and credit terms, based on both customer and product risk. We developed this model with data analysis by Equifax(R) to correlate the product category of a customer purchase with the default probability. Although we rely on this program to approve automatically some credit applications from customers for whom we have previous credit experience, over 92.8% of our credit decisions are based on evaluation of the customer's creditworthiness by a qualified credit grader. As of January 31, 2006, we employed approximately 400 full-time and part-time employees who focus on credit approval and collections. These employees are highly trained to follow our strict methodology in approving credit, collecting our accounts, and charging off any uncollectible accounts based on pre-determined aging criteria.

A significant part of our ability to control delinquency and charge-off rates is tied to the relatively high level of down payments that we require and the purchase money security interest that we obtain in the product financed, which reduce our credit risk and increase our customers' willingness to meet their future obligations. We require the customer to provide proof of credit property insurance coverage to offset potential losses relating to theft or damage of the product financed.

Installment accounts are paid over a specified period of time with set monthly payments. Revolving accounts provide customers with a specified amount which the customer may borrow, repay and re-borrow so long as the credit limit is not exceeded. Most of our installment accounts provide for payment over 12 to 36 months, and for those accounts paid in full during fiscal 2006, the average account was outstanding for approximately 13 to 15 months. Our revolving accounts were outstanding approximately 12 to 17 months for those accounts paid in full during fiscal 2006. During fiscal 2006, approximately 7.2% of the applications approved under the primary program were handled automatically through our computer system based on previous credit history with us. We automatically send the application of any new credit customer or any customer seeking additional credit where there has been a past delinquency or performance problem to an experienced, in-house credit grader.

We created our secondary credit portfolio program to meet the needs of those customers who do not qualify for credit under our primary program. If we cannot approve a customer's application for credit under our primary portfolio, we automatically send the application to the credit staff of our secondary portfolio for further consideration. We offer only the installment program to these customers, and we grant credit to these consumers under stricter underwriting criteria, including higher down payments. An experienced, in-house credit grader administers the credit approval process. Most of the installment accounts approved under this program provide for repayment over 12 to 36 months, and for those accounts paid in full during fiscal 2006, the average account was outstanding for approximately 13 to 15 months.

The following two tables present, for comparison purposes, information regarding our two credit portfolios.

	Primary Portfolio (1)		
	Years Ended January 31,		
	2004	2005	2006
	(total outstanding balance in thousands)		
Total outstanding balance (period end)	$ 293,909	$ 358,252	$ 421,649
Average outstanding customer balance	$ 1,189	$ 1,268	$ 1,284
Number of active accounts (period end)	247,151	282,533	328,402
Total applications processed (2)	499,755	567,352	684,674
Percent of retail sales financed	47.2%	51.7%	49.0%
Total applications approved	59.3%	56.4%	52.8%
Average down payment	8.6%	7.4%	7.6%
Average interest spread (3)	12.2%	12.7%	12.0%

	Secondary Portfolio		
	Years Ended January 31,		
	2004	2005	2006
	(total outstanding balance in thousands)		
Total outstanding balance (period end)	$ 55,561	$ 70,448	$ 98,072
Average outstanding customer balance	$ 1,057	$ 1,040	$ 1,128
Number of active accounts (period end)	52,566	67,718	86,936
Total applications processed (2)	192,228	238,605	314,698
Percent of retail sales financed	5.8%	7.5%	8.7%
Total applications approved	26.9%	33.3%	34.1%
Average down payment	27.7%	27.2%	26.4%
Average interest spread (3)	13.0%	14.0%	14.1%

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(1) The Primary Portfolio consists of owned and sold receivables.

(2) Unapproved credit applications in the primary portfolio are automatically referred to the secondary portfolio.

(3) Difference between the average interest rate yield on the portfolio and the average cost of funds under the program plus the allocated interest related to funds required to finance the credit enhancement portion of the portfolio. Also reflects the loss of interest income resulting from interest free promotional programs.

Credit Quality. We enter into securitization transactions to sell our retail receivables to a qualifying special purpose entity or QSPE, which we formed for this purpose. After the sale, we continue to service these receivables under a contract with the QSPE. We closely monitor these credit portfolios to identify delinquent accounts early and dedicate resources to contacting customers concerning past due accounts. We believe that our local presence, ability to work with customers and flexible financing alternatives contribute to the historically low charge-off rates on these portfolios. In addition, our customers have the opportunity to make their monthly payments in our stores, and approximately 58% of our active credit accounts did so at some time during the last 12 months. We believe that these factors help us maintain a relationship with the customer that keeps losses low while encouraging repeat purchases.

Our follow-up collection activities involve a combination of centralized efforts that take place in our corporate office and outside collection efforts that involve a visit by one of our credit counselors to the customer's home. We maintain a sophisticated predictive dialer system and letter campaign that helps us contact between 20,000 and 25,000 delinquent customers daily. We also maintain a very experienced skip-trace department that utilizes current technology to locate customers who have moved and left no forwarding address. Our outside collectors provide an on-site contact with the customer to assist in the collection process or, if needed, to actually repossess the product in the event of non-payment. Repossessions are made when it is clear that the customer is unwilling to establish a reasonable payment process. Our legal department represents us in bankruptcy proceedings and filing of delinquency judgment claims and helps handle any legal issues associated with the collection process.

Generally, we deem an account to be uncollectible and charge it off if the account is 120 days or more past due and has not had a payment in the last seven months. Over the last 36 months, we have recovered approximately 19% of charged-off amounts through our collection activities. The income that we realize from our interest in securitized receivables depends on a number of factors, including expected credit losses. Therefore, it is to our advantage to maintain a low delinquency rate and loss ratio on these credit portfolios.

Our accounting and credit staff consistently monitors trends in charge-offs by examining the various characteristics of the charge-offs, including store of origination, product type, customer credit information, down payment amounts and other identifying information. We track our charge-offs both gross, or before recoveries, and net, or after recoveries. We periodically adjust our credit granting, collection and charge-off policies based on this information.

The following table reflects the performance of our two credit portfolios, net of unearned interest.

	Primary Portfolio (1)			Secondary Portfolio		
	Years Ended January 31,			Years Ended January 31,		
	2004	2005	2006	2004	2005	2006
	(dollars in thousands)			(dollars in thousands)		
Average total outstanding balance	$293,909	$358,252	$421,649	$55,561	$70,448	$98,072
Account balances over 60 days old (period end)	$271,659	$323,108	$387,464	$54,988	$64,484	$86,461
	$ 13,484	$ 17,503	$ 26,029	$ 4,783	$ 5,640	$ 9,508
Percent of balances over 60 days old to total outstanding (period end) (2)	4.6%	4.9%	6.2%	8.6%	8.0%	9.7%
Allowance for doubtful accounts (period end)	$ 9,534	$ 10,168	$ 11,464	$ 2,224	$ 2,089	$ 2,348
Percent allowance for doubtful accounts to total outstanding (period end)	3.2%	2.8%	2.7%	4.0%	3.0%	2.4%
Bad debt write-offs (net of recoveries)	$ 7,905	$ 7,601	$ 10,225	$ 1,499	$ 1,604	$ 1,915
Percent of write-offs (net) to average outstanding (3)	2.9%	2.4%	2.6%	2.7%	2.5%	2.2%

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(1) The Primary Portfolio consists of owned and sold receivables.
(2) At January 31, 2006, the percent of balances over 60 days old was elevated due to the impact of Hurricanes Katrina and Rita. See additional discussion in Management's Discussion and Analysis of Financial Condition and Results of Operations.
(3) The fiscal year ended January 31, 2005, includes the benefit of new information received during the year, which impacted the realization of sales tax credits on prior year write-offs.

The following table presents information regarding the growth of our combined credit portfolios, including unearned interest.

	Years Ended January 31,		
	2004	2005	2006
	(dollars in thousands)		
Beginning balance	$ 362,076	$ 418,702	$ 514,204
New receivables financed	331,849	423,935	495,553
Revolving finance charges	4,354	3,926	3,858
Returns on account	(6,860)	(10,670)	(5,397)
Collections on account	(263,313)	(312,484)	(375,342)
Accounts charged off	(11,934)	(11,825)	(14,392)
Recoveries of charge-offs	2,530	2,620	2,252
Ending balance	418,702	514,204	620,736
Less unearned interest at end of period	(69,232)	(85,504)	(101,015)
Total portfolio, net	$ 349,470	$ 428,700	$ 519,721

Product Support Services

Credit Insurance. Acting as agents for unaffiliated insurance companies, we sell credit life, credit disability, credit involuntary unemployment and credit property insurance at all of our stores. These products cover payment of the customer's credit account in the event of the customer's death, disability or involuntary unemployment or if the financed property is lost or damaged. We receive sales commissions from the unaffiliated insurance company at the time we sell the coverage, and we recognize retrospective commissions, which are additional commissions paid by the insurance carrier if insurance claims are lower than projected, as such commissions are actually earned.

We require proof of property insurance on all installment credit purchases, although we do not require that customers purchase this insurance from us. During fiscal 2006, approximately 75.2% of our credit customers purchased one or more of the credit insurance products we offer, and approximately 29.1% purchased all of the insurance products we offer. Commission revenues from the sale of credit insurance contracts represented approximately 3.3%, 3.2% and 2.6% of total revenues for fiscal years 2004, 2005 and 2006, respectively.

Warranty Service. We provide warranty service for all of the products we sell and only for the products we sell. Customers purchased service maintenance agreements on products representing approximately 48.8% of our total retail sales for fiscal 2006. These agreements broaden and extend the period of covered manufacturer warranty service for up to five years from the date of purchase, depending on the product, and cover certain items during the manufacturer's warranty period. These agreements are sold at the time the product is purchased. Customers may finance the cost of the agreements along with the purchase price of the associated product. We contact the customer prior to the expiration of the service maintenance period to provide them the opportunity to renew the period of warranty coverage.

We have contracts with unaffiliated third party insurers that issue the service maintenance agreements to cover the costs of repairs performed by our service department under these agreements. The initial service contract is between the customer and the independent insurance company, but we are the insurance company's first choice to provide service when it is needed. We receive a commission on the sale of the contract, and we bill the insurance company for the cost of the service work that we perform. Commissions on these third party contracts are recognized in revenues, net of the payment to the third party obligor. Renewal contracts are between the customer and our in-house service department. Under renewal contracts we recognize revenues received, and direct selling expenses incurred, over the life of the contracts, and expense the cost of the service work performed as products are repaired.

Of the 15,000 to 20,000 repairs that we perform each month, approximately 35.4% are covered under these service maintenance agreements, approximately 50.5% are covered by manufacturer warranties and the remainder are "walk-in" repairs from our customers. Revenues from the sale of service contracts represented approximately 4.6%, 4.8%, and 4.9% of net sales during fiscal years 2004, 2005 and 2006, respectively.

Management Information Systems

We have a fully integrated management information system that tracks on a real-time basis point-of-sale information, inventory receipt and distribution, merchandise movement and financial information. The management information system also includes a local area network that connects all corporate users to e-mail, scheduling and various servers. All of our facilities are linked by a wide-area network that provides communication for in-house credit authorization and real time polling of sales and merchandise movement at the store level. In our distribution centers, we use radio frequency terminals to assist in receiving, stock put-away, stock movement, order filling, cycle counting and inventory management. At our stores, we currently use desktop terminals to assist in receiving, transferring and maintaining perpetual inventories.

Our integrated management information system also includes extensive functionality for management of the complete credit portfolio life cycle as well as functionality for the management of product service. The credit system continues from our in-house credit authorization through account set up and tracking, credit portfolio condition, collections, credit employee productivity metrics, skip-tracing, bankruptcy and fraud and legal account management. The service system provides for service order processing, warranty claims processing, parts inventory management, technician scheduling and dispatch, technician performance metrics and customer satisfaction measurement. All of these systems share a common customer and product sold database.

Our point of sale system uses an IBM Series i5 hardware system that runs on the i5OS operating system. This system enables us to use a variety of readily available applications in conjunction with software that supports the system. All of our current business application software, except our accounting and human resources systems, has been developed in-house by our management information system employees. We believe our management information systems efficiently support our current operations and provide a foundation for future growth.

We employ a Nortel telephone switch and state of the art Avaya (formerly Mosaix) predictive dialer, as well as a redundant data network and cable plant, to improve the efficiency of our collection and overall corporate communication efforts.

As part of our ongoing system availability protection and disaster recovery planning, we have implemented a secondary IBM Series i5 system. We installed and implemented a back-up IBM Series i5 system in our corporate offices to provide the ability to switch production processing from the primary system to the secondary system within fifteen to thirty minutes should the primary system become disabled or unreachable. The two machines are kept synchronized utilizing third party software. This backup system provides "high availability" of the production processing environment. The primary IBM Series i5 system is geographically removed from our corporate office for purposes of disaster recovery and security. These systems worked as designed during our recent evacuation from our corporate headquarters in Beaumont, Texas, due to Hurricane Rita. While we were displaced, our store, distribution and service operations that were not impacted by the hurricane continued to have normal system availability and functionality.

Competition

According to Twice, total industry manufacturer sales of home appliances and consumer electronics products in the United States, including imports, to the top 100 dealers were estimated to be $21.3 billion and $96.4 billion, respectively, in 2004. The retail home appliance market is large and concentrated among a few major suppliers. Sears has historically been the leader in the retail home appliance market, with a market share among the top 100 retailers of approximately 39% in 2004, down from 42% in 2003. The consumer electronics market is highly fragmented. We estimate that the two largest consumer electronics superstore chains accounted for less than 35% of the total electronics sales attributable to the 100 largest retailers in 2003. However, new entrants in both industries have been successful in gaining market share by offering similar product selections at lower prices.

As reported by Twice, based upon revenue in 2004, we were the 12th largest retailer of home appliances. Our competitors include national mass merchants such as Sears and Wal-Mart, specialized national retailers such as Circuit City and Best Buy, home improvement stores such as Lowe's and Home Depot, and locally-owned regional or independent retail specialty stores. The availability and convenience of the Internet and other direct-to-consumer alternatives are increasing as a competitive factor in our industry, especially for distribution of computer and entertainment software.

We compete primarily based on enhanced customer service through our unique sales force training and product knowledge, same day or next day delivery capabilities, proprietary in-house credit program, guaranteed low prices and product repair service.

Regulation

The extension of credit to consumers is a highly regulated area of our business. Numerous federal and state laws impose disclosure and other requirements on the origination, servicing and enforcement of credit accounts. These laws include, but are not limited to, the Federal Truth in Lending Act, Equal Credit Opportunity Act and Federal Trade Commission Act. State laws impose limitations on the maximum amount of finance charges that we can charge and also impose other restrictions on consumer creditors, such as us, including restrictions on collection and enforcement. We routinely review our contracts and procedures to ensure compliance with applicable consumer credit laws. Failure on our part to comply with applicable laws could expose us to substantial penalties and claims for damages and, in certain circumstances, may require us to refund finance charges already paid and to forego finance charges not yet paid under non-complying contracts. We believe that we are in substantial compliance with all applicable federal and state consumer credit and collection laws.

Our sale of credit life, credit disability, credit involuntary unemployment and credit property insurance products is also highly regulated. State laws currently impose disclosure obligations with respect to our sales of credit and other insurance products similar to those required by the Federal Truth in Lending Act, impose restrictions on the amount of premiums that we may charge and require licensing of certain of our employees and operating entities. We believe we are in substantial compliance with all applicable laws and regulations relating to our credit insurance business.

Employees

As of January 31, 2006, we had approximately 2,600 full-time employees and 200 part-time employees, of which approximately 1,200 were sales personnel. We provide a comprehensive benefits package including health, life, long term disability, and dental insurance coverage as well as a 401(k) plan, employee stock purchase plan, paid vacation, sick pay and holiday pay. None of our employees are covered by collective bargaining agreements and we believe our employee relations are good.

Tradenames and Trademarks

We have registered the trademarks "Conn's" and our logos.

Available Information

We are subject to reporting requirements of the Securities Exchange Act of 1934, or the Exchange Act, and its rules and regulations. The Exchange Act requires us to file reports, proxy and other information statements and other information with the Securities and Exchange Commission ("SEC"). Copies of these reports, proxy statements and other information can be inspected and copied at the SEC Public Reference Room, 450 Fifth Street, N.W., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. You may also obtain these materials electronically by accessing the SEC's home page on the internet at www.sec.gov.

In addition, we make available, free of charge on our internet website, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file this material with, or furnish it to, the SEC. You may review these documents, under the heading "Conn's Investor Relations," by accessing our website at www.conns.com. Also, reports and other information concerning us are available for inspection and copying at NASDAQ Capital Markets.

ITEM 1A. RISK FACTORS.

An investment in our common stock involves risks and uncertainties. You should consider carefully the following information about these risks and uncertainties before buying shares of our common stock. The occurrence of any of the risks described below could adversely affect our business, financial condition or results of operations. In that case, the trading price of our stock could decline, and you could lose all or part of the value of your investment.

Our success depends substantially on our ability to open and operate profitably new stores in existing, adjacent and new geographic markets.

We plan to continue our expansion by opening an additional six to eight new stores in fiscal 2007. We anticipate these new stores to include additional stores in the Dallas/Fort Worth Metroplex, South Texas, where we currently have two stores, and possibly others in areas where we have not operated previously. We have not yet selected sites for all of the stores that we plan to open within the next fiscal year. We may not be able to open all of these stores, and any new stores that we open may not be profitable or meet our goals. Any of these circumstances could have a material adverse effect on our financial results.

There are a number of factors that could affect our ability to open and operate new stores consistent with our business plan, including:

- competition in existing, adjacent and new markets;
- competitive conditions, consumer tastes and discretionary spending patterns in adjacent and new markets that are different from those in our existing markets;
- a lack of consumer demand for our products at levels that can support new store growth;
- limitations created by covenants and conditions under our credit facilities and our asset-backed securitization program;
- the availability of additional financial resources;
- the substantial outlay of financial resources required to open new stores and the possibility that we may recognize little or no related benefit;
- an inability or unwillingness of vendors to supply product on a timely basis at competitive prices;
- the failure to open enough stores in new markets to achieve a sufficient market presence;
- the inability to identify suitable sites and to negotiate acceptable leases for these sites;
- unfamiliarity with local real estate markets and demographics in adjacent and new markets;
- problems in adapting our distribution and other operational and management systems to an expanded network of stores;
- difficulties associated with the hiring, training and retention of additional skilled personnel, including store managers; and
- higher costs for print, radio and television advertising.

These factors may also affect the ability of any newly opened stores to achieve sales and profitability levels comparable with our existing stores or to become profitable at all.

If we are unable to manage our growing business, our revenues may not increase as anticipated, our cost of operations may rise and our profitability may decline.

We face many business risks associated with growing companies, including the risk that our management, financial controls and information systems will be inadequate to support our planned expansion. Our growth plans will require management to expend significant time and effort and additional resources to ensure the continuing adequacy of our financial controls, operating procedures, information systems, product purchasing, warehousing and distribution systems and employee training programs. We cannot predict whether we will be able to manage effectively these increased demands or respond on a timely basis to the changing demands that our planned expansion will impose on our management, financial controls and information systems. If we fail to manage successfully the challenges our growth poses, do not continue to improve these systems and controls or encounter unexpected difficulties during our expansion, our business, financial condition, operating results or cash flows could be materially adversely affected.

The inability to obtain funding for our credit operations through securitization facilities or other sources may adversely affect our business and expansion plans.

We finance most of our customer receivables through asset-backed securitization facilities. The trust arrangement governing these facilities currently provides for two separate series of asset-backed notes that allow us to finance up to $450 million in customer receivables. Under each note series, we transfer customer receivables to a qualifying special purpose entity we formed for this purpose in exchange for cash, subordinated securities and the right to receive cash flows equal to the interest rate spread between the transferred receivables and the notes issued to third parties ("interest only strip"). This qualifying special purpose entity, in turn, issues notes that are collateralized by these receivables and entitle the holders of the notes to participate in certain cash flows from these receivables. The Series A program is a $250 million variable funding note held by Three Pillars Funding Corporation, of which $185.0 million was drawn as of January 31, 2006. The Series B program consists of $200 million in private bond placements that will require scheduled principal payments beginning in October 2006.

Our ability to raise additional capital through further securitization transactions, and to do so on economically favorable terms, depends in large part on factors that are beyond our control.

These factors include:

- conditions in the securities and finance markets generally;
- conditions in the markets for securitized instruments;
- the credit quality and performance of our customer receivables;
- our ability to obtain financial support for required credit enhancement;
- our ability to service adequately our financial instruments;
- the absence of any material downgrading or withdrawal of ratings given to our securities previously issued in securitizations; and
- prevailing interest rates.

Our ability to finance customer receivables under our current asset-backed securitization facilities depends on our compliance with covenants relating to our business and our customer receivables. If these programs reach their capacity or otherwise become unavailable, and we are unable to arrange substitute securitization facilities or other sources of financing, we may have to limit the amount of credit that we make available through our customer finance programs. This may adversely affect revenues and results of operations. Further, our inability to obtain funding through securitization facilities or other sources may adversely affect the profitability of outstanding accounts under our credit programs if existing customers fail to repay outstanding credit due to our refusal to grant additional credit. Since our cost of funds under our bank credit facility is expected to be greater in future years than our cost of funds under our current securitization facility, increased reliance on our bank credit facility may adversely affect our net income.

An increase in interest rates may adversely affect our profitability.

The interest rates on our bank credit facility and the Series A program under our asset-backed securitization facility fluctuate up or down based upon the LIBO/LIBOR rate, the prime rate of our administrative agent or the federal funds rate in the case of the bank credit facility and the commercial paper rate in the case of the Series A program. To the extent that such rates increase, the fair value of the interest only strip will decline and our interest expense could increase which may result in a decrease in our profitability.

We have significant future capital needs which we may be unable to fund, and we may need additional funding sooner than currently anticipated.

We will need substantial capital to finance our expansion plans, including funds for capital expenditures, pre-opening costs and initial operating losses related to new store openings. We may not be able to obtain additional financing on acceptable terms. If adequate funds are not available, we will have to curtail projected growth, which could materially adversely affect our business, financial condition, operating results or cash flows.

We estimate that capital expenditures during fiscal 2007 will be approximately $25 million to $30 million and that capital expenditures during future years may exceed this amount. We expect that cash provided by operating activities, available borrowings under our credit facility, and access to the unfunded portion of our asset-backed securitization program will be sufficient to fund our operations, store expansion and updating activities and capital expenditure programs through at least January 31, 2007. However, this may not be the case. We may be required to seek additional capital earlier than anticipated if future cash flows from operations fail to meet our expectations and costs or capital expenditures related to new store openings exceed anticipated amounts.

A decrease in our credit sales could lead to a decrease in our product sales and profitability.

In the last three years, we financed, on average, approximately 57% of our retail sales through our internal credit programs. Our ability to provide credit as a financing alternative for our customers depends on many factors, including the quality of our accounts receivable portfolio. Payments on some of our credit accounts become delinquent from time to time, and some accounts end up in default, due to several factors, including general and local economic conditions. As we expand into new markets, we will obtain new credit accounts that may present a higher risk than our existing credit accounts since new credit customers do not have an established credit history with us. A general decline in the quality of our accounts receivable portfolio could lead to a reduction of available credit provided through our finance operations. As a result, we might sell fewer products, which could adversely affect our earnings. Further, because approximately 58% of our credit customers make their credit account payments in our stores, any decrease in credit sales could reduce traffic in our stores and lower our revenues. A decline in the credit quality of our credit accounts could also cause an increase in our credit losses, which could result in a decrease in our securitization income or increase the provision for bad debts on our statement of operations and result in an adverse effect on our earnings. A decline in credit quality could also lead to stricter underwriting criteria which might have a negative impact on sales.

A downturn in the economy may affect consumer purchases of discretionary items, which could reduce our net sales.

A large portion of our sales represent discretionary spending by our customers. Many factors affect discretionary spending, including world events, war, conditions in financial markets, general business conditions, interest rates, inflation, energy and gasoline prices, consumer debt levels, the availability of consumer credit, taxation, unemployment trends and other matters that influence consumer confidence and spending. Our customers' purchases of discretionary items, including our products, could decline during periods when disposable income is lower or periods of actual or perceived unfavorable economic conditions. If this occurs, our net sales and profitability could decline.

We face significant competition from national, regional and local retailers of major home appliances and consumer electronics.

The retail market for major home appliances and consumer electronics is highly fragmented and intensely competitive. We currently compete against a diverse group of retailers, including national mass merchants such as Sears, Wal-Mart, Target, Sam's Club and Costco, specialized national retailers such as Circuit City and Best Buy, home improvement stores such as Lowe's and Home Depot, and locally-owned regional or independent retail specialty stores that sell major home appliances and consumer electronics similar, and often identical, to those we sell. We also compete with retailers that market products through store catalogs and the Internet. In addition, there are few barriers to entry into our current and contemplated markets, and new competitors may enter our current or future markets at any time.

We may not be able to compete successfully against existing and future competitors. Some of our competitors have financial resources that are substantially greater than ours and may be able to purchase inventory at lower costs and better sustain economic downturns. Our competitors may respond more quickly to new or emerging technologies and may have greater resources to devote to promotion and sale of products and services. If two or more competitors consolidate their businesses or enter into strategic partnerships, they may be able to compete more effectively against us.

Our existing competitors or new entrants into our industry may use a number of different strategies to compete against us, including:

- expansion by our existing competitors or entry by new competitors into markets where we currently operate;
- lower pricing;
- aggressive advertising and marketing;
- extension of credit to customers on terms more favorable than we offer;
- larger store size, which may result in greater operational efficiencies, or innovative store formats; and
- adoption of improved retail sales methods.

Competition from any of these sources could cause us to lose market share, revenues and customers, increase expenditures or reduce prices, any of which could have a material adverse effect on our results of operations.

If new products are not introduced or consumers do not accept new products, our sales may decline.

Our ability to maintain and increase revenues depends to a large extent on the periodic introduction and availability of new products and technologies. We believe that the introduction and continued growth in consumer acceptance of new products, such as digital video recorders and digital, high-definition televisions, will have a significant impact on our ability to increase revenues. These products are subject to significant technological changes and pricing limitations and are subject to the actions and cooperation of third parties, such as movie distributors and television and radio broadcasters, all of which could affect the success of these and other new consumer electronics technologies. It is possible that new products will never achieve widespread consumer acceptance.

If we fail to anticipate changes in consumer preferences, our sales may decline.

Our products must appeal to a broad range of consumers whose preferences cannot be predicted with certainty and are subject to change. Our success depends upon our ability to anticipate and respond in a timely manner to trends in consumer preferences relating to major household appliances and consumer electronics. If we fail to identify and respond to these changes, our sales of these products may decline. In addition, we often make commitments to purchase products from our vendors up to six months in advance of proposed delivery dates. Significant deviation from the projected demand for products that we sell may have a material adverse effect on our results of operations and financial condition, either from lost sales or lower margins due to the need to reduce prices to dispose of excess inventory.

A disruption in our relationships with, or in the operations of, any of our key suppliers could cause our sales to decline.

The success of our business and growth strategies depends to a significant degree on our relationships with our suppliers, particularly our brand name suppliers such as General Electric, Whirlpool, Frigidaire, Maytag, LG, Mitsubishi, Sony, Hitachi, Samsung, Toshiba, Serta, Hewlett Packard and Compaq. We do not have long term supply agreements or exclusive arrangements with the majority of our vendors. We typically order our inventory through the issuance of individual purchase orders to vendors. We also rely on our suppliers for cooperative advertising support. We may be subject to rationing by suppliers with respect to a number of limited distribution items. In addition, we rely heavily on a relatively small number of suppliers. Our top six suppliers represented 60.6% of our purchases for fiscal 2006, and the top two suppliers represented approximately 29.2% of our total purchases. The loss of any one or more of these key vendors or our failure to establish and maintain relationships with these and other vendors could have a material adverse effect on our results of operations and financial condition.

Our ability to enter new markets successfully depends, to a significant extent, on the willingness and ability of our vendors to supply merchandise to additional warehouses or stores. If vendors are unwilling or unable to supply some or all of their products to us at acceptable prices in one or more markets, our results of operations and financial condition could be materially adversely affected.

Furthermore, we rely on credit from vendors to purchase our products. As of January 31, 2006, we had $40.9 million in accounts payable and $74.0 million in merchandise inventories. A substantial change in credit terms from vendors or vendors' willingness to extend credit to us would reduce our ability to obtain the merchandise that we sell, which could have a material adverse effect on our sales and results of operations.

You should not rely on our comparable store sales as an indication of our future results of operations because they fluctuate significantly.

Our historical same store sales growth figures have fluctuated significantly from quarter to quarter. For example, same store sales growth for each of the quarters of fiscal 2006 were 7.3%, 12.1%, 23.3%, and 22.6%, respectively. Even though we achieved double-digit same store sales growth during fiscal 2006, we may not be able to increase same store sales at this pace in the future. A number of factors have historically affected, and will continue to affect, our comparable store sales results, including:

- changes in competition;
- general economic conditions;
- new product introductions;
- consumer trends;
- changes in our merchandise mix;
- changes in the relative sales price points of our major product categories;
- the impact of our new stores on our existing stores, including potential decreases in existing stores' sales as a result of opening new stores;
- weather conditions in our markets;
- timing of promotional events;
- timing and location of major sporting events; and
- our ability to execute our business strategy effectively.

Changes in our quarterly and annual comparable store sales results could cause the price of our common stock to fluctuate significantly.

Because we experience seasonal fluctuations in our sales, our quarterly results will fluctuate, which could adversely affect our common stock price.

We experience seasonal fluctuations in our net sales and operating results. In fiscal 2006, we generated 29.4% of our net sales and 31.4% of our net income in the fiscal quarter ended January 31 (which included the holiday selling season). We also incur significant additional expenses during this fiscal quarter due to higher purchase volumes and increased staffing. If we miscalculate the demand for our products generally or for our product mix during the fiscal quarter ending January 31, our net sales could decline, resulting in excess inventory, which could harm our financial performance. A shortfall in expected net sales, combined with our significant additional expenses during this fiscal quarter, could cause a significant decline in our operating results. This could adversely affect our common stock price.

Our business could be adversely affected by changes in consumer protection laws and regulations.

Federal and state consumer protection laws and regulations, such as the Fair Credit Reporting Act, limit the manner in which we may offer and extend credit. Since we finance a substantial portion of our sales, any adverse change in the regulation of consumer credit could adversely affect our total revenues and gross margins. For example, new laws or regulations could limit the amount of interest or fees that may be charged on consumer loan accounts or restrict our ability to collect on account balances, which would have a material adverse effect on our earnings. Compliance with existing and future laws or regulations could require us to make material expenditures, in particular personnel training costs, or otherwise adversely affect our business or financial results. Failure to comply with these laws or regulations, even if inadvertent, could result in negative publicity, fines or additional licensing expenses, any of which could have an adverse effect on our results of operations and stock price.

Pending litigation relating to the sale of credit insurance and the sale of service maintenance agreements in the retail industry, including one lawsuit in which we were the defendant, could adversely affect our business.

We understand that states' attorneys general and private plaintiffs have filed lawsuits against other retailers relating to improper practices conducted in connection with the sale of credit insurance in several jurisdictions around the country. We offer credit insurance in all of our stores and require the purchase of property credit insurance products from us or from third party providers in connection with sales of merchandise on installment credit; therefore, similar litigation could be brought against us. We were previously named as a defendant in a purported class action lawsuit alleging breach of contract and violations of state and federal consumer protection laws arising from the terms of our service maintenance agreements. A final judgment was entered dismissing that lawsuit. While we believe we are in full compliance with applicable laws and regulations, if we are found liable in any future lawsuit regarding credit insurance or service maintenance agreements, we could be required to pay substantial damages or incur substantial costs as part of an out-of-court settlement, either of which could have a material adverse effect on our results of operations and stock price. An adverse judgment or any negative publicity associated with our service maintenance agreements or any potential credit insurance litigation could also affect our reputation, which could have a negative impact on sales.

If we lose key management or are unable to attract and retain the highly qualified sales personnel required for our business, our operating results could suffer.

Our future success depends to a significant degree on the skills, experience and continued service of Thomas J. Frank, Sr., our Chairman of the Board and Chief Executive Officer, William C. Nylin, Jr., our President and Chief Operating Officer, David L. Rogers, our Chief Financial Officer, David R. Atnip, our Senior Vice President and Treasurer, Sydney K. Boone, our Secretary and General Counsel, and other key personnel. If we lose the services of any of these individuals, or if one or more of them or other key personnel decide to join a competitor or otherwise compete directly or indirectly with us, our business and operations could be harmed, and we could have difficulty in implementing our strategy In addition, as our business grows, we will need to locate, hire and retain additional qualified sales personnel in a timely manner and develop, train and manage an increasing number of management level sales associates and other employees. Competition for qualified employees could require us to pay higher wages to attract a sufficient number of employees, and increases in the federal minimum wage or other employee benefits costs could increase our operating expenses. If we are unable to attract and retain personnel as needed in the future, our net sales growth and operating results could suffer.

Because our stores are located in Texas and Louisiana, we are subject to regional risks.

Our 56 stores are located exclusively in Texas and Louisiana. This subjects us to regional risks, such as the economy, weather conditions, hurricanes and other natural disasters. If the region suffered an economic downturn or other adverse regional event, there could be an adverse impact on our net sales and profitability and our ability to implement our planned expansion program. Several of our competitors operate stores across the United States and thus are not as vulnerable to the risks of operating in one region.

Our information technology infrastructure is vulnerable to damage that could harm our business.

Our ability to operate our business from day to day, in particular our ability to manage our credit operations and inventory levels, largely depends on the efficient operation of our computer hardware and software systems. We use management information systems to track inventory information at the store level, communicate customer information, aggregate daily sales information and manage our credit portfolio. These systems and our operations are vulnerable to damage or interruption from:

- power loss, computer systems failures and Internet, telecommunications or data network failures;
- operator negligence or improper operation by, or supervision of, employees;
- physical and electronic loss of data or security breaches, misappropriation and similar events;
- computer viruses;
- intentional acts of vandalism and similar events; and
- hurricanes, fires, floods and other natural disasters.

The software that we have developed to use in granting credit may contain undetected errors that could cause our network to fail or our expenses to increase. Any failure due to any of these causes, if it is not supported by our disaster recovery plan, could cause an interruption in our operations and result in reduced net sales and profitability.

If we are unable to maintain our current insurance coverage for our service maintenance agreements, our customers could incur additional costs and our repair expenses could increase, which could adversely affect our financial condition and results of operations.

There are a limited number of insurance carriers that provide coverage for our service maintenance agreements. If insurance becomes unavailable from our current carriers for any reason, we may be unable to provide replacement coverage on the same terms, if at all. Even if we are able to obtain replacement coverage, higher premiums could have an adverse impact on our profitability if we are unable to pass along the increased cost of such coverage to our customers. Inability to obtain insurance coverage for our service maintenance agreements could cause fluctuations in our repair expenses and greater volatility of earnings.

If we are unable to maintain group credit insurance policies from insurance carriers, which allow us to offer their credit insurance products to our customers purchasing on credit, our revenues could be reduced and bad debts might increase.

There are a limited number of insurance carriers that provide credit insurance coverage for sale to our customers. If credit insurance becomes unavailable for any reason we may be unable to offer replacement coverage on the same terms, if at all. Even if we are able to obtain replacement coverage, it may be at higher rates or reduced coverage, which could affect the customer acceptance of these products, reduce our revenues or increase our credit losses.

Changes in trade regulations, currency fluctuations and other factors beyond our control could affect our business.

A significant portion of our inventory is manufactured overseas and in Mexico. Changes in trade regulations, currency fluctuations or other factors beyond our control may increase the cost of items we purchase or create shortages of these items, which in turn could have a material adverse effect on our results of operations and financial condition. Conversely, significant reductions in the cost of these items in U.S. dollars may cause a significant reduction in the retail prices of those products, resulting in a material adverse effect on our sales, margins or competitive position. In addition, commissions earned on both our credit insurance and service maintenance agreement products could be adversely affected by changes in statutory premium rates, commission rates, adverse claims experience and other factors.

We may be unable to protect our intellectual property rights, which could impair our name and reputation.

We believe that our success and ability to compete depends in part on consumer identification of the name "Conn's." We have registered the trademarks "Conn's" and our logo. We intend to protect vigorously our trademark against infringement or misappropriation by others. A third party, however, could attempt to misappropriate our intellectual property in the future. The enforcement of our proprietary rights through litigation could result in substantial costs to us that could have a material adverse effect on our financial condition or results of operations.

Any changes in the tax laws of the states of Texas and Louisiana could affect our state tax liabilities.

From time to time, legislation has been introduced in the Texas legislature that would, among other things, remove the current exemption from franchise tax liability that limited partnerships enjoy. Currently, the Texas Legislature is not in session and its next regular session is scheduled to begin in January 2007; however, the Texas Governor has announced he will call a special session of the Texas Legislature beginning April 17, 2006 to address school finance reform mandated by the Texas Supreme Court. Legislation could be introduced that, among other things, could change the way that limited partnerships are taxed in the state of Texas; however, the outcome of any particular proposal cannot be predicted with any certainty.

A further rise in oil and gasoline prices could affect our customers' determination to drive to our stores, and cause us to raise our delivery charges.

A further significant increase in oil and gasoline prices could adversely affect our customers' shopping decisions and patterns. We rely heavily on our internal distribution system and our same or next day delivery policy to satisfy our customers' needs and desires, and any such significant increases could result in increased distribution charges. Such increases may not significantly affect our competitors.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

The following summarizes the geographic location of our stores, warehouse and distribution centers and corporate facilities by major market area:

Geographic Location	No. of Locations	Leased Facilities	Total Square Feet	Warehouse Square Feet	Leases With Options Expiring Beyond 10 Years
Golden Triangle District (1)	5	5	153,568	32,169	5
Louisiana District	5	5	129,890	27,200	5
Houston District	18	14	394,240	90,070	13
San Antonio/Austin District .	13	13	379,330	83,982	12
Corpus Christi	1	1	51,670	14,300	1
South Texas	2	2	55,660	8,435	2
Dallas District	12	10	351,243	79,245	10
Store Totals	56	50	1,515,601	335,401	48
Warehouse/Distribution Centers	6	3	703,453	703,453	1
Service Centers	5	3	191,932	133,636	1
Corporate Offices	1	1	106,783	25,000	1
Total	68	57	2,517,769	1,197,490	51

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(1) Includes one store in Lake Charles, Louisiana.

ITEM 3. LEGAL PROCEEDINGS.

We are involved in routine litigation incidental to our business from time to time. We do not expect the outcome of any of this routine litigation to have a material effect on our financial condition or results of operation. However, the results of their proceedings cannot be predicted with certainty, and changes in facts and circumstances could impact our estimate of reserves for litigation.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

There were no matters submitted to a vote of security holders during the fourth quarter of fiscal 2006.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, AND RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

What is the principal market for our common stock?

The principal market for our common stock is the NASDAQ National Market. Our common stock is listed on the NASDAQ National Market under the symbol "CONN." Information regarding the high and low sales prices for our common stock for each quarterly period since our initial public offering as reported on NASDAQ is summarized as follows:

	High	Low
Quarter ended April 30, 2004	$ 18.08	$ 14.50
Quarter ended July 31, 2004	$ 19.18	$ 15.35
Quarter ended October 31, 2004	$ 16.82	$ 13.79
Quarter ending January 31, 2005	$ 18.33	$ 14.37
Quarter ended April 30, 2005	$ 19.70	$ 15.29
Quarter ended July 31, 2005	$ 27.51	$ 16.69
Quarter ended October 31, 2005	$ 29.80	$ 23.20
Quarter ended January 31, 2006	$ 44.93	$ 28.68

How many common stockholders do we have?

As of March 27, 2006, we had approximately 57 common stockholders of record and an estimated 6,400 beneficial owners of our common stock.

Did we declare any cash dividends in fiscal 2005 or fiscal 2006?

No cash dividends were paid in fiscal 2005 or 2006. We do not anticipate paying dividends in the foreseeable future. Any future payment of dividends will be at the discretion of the Board of Directors and will depend upon our results of operations, financial condition, cash requirements and other factors deemed relevant by the Board of Directors, including the terms of our indebtedness. Provisions in agreements governing our long-term indebtedness restrict the amount of dividends that we may pay to our stockholders. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources."

Has the Company had any sales of unregistered securities during the last year?

The Company has had no sales of unregistered securities during fiscal 2006.

ITEM 6. SELECTED FINANCIAL DATA

	Year Ended July 31, 2001	Six Months Ended January 31, 2002	Twelve Months Ended January 31, 2002	Years Ended January 31, 2003	2004	2005	2006
			(unaudited)				
Statement of Operations (1):		(dollars and shares in thousands, except per share amounts)					
Total revenues	$327,257	$206,896	$378,525	$445,973	$499,310	$567,092	$702,422
Operating expense:							
Cost of goods sold, including warehousing and occupancy cost	201,963	127,543	233,226	276,956	317,712	359,710	453,374
Selling, general and administrative expense	92,194	58,630	106,949	125,712	135,174	152,900	181,631
Provision for bad debts	1,734	1,286	2,406	4,125	4,657	5,637	3,769
Total operating expense	295,891	187,459	342,581	406,793	457,543	518,247	638,774
Operating income	31,366	19,437	35,944	39,180	41,767	48,845	63,648
Interest expense, net and minority interest	3,754	2,940	4,855	7,237	4,577	2,477	400
Earnings before income taxes	27,612	16,497	31,089	31,943	37,190	46,368	63,248
Provision for income taxes	9,879	5,944	11,130	11,342	12,850	16,243	22,067
Net income from continuing operations	17,733	10,553	19,959	20,601	24,340	30,125	41,181
Discontinued operations, net of tax	(546)	-	(389)	-	-	-	-
Net income	17,187	10,553	19,570	20,601	24,340	30,125	41,181
Less preferred stock dividends (2)	(2,173)	(1,025)	(1,939)	(2,133)	(1,954)	-	-
Net income available for common stockholders	$ 15,014	$ 9,528	$ 17,631	$ 18,468	$ 22,386	$ 30,125	$ 41,181
Earnings per common share:							
Basic	$ 0.87	$ 0.56	$ 1.03	$ 1.10	$ 1.26	$ 1.30	$ 1.76
Diluted	$ 0.87	$ 0.55	$ 1.01	$ 1.10	$ 1.22	$ 1.27	$ 1.70
Average common shares outstanding:							
Basic	17,169	17,025	17,060	16,724	17,726	23,192	23,412
Diluted	17,194	17,327	17,383	16,724	18,335	23,754	24,192
Other Financial Data:							
Stores open at end of period	32	36	36	42	45	50	56
Same store sales growth (3)	10.3%	16.7%	15.6%	1.3%	2.6%	3.6%	16.9%
Inventory turns (4)	5.9	7.5	6.8	6.6	6.5	6.0	6.6
Gross margin percentage (5)	38.3%	38.4%	38.4%	37.9%	36.4%	36.6%	35.5%
Operating margin (6)	9.6%	9.4%	9.5%	8.8%	8.4%	8.6%	9.1%
Return on average equity (7)	36.7%	35.9%	34.9%	28.3%	19.5%	16.4%	18.5%
Capital expenditures	$ 14,833	$ 10,551	$ 15,547	$ 15,070	$ 9,401	$ 19,619	$ 18,490
Balance Sheet Data:							
Working capital	$ 40,752	$ 45,546	$ 45,546	$ 69,984	$115,366	$148,074	$179,496
Total assets	134,425	145,644	145,644	181,798	234,760	268,792	341,995
Total debt	31,445	38,750	38,750	51,992	14,512	10,532	136
Preferred stock	15,400	15,226	15,226	15,226	-	-	-
Total stockholders' equity	54,879	62,860	62,860	82,669	166,590	200,802	245,284

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(1) Information excludes the operations of the rent-to-own division that was sold in February, 2001.

(2) Dividends were not actually declared or paid until 2004, but are presented for purposes of earnings per share calculations.

(3) Same store sales growth is calculated by comparing the reported sales by store for all stores that were open throughout a period to reported sales by store for all stores that were open throughout the prior period. Sales from closed stores have been removed from each period. Sales from relocated stores have been included in each period because each such store was relocated within the same general geographic market. Sales from expanded stores have been included in each period.

(4) Inventory turns are defined as the cost of goods sold, excluding warehousing and occupancy cost, divided by the average of the beginning and ending product inventory, excluding consigned goods; information for the six months ended January 31, 2002 has been annualized for comparison purposes.

(5) Gross margin percentage is defined as total revenues less cost of goods and parts sold, including warehousing and occupancy cost, divided by total revenues.

(6) Operating margin is defined as operating income divided by total revenues.

(7) Return on average equity is calculated as current period net income from continuing operations divided by the average of the beginning and ending equity; information for the six months ended January 31, 2002 has been annualized for comparison purposes.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Forward-Looking Statements

This report contains forward-looking statements. We sometimes use words such as "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," "project" and similar expressions, as they relate to us, our management and our industry, to identify forward-looking statements. Forward-looking statements relate to our expectations, beliefs, plans, strategies, prospects, future performance, anticipated trends and other future events. We have based our forward-looking statements largely on our current expectations and projections about future events and financial trends affecting our business. Actual results may differ materially. Some of the risks, uncertainties and assumptions about us that may cause actual results to differ from these forward-looking statements include, but are not limited to:

- the success of our growth strategy and plans regarding opening new stores and entering adjacent and new markets, including our plans to continue expanding into the Dallas/Fort Worth Metroplex, and South Texas;
- our intention to update or expand existing stores;
- our ability to obtain capital for required capital expenditures and costs related to the opening of new stores or to update or expand existing stores;
- our cash flows from operations, borrowings from our revolving line of credit and proceeds from securitizations to fund our operations, debt repayment and expansion;
- rising interest rates may increase our cost of borrowings or reduce securitization income;
- technological and market developments, growth trends and projected sales in the home appliance and consumer electronics industry, including with respect to digital products like DVD players, HDTV, digital radio, home networking devices and other new products, and our ability to capitalize on such growth;
- the potential for price erosion or lower unit sales points that could result in declines in revenues;
- increasing oil and gas prices that could adversely affect our customers' shopping decisions and patterns;
- both short-term and long-term impact of adverse weather conditions (e.g. hurricanes) that could result in volatility in our revenues and increased expenses and casualty losses;
- changes in laws and regulations and/or interest, premium and commission rates allowed by regulators on our credit, credit insurance and service maintenance agreements as allowed by those laws and regulations;
- our relationships with key suppliers;
- the adequacy of our distribution and information systems and management experience to support our expansion plans;
- the accuracy of our expectations regarding competition and our competitive advantages;
- the potential for market share erosion that could result in reduced revenues;
- the accuracy of our expectations regarding the similarity or dissimilarity of our existing markets as compared to new markets we enter; and
- the outcome of litigation affecting our business.

Additional important factors that could cause our actual results to differ materially from our expectations are discussed under "Risk Factors" in this Form 10-K. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this report might not happen.

The forward-looking statements in this report reflect our views and assumptions only as of the date of this report. We undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

All forward-looking statements attributable to us, or to persons acting on our behalf, are expressly qualified in their entirety by these cautionary statements.

General

We intend the following discussion and analysis to provide you with a better understanding of our financial condition and performance in the indicated periods, including an analysis of those key factors that contributed to our financial condition and performance and that are, or are expected to be, the key "drivers" of our business.

Through our 56 retail stores, we provide products and services to our customers in six primary market areas, including Houston, San Antonio/Austin, Dallas/Fort Worth, southern Louisiana, Southeast Texas, and South Texas. Products and services offered through retail sales outlets include major home appliances, consumer electronics, home office equipment, lawn and garden products, mattresses, furniture, service maintenance agreements, customer credit programs, including installment and revolving credit account services, and various credit insurance products. These activities are supported through our extensive service, warehouse and distribution system. Our stores bear the "Conn's" name, after our founder's family, and deliver the same products and services to our customers. All of our stores follow the same procedures and methods in managing their operations. The Company's management evaluates performance and allocates resources based on the operating results of the retail stores and considers the credit programs, service contracts and distribution system to be an integral part of the Company's retail operations.

Presented below is a diagram setting forth our five cornerstones which represent, in our view, the five components of our sales goal - strong merchandising systems, state of the art credit options for our customers, an extensive warehousing and distribution system, a service system to support our customers needs beyond the product warranty periods, and our uniquely, well-trained employees in each area. Each of these systems combine to create a "nuts and bolts" support system for our customers needs and desires. Each of these systems is discussed at length in the Business section of this report.

BUSINESS
CORNERSTONES:
- --------------- => DRIVE => SALES
Merchandising
Credit
Distribution
Service
Training

We, of course, derive a large part of our revenue from our product sales. However, unlike many of our competitors, we provide in-house credit options for our customers' product purchases. In the last three years, we have financed, on average, approximately 57% of our retail sales through these programs. In turn, we finance (convert to cash) substantially all of our customer receivables from these credit options through an asset-backed securitization facility. See

"Business - Finance Operations" for a detailed discussion of our in-house credit programs. As part of our asset-backed securitization facility, we have created a qualifying special purpose entity, which we refer to as the QSPE or the issuer, to purchase customer receivables from us and to issue asset-backed and variable funding notes to third parties to fund such purchases. We transfer our receivables, consisting of retail installment contracts and revolving accounts extended to our customers, to the issuer in exchange for cash and subordinated securities.

While our warehouse and distribution system does not directly generate revenues, other than the fees paid by our customers for delivery and installation of the products to their homes, it is our extra, "value-added" program that our existing customers have come to rely on, and our new customers are hopefully sufficiently impressed with to become repeat customers. We derive revenues from our repair services on the products we sell. Additionally, acting as an agent for unaffiliated companies, we sell credit insurance to protect our customers from credit losses due to death, disability, involuntary unemployment and damage to the products they have purchased; to the extent they do not already have it.

Executive Overview

This overview is intended to provide an executive level overview of our operations for our fiscal year ended January 31, 2006. A detailed explanation of the changes in our operations for the fiscal year ended January 31, 2006 as compared to the prior year is included beginning on page 36. Following are significant financial items in managements view:

- Our revenues for the fiscal year ended January 31, 2006 increased by 23.9 percent, or $135.3 million, from fiscal year 2005 to $702.4 million due to sales growth, primarily from existing stores, and increased securitization income. Our same store sales product growth rate for the fiscal year ended January 31, 2006 was 16.9%, versus 3.6% for fiscal 2005. The improvement in same store sales growth was due primarily to improved execution at the store level and effective sales promotions. (Also see "Operational Changes and Outlook.")

- During the last half of fiscal year 2006, two hurricanes, Katrina and Rita, hit the Gulf Coast. These storms significantly impacted our operations by:

  - temporary closing of our Louisiana, South East Texas, Corpus Christi and Houston stores and related distribution operations for limited periods of time,
  - positively impacting Net sales as customers in the affected areas replaced appliances and other household products damaged as a result of the storms,
  - disrupting credit collection efforts while we were displaced from our corporate headquarters as a result of Hurricane Rita, causing a short-term increase in the credit portfolio's delinquency statistics and resulting in a reduction of Finance charges and other and an increase in Bad debt expense, and
  - causing us to incur expenses related to the relocation of our corporate office functions and losses related to damaged merchandise and facilities, net of insurance proceeds.

- Same store sales benefited from the effects of the hurricanes. Appliance sales accounted for the majority of the increase in total same stores sales during the period due in part to our customers' need to replace items damaged by the storms. We believe same store sales, adjusted for our estimate of the impact of the hurricanes, grew approximately 12% for the year ended January 31, 2006.

- Our entry into the Dallas/Fort Worth and the South Texas markets had a positive impact on our revenues. Approximately $75.9 million of our product sales for the year ended January 31, 2006, came from the opening of twelve new stores in these markets, since February 2004. Our plans provide for the opening of additional stores in existing markets during the balance of fiscal 2007 as we focus on opportunities in markets in which we have existing infrastructure.

- While deferred interest and "same as cash" plans continue to be an important part of our sales promotion plans, our improved execution and effective use of a variety of sales promotions, enabled us to reduce the level of deferred interest and "same as cash" plans that extend beyond one year, relative to gross product sales volume. For the fiscal years ended January 31, 2005 and 2006, $29.0 million and $33.9 million, respectively, in gross product sales were financed by extended deferred interest and "same as cash" plans. These extended term promotional programs were not offered broadly until April, 2004. We expect to continue to offer this type of extended term promotional credit in the future.

- During the year ended January 31, 2006, pretax income was reduced by $1.0 million to reflect our estimate of expected losses due to increased delinquencies from Hurricane Rita and a temporary increase in bankruptcy filings. The increase in bankruptcy filings is as a result of the new bankruptcy law that took effect October 17, 2005, prompting consumers to file for bankruptcy protection before the new law went into effect. The $1.0 million charge to earnings reduced Finance charges and other by $895,000 and increased Bad debt expense by $105,000.

- Our gross product margin was 35.5% for fiscal year 2006, a decrease from 36.6% in fiscal 2005, primarily as a result of a change in our revenue mix as Product sales grew faster than Service revenues and Finance charges and other. Also, reduced insurance sales penetration negatively impacted our gross margin.

- Our operating margin increased to 9.1% from 8.6% in fiscal 2005. In fiscal year 2006, we decreased SG&A expense as a percent of revenues to 25.8% from 27.0% when compared to the prior year, primarily from decreases in payroll and payroll related expenses and net advertising expense as a percent of revenues. Partially offsetting these reductions were increased general liability insurance expense and expenses incurred due to Hurricane Rita of approximately $907,000, net of estimated insurance proceeds. Additionally, our operating margin benefited from a decrease in the Provision for bad debts as a percent of revenues from 1.0% to 0.5%.

- Operating cash flows were $64.3 million for fiscal 2006. Our operating cash flows increased as a result of increased net income, improved funding under our asset-backed securitization and vendor and federal employment and income tax payment deferrals granted because of the hurricanes. Most of the payments deferred will be paid during the three month period ended April 30, 2006.

- Our pretax income for fiscal 2006 increased by 36.4% or approximately $16.8 million, from fiscal 2005 to $63.2 million. The increase was driven largely by the increase in sales with additional benefit from improved expense leverage, as Selling, general and administrative expenses did not grow as fast as revenues.

Operational Changes and Outlook

We have implemented, continued increased focus on or modified several initiatives in fiscal 2006 that we believe will positively impact our future operating results, including:

- A reorganization of our retail management team, including strengthening the district management team in the Dallas/Fort Worth market;

- Successfully increasing the sales force by adding approximately 13% more sales associates per store, resulting in incremental sales volume;

- Implementation of call centers in the stores, emphasizing regular, consistent contact with our customers;

- Increased emphasis on the sales of furniture, and additional product lines added to this category; and

- Promoting flat panel technology in our stores as the price point becomes more affordable for our customers.

Our sales during the last five months of fiscal 2006 benefited from the impact of Hurricanes Katrina and Rita. This impact could affect future same store sales due to:

- o The acceleration of the sale of essential appliances in the affected markets disrupting the normal replacement o cycle for these items; and

- o The same store sales reported for the impacted markets being elevated to a level that might not be duplicated. o

While our credit portfolio delinquency statistics were still negatively impacted by the effects of the hurricanes at January 31, 2006, we anticipate the portfolio performance returning to historical levels as we continue to work with the customers impacted by these events.

During the year, we opened four new stores in the Dallas/Fort Worth market, one in Harlingen, Texas and one in San Antonio, Texas. We continue to be satisfied with the results in the Dallas/Fort Worth market and will continue to expand the number of stores in that market. We added additional distribution capability during the year by opening our 140,000 square foot distribution center in Dallas, and increased our service center capabilities in Dallas by converting our previous distribution center to a full-time service center. Our new Harlingen store now joins a store in McAllen, Texas, opened in early September 2004, forming our South Texas market, We believe that this market is substantially underserved and provides great growth potential for our company. We have several other locations in Texas and Louisiana that we believe are promising and, along with new stores in existing markets, are in various stages of development for opening in fiscal year 2007. We also continue to look at other markets, including neighboring states for opportunities.

The consumer electronics industry depends on new products to drive same store sales increases. Typically, these new products, such as digital televisions, DVD players, digital cameras and MP3 players are introduced at relatively high price points that are then gradually reduced as the product becomes more mainstream. To sustain positive same store sales growth, unit sales must increase at a rate greater than the decline in product prices. The affordability of the product helps drive the unit sales growth. However, as a result of relatively short product life cycles in the consumer electronics industry, which limit the amount of time available for sales volume to increase, combined with rapid price erosion in the industry, retailers are challenged to maintain overall gross margin levels and positive same store sales. This has historically been our experience, and we continue to adjust our marketing strategies to address this challenge through the introduction of new product categories and new products within our existing categories.

Application of Critical Accounting Policies

In applying the accounting policies that we use to prepare our consolidated financial statements, we necessarily make accounting estimates that affect our reported amounts of assets, liabilities, revenues and expenses. Some of these accounting estimates require us to make assumptions about matters that are highly uncertain at the time we make the accounting estimates. We base these assumptions and the resulting estimates on authoritative pronouncements, historical information and other factors that we believe to be reasonable under the circumstances, and we evaluate these assumptions and estimates on an ongoing basis. We could reasonably use different accounting estimates, and changes in our accounting estimates could occur from period to period, with the result in each case being a material change in the financial statement presentation of our financial condition or results of operations. We refer to accounting estimates of this type as "critical accounting estimates." We believe that the critical accounting estimates discussed below are among those most important to an understanding of our consolidated financial statements as of January 31, 2006.

Transfers of Financial Assets. We transfer customer receivables to the QSPE that issues asset-backed securities to third party lenders using these accounts as collateral, and we continue to service these accounts after the transfer. We recognize the sale of these accounts when we relinquish control of the transferred financial asset in accordance with Statement of Financial Accounting Standards ("SFAS") No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities. As we transfer the accounts, we record an asset representing the "interest only strip", which is cash flows resulting entirely from the interest on the security. The gain or loss recognized on these transactions is based on our best estimates of key assumptions, including forecasted credit losses, payment rates, forward yield curves, costs of servicing the accounts and appropriate discount rates. The use of different estimates or assumptions could produce different financial results. For example, if we had assumed a 10.0% reduction in net interest spread (which might be caused by rising interest rates), our interest in securitized assets would have been reduced by $4.7 million as of January 31, 2006, which may have an adverse effect on earnings. We recognize income from our interest in these transferred accounts based on the difference between the interest earned on customer accounts and the costs associated with financing and servicing the transferred accounts, less a provision for bad debts associated with the transferred assets. This income is recorded as "Finance charges and other" in our consolidated statement of operations. If we had assumed a 10% increase in the assumption used for developing the reserve for doubtful accounts on the books of the QSPE, the impact to recorded "Finance charges and other" would have been a reduction in revenues and pretax income of $1.2 million.

Deferred Tax Assets. We have significant net deferred tax assets (approximately $5.5 million as of January 31, 2006), which are subject to periodic recoverability assessments. Realization of our net deferred tax assets may be dependent upon whether we achieve projected future taxable income. Our estimates regarding future profitability may change due to future market conditions, our ability to continue to execute at historical levels and our ability to continue our growth plans. These changes, if any, may require material adjustments to these deferred tax asset balances. For example, if we had assumed that the future tax rate at which these deferred items would reverse was 34.1% rather than 35.1%, we would have reduced the net deferred tax asset and net income by approximately $94,000.

Intangible Assets. We have significant intangible assets related primarily to goodwill. The determination of related estimated useful lives and whether or not these assets are impaired involves significant judgments. Effective with the implementation of SFAS 142, we ceased amortizing goodwill and began testing potential impairment of this asset annually based on judgments regarding ongoing profitability and cash flow of the underlying assets. Changes in strategy or market conditions could significantly impact these judgments and require adjustments to recorded asset balances. For example, if we had reason to believe that our recorded goodwill had become impaired due to decreases in the fair market value of the underlying business, we would have to take a charge to income for that portion of goodwill that we believe is impaired. Our goodwill balance at January 31, 2005 and 2006 was $9.6 million

Property, Plant and Equipment. Our accounting policies regarding land, buildings, and equipment include judgments regarding the estimated useful lives of such assets, the estimated residual values to which the assets are depreciated, and the determination as to what constitutes increasing the life of existing assets. These judgments and estimates may produce materially different amounts of depreciation and amortization expense than would be reported if different assumptions were used. These judgments may also impact the need to recognize an impairment charge on the carrying amount of these assets if the anticipated cash flows associated with the assets are not realized. In addition, the actual life of the asset and residual value may be different from the estimates used to prepare financial statements in prior periods.

Revenue Recognition. Revenues from the sale of retail products are recognized at the time the product is delivered to the customer. Such revenues are recognized net of any adjustments for sales incentive offers such as discounts, coupons, rebates, or other free products or services. We sell service maintenance agreements and credit insurance contracts on behalf of unrelated third parties. For contracts where the third parties are the obligor on the contract, commissions are recognized in revenues at the time of sale, and in the case of retrospective commissions, based on claims experience, at the time that they are earned. When we sell service maintenance agreements in which we are deemed to be the obligor on the contract at the time of sale, revenue is recognized ratably, on a straight-line basis, over the term of the service maintenance agreement. These direct obligor service maintenance agreements are renewal contracts that provide our customers protection against product repair costs arising after the expiration of the manufacturer's warranty and the third party obligor contracts and typically range from 12 months to 36 months. These agreements are separate units of accounting under Emerging Issues Task Force No. 00-21, Revenue Arrangements with Multiple Deliverables. The amounts of service maintenance agreement revenue deferred at January 31, 2005 and 2006 were $3.9 million and $3.6 million, respectively, and are included in "Deferred revenue" in the accompanying balance sheets. The amounts of service maintenance agreement revenue recognized for the fiscal years ended January 31, 2004, 2005 and 2006 were $4.5 million, $5.0 million and $5.0 million, respectively.

Vendor Allowances. We receive funds from vendors for price protection, product rebates, marketing and training and promotion programs which are recorded on the accrual basis as a reduction to the related product cost or advertising expense according to the nature of the program. We accrue rebates based on the satisfaction of terms of the program and sales of qualifying products even though funds may not be received until the end of a quarter or year. If the programs are related to product purchases, the allowances, credits or payments are recorded as a reduction of product cost; if the programs are related to promotion or marketing of the product, the allowances, credits, or payments are recorded as a reduction of advertising expense in the period in which the expense is incurred.

Recent Accounting Pronouncements. In December 2004, Statement of Financial Accounting Standards No. 123R, Share-Based Payment, was issued. This statement establishes standards for accounting for transactions in which an entity exchanges its equity instruments for goods or services, focusing primarily on accounting for transactions in which an entity obtains an employee's services. The statement requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments, based on the grant-date fair value of the award, and record that cost over the period during which the employee is required to provide service in exchange for the award. Additionally, the statement provides multiple options for adopting the requirements of the standard. We are required to implement the provisions of this statement effective February 1, 2006, and intend to elect to retrospectively adjust prior year results for comparison purposes. We are required under existing accounting standards to provide supplemental disclosure in the footnotes to our financial statements as if our financial statements had been prepared using the fair value method of accounting for stock based compensation. See Note 1 to our financial statements for additional information.

Accounting for Leases. The accounting for leases is governed primarily by SFAS No. 13, Accounting for Leases. As required by the standard, we analyze each lease, at its inception, to determine whether it should be accounted for as an operating lease or a capital lease. Additionally, monthly lease expense for each operating lease is calculated as the average of all payments required under the minimum lease term, including rent escalations. The minimum lease term begins with the date we take possession of the property and ends on the last day of the minimum lease term, and includes all rent holidays, but excludes renewal terms that are at our option. Any tenant improvement allowances received are deferred and amortized into income as a reduction of lease expense on a straight line basis over the minimum lease term. The amortization of leasehold improvements is computed on a straight line basis over the shorter of the remaining lease term or the estimated useful life of the improvements.

Results of Operations

The following table sets forth certain statement of operations information as a percentage of total revenues for the periods indicated.

	Years ended January 31,		
	2004	2005	2006
Revenues:			
Product sales	80.6%	79.6%	81.1%
Service maintenance agreement commissions (net)	4.0	4.2	4.4
Service revenues	3.7	3.3	2.9
Total net sales	88.3	87.1	88.4
Finance charges and other	11.7	12.9	11.6
Total revenues	100.0	100.0	100.0
Cost and expenses:			
Cost of goods sold, including warehousing and occupancy costs	62.8	62.6	63.8
Cost of parts sold, including warehousing and occupancy costs	0.8	0.8	0.8
Selling, general and administrative expense	27.1	27.0	25.8
Provision for bad debts	0.9	1.0	0.5
Total costs and expenses	91.6	91.4	90.9
Operating income	8.4	8.6	9.1
Interest expense (including minority interest)	0.9	0.4	0.1
Earnings before income taxes	7.5	8.2	9.0
Provision for income taxes			
Current	2.6	2.9	3.3
Deferred	-	-	(0.2)
Total provision for income taxes	2.6	2.9	3.1
Net income	4.9%	5.3%	5.9%

In reviewing the percentages reflected in the above table, we noted that the following trends in our operations developed within the last twelve months.

- The increase in cost of goods sold as a percentage of total revenues reflects the shift in revenue mix as product sales grew faster than service revenues and finance charges and other. Cost of products sold was 78.7% of net product sales in the 2005 period and 78.6% in the 2006 period.

- The decline in selling, general and administrative expense as a percentage of total revenues resulted primarily from decreased payroll and payroll related expenses and net advertising expense, as a percent of revenues, that were partially offset by increased general liability insurance expense and higher expenses incurred due to Hurricane Rita.

- The declining trend in interest expense as a percentage of total revenues is a function of continuing to generate positive cash flow, the pay-off of debt with our IPO proceeds in fiscal year 2004 and the impact of expiring interest rate swap agreements.

The presentation of our gross margins may not be comparable to other retailers since we include the cost of our in-home delivery service as part of selling, general and administrative expense. Similarly, we include the cost of merchandising our products, including amounts related to purchasing the product and a portion of our advertising cost, in selling, general and administrative expense. It is our understanding that other retailers may include such costs as part of cost of goods sold.

The following table presents certain operations information in dollars and percentage changes from year to year:

Analysis of Consolidated Statements of Operations
(in thousands except percentages)

	Years Ended January 31,			2005 vs. 2004 Incr/(Decr)		2006 vs. 2005 Incr/(Decr)	
	2004	2005	2006	Amount	Pct	Amount	Pct
Revenues							
Product sales	$402,579	$451,560	$569,877	$48,981	12.2%	$118,317	26.2%
Service maintenance agreement commissions (net)	20,074	23,950	30,583	3,876	19.3	6,633	27.7
Service revenues	18,265	18,725	20,278	460	2.5	1,553	8.3
Total net sales	440,918	494,235	620,738	53,317	12.1	126,503	25.6
Finance charges and other	58,392	72,857	81,684	14,465	24.8	8,827	12.1
Total revenues	499,310	567,092	702,422	67,782	13.6	135,330	23.9
Cost of goods and parts sold	317,712	359,710	453,374	41,998	13.2	93,664	26.0
Gross Profit	181,598	207,382	249,048	25,784	14.2	41,666	20.1
Gross Margin	36.4%	36.6%	35.5%				
Selling, general and administrative expense	135,174	152,900	181,631	17,726	13.1	28,731	18.8
Provision for bad debts	4,657	5,637	3,769	980	21.0	(1,868)	(33.1)
Operating income	41,767	48,845	63,648	7,078	16.9	14,803	30.3
Operating Margin	8.4%	8.6%	9.1%				
Interest expense	4,577	2,359	400	(2,218)	(48.5)	(1,959)	(83.0)
Minority interest in limited partnership	-	118	-	118		(118)	
Pretax Income	37,190	46,368	63,248	9,178	24.7	16,880	36.4
Income taxes	12,850	16,243	22,067	3,393	26.4	5,824	35.9
Net Income	24,340	30,125	41,181	5,785	23.8	11,056	36.7
Less preferred dividends	1,954	-	-	(1,954)	(100.0)	-	-
Net income available for common stockholders	$ 22,386	$ 30,125	41,181	$ 7,739	34.6%	$ 11,056	36.7%

Refer to the above Analysis of Consolidated Statements of Operations in condensed form while reading the operations review on a year by year basis.

Year Ended January 31, 2005 Compared to the Year Ended January 31, 2006

Revenues. Total revenues increased by $135.3 million, or 23.9%, from $567.1 million for the year ended January 31, 2005 to $702.4 million for the year ended January 31, 2006. The increase was attributable to increases in net sales of $126.5 million, or 25.6%, and $8.8 million, or 12.1%, in finance charges and other revenue.

The $126.5 million increase in net sales was made up of the following:

- a $75.8 million increase resulted from a same store sales increase of 16.9%. Appliance sales accounted for the majority of the increase and were significantly impacted by our customers' need to replace items damaged as a result of Hurricanes Katrina and Rita. After adjusting for our estimate of the impact of the storms, we believe same store sales increased approximately 12%, with appliance, electronics, track and furniture sales being the biggest contributors. As a result of changes in the commission structure on our third-party service maintenance agreement (SMA) contracts, beginning July 2005, we began realizing the benefit of increased front-end commissions on SMA sales, which increased net sales $1.4 million, (offsetting this increase is a decrease in retrospective commissions which is reflected in Finance charges and other),

- a $49.8 million increase generated by twelve retail locations that were not open for twelve consecutive months in each period, net of reductions related to the closing of one location,

- a $644,000 decrease resulted from an increase in discounts on promotional credit sales, and

- a $1.6 million increase resulted from an increase in service revenues.

The components of the $126.5 million increase in net sales were a $118.3 million increase in product sales and an $8.2 million net increase in service maintenance agreement commissions and service revenues. The $118.3 million increase in product sales resulted from the following:

- approximately $82.6 million was attributable to increases in unit sales, due to increased appliances, track, furniture, and consumer electronics sales, and

- approximately $35.7 million was attributable to increases in unit price points. The price point impact was driven primarily by:

    - consumers selecting higher priced consumer electronics products, as the new technology becomes more affordable;
    - consumers selecting higher priced appliance products, including high-efficiency washers and dryers and stainless kitchen
    - appliances, and higher prices on appliances in general.

The following table presents the makeup of net sales by product category in each period, including service maintenance agreement commissions and service revenues, expressed both in dollar amounts and as a percent of total net sales. Classification of sales has been adjusted from previous filings to ensure comparability between the categories.

	Years Ended January 31,					
	2005		2006			
Category	Amount	Percent	Amount	Percent	Percent Increase	
	(dollars in thousands)					
Major home appliances	$ 168,962	34.2%	$ 223,651	36.0%	32.4%	(1)
Consumer electronics	154,880	31.3	186,679	30.1	20.5	(2)
Track	85,644	17.3	100,154	16.1	16.9	(2)
Delivery	7,605	1.5	9,870	1.6	29.8	(2)
Lawn and garden	13,710	2.8	17,083	2.8	24.6	(2)
Bedding	10,262	2.1	13,126	2.1	27.9	(2)
Furniture	7,182	1.5	15,313	2.5	113.2	(3)
Other	3,315	0.7	4,001	0.6	20.7	(2)
Total product sales	451,560	91.4	569,877	91.8	26.2	
Service maintenance agreement commissions	23,950	4.8	30,583	4.9	27.7	(2)
Service revenues	18,725	3.8	20,278	3.3	8.3	
Total net sales	$ 494,235	100.0%	$ 620,738	100.0%	25.6%	

(1) In addition to strong overall sales growth, appliance sales benefited from our customers' needs after the hurricanes.
(2) These increases are consistent with overall increase in product sales and improved unit prices.
(3) This increase is due to the increased emphasis on the sales of furniture, primarily sofas, recliners and entertainment centers, and new product lines added to this category.

Revenue from Finance charges and other increased by approximately $8.8 million, or 12.1%, from $72.9 million for the year ended January 31. 2005 to $81.7 million for the year ended January 31, 2006. This increase in revenue resulted primarily from increases in securitization income of $9.6 million, a $1.0 million decrease in service maintenance agreement retrospective commissions and a net increase in insurance commissions and other revenues of $210,000. The increase in securitization income is attributable to higher product sales and increases in our retained interest in assets transferred to the QSPE, due primarily to increases in the transferred balances. Partially offsetting the securitization income increases was a reduction of $895,000 for estimated losses resulting from increased bankruptcy filings by our customers prior to October 17, 2005, the effective date of the new bankruptcy law and our estimate of expected additional loan losses due to the impact of Hurricane Rita.

Cost of Goods Sold. Cost of goods sold, including warehousing and occupancy cost, increased by $92.9 million, or 26.2%, from $355.2 million for the year ended January 31, 2005 to $448.1 million for the year ended January 31, 2006. This increase was consistent with the 26.2% increase in net product sales during the year ended January 31, 2006. Cost of products sold was 78.7% of net product sales in the 2005 period and 78.6% in the 2006 period.

Cost of Service Parts Sold. Cost of service parts sold, including warehousing and occupancy cost, increased approximately $758,000, or 16.7%, for the year ended January 31, 2006 as compared to the year ended January 31, 2005, due to increases in parts sales.

Selling, General and Administrative Expense. While Selling, general and administrative expense increased by $28.7 million, or 18.8%, from $152.9 million for the year ended January 31, 2005 to $181.6 million for the year ended January 31, 2006, it decreased as a percentage of total revenue from 27.0% to 25.8%. The decrease in expense as a percentage of total revenues resulted primarily from decreased payroll and payroll related expenses and net advertising expense, as a percent of revenues, that were partially offset by increased general liability insurance expense and higher expenses incurred due to Hurricane Rita of approximately $907,000, net of estimated insurance proceeds, including expenses related to relocation of the corporate office functions and losses related to damaged merchandise and facility damage.

Provision for Bad Debts. The provision for bad debts on receivables retained by the Company and not transferred to the QSPE and other non-credit portfolio receivables decreased by $1.9 million, or 33.1%, during the year ended January 31, 2006 as compared to the year ended January 31, 2005, primarily as a result of changes in the loss history and provision adjustments based on favorable loss experience during the last twelve months, and revised loss allocations between receivables retained by us and those transferred to the QSPE, which were offset in Finance charges and other. Partially offsetting the bad debt expense decrease was a charge of $105,000 for estimated losses resulting from increased bankruptcy filings by our customers prior to October 17, 2005, the effective date of the new bankruptcy law and expected additional loan losses due to the impact of Hurricane Rita on our customers. See Note 2 to the financial statements for information regarding the performance of the credit portfolio.

Interest Expense, net. Net interest expense decreased by $2.0 million, or 83.0%, from $2.4 million for the year ended January 31, 2005 to $400,000 for the year ended January 31, 2006. The net decrease in interest expense was attributable to the following factors:

- expiration of $20.0 million in our interest rate hedges and the discontinuation of hedge accounting for derivatives resulted in a net decrease in interest expense of approximately $856,000; and

- the deconsolidation of SRDS (previously consolidated as a VIE according to FIN 46) resulted in a decrease of interest expense of $759,000,

The remaining decrease in interest expense of $385,000 resulted from lower average outstanding debt balances and higher interest income from invested funds.

Minority Interest. As a result of FIN 46, for the year ended January 31, 2005, we eliminated the pretax operating profit contributed from the consolidation of SRDS through the minority interest line item in our consolidated statement of operations (see Note 1 of Notes to the Financial Statements).

Provision for Income Taxes. The provision for income taxes increased by $5.9 million, or 36.0%, from $16.2 million for the year ended January 31, 2005 to $22.1 million for the year ended January 31, 2006, consistent with the increase in pretax income of 36.1%.

Net Income. As a result of the above factors, Net income increased $11.1 million, or 36.7%, from $30.1 million for the year ended January 31, 2005 to $41.2 million for the year ended January 31, 2006.

Year Ended January 31, 2004 Compared to the Year Ended January 31, 2005

Revenues. Total revenues increased by $67.8 million, or 13.6%, from $499.3 million for the year ended January 31, 2004 to $567.1 million for the year ended January 31, 2005. The increase was attributable to increases in net sales of $53.3 million, or 12.1%, and $14.5 million, or 24.8%, in finance charges and other revenue.

The $53.3 million increase in net sales was made up of the following:

- a $14.8 million increase resulted from a same store sales increase of 3.6%.
- a $40.5 million increase generated by nine retail locations that were not open for twelve consecutive months in each period.
- a $2.4 million decrease resulted from an increase in discounts on promotional credit sales, and
- a $460,000 increase resulted from an increase in service revenues.

The components of the $53.3 million increase in net sales were a $49.0 million increase in product sales and a $4.3 million net increase in service maintenance agreement commissions and service revenues. The $49.0 million increase in product sales resulted from the following:

- approximately $18.0 million was attributable to increases in unit sales, due to increased appliances, mattresses and track sales, and
- approximately $31.0 million was attributable to increases in unit price points. The price point impact was driven primarily by consumers selecting higher priced products as new technology prices fall and become more affordable.

The following table presents the makeup of net sales by product category in each period, including service maintenance agreement commissions and service revenues, expressed both in dollar amounts and as a percent of total net sales. Classification of sales has been adjusted from previous filings to ensure comparability between the categories.

	Years Ended January 31,				
	2004		2005		
Category	Amount	Percent	Amount	Percent	Percent Increase
	(dollars in thousands)				
Major home appliances	$ 159,401	36.1%	$ 168,962	34.2%	6.0%
Consumer electronics	139,417	31.6	154,880	31.3	11.1
Track	70,031	15.9	85,644	17.3	22.3 (1)
Delivery	6,726	1.5	7,605	1.5	13.1
Lawn and garden	11,505	2.6	13,710	2.8	19.2 (2)
Bedding	6,441	1.5	10,262	2.1	59.3 (2)
Furniture	5,712	1.3	7,182	1.5	25.7 (3)
Other	3,346	0.8	3,315	0.7	(0.9)
Total product sales	402,579	91.3	451,560	91.4	12.2
Service maintenance agreement commissions	20,074	4.6	23,950	4.8	19.3
Service revenues	18,265	4.1	18,725	3.8	2.5
Total net sales	$ 440,918	100.0%	$ 494,235	100.0%	12.1%

(1) Emphasis continues to be given to promotion of sales in the "track" area of computers, computer peripherals, portable electronics and small appliances.

(2) The increases in lawn and garden and mattresses result from our increased emphasis placed on these relatively new product categories and the introduction of the Serta brand mattresses to our product line.

(3) There has been significant growth in the sales of furniture, primarily recliners and other seating products. More square footage is being devoted to furniture in certain store locations as we continue to "test the market" for this product category.

Revenue from Finance charges and other increased by approximately $14.5 million, or 24.8%, from $58.4 million for the year ended January 31. 2004 to $72.9 million for the year ended January 31, 2005. This increase in revenue resulted primarily from increases in securitization income of $11.7 million, and increases in insurance commissions and other revenues of $2.8 million. The increase in securitization income is attributable to higher product sales and increases in our retained interest in assets transferred to the QSPE, due primarily to increases in the transferred balances.

Cost of Goods Sold. Cost of goods sold, including warehousing and occupancy cost, increased by $41.5 million, or 13.2%, from $313.6 million for the year ended January 31, 2004 to $355.1 million for the year ended January 31, 2005. This increase primarily resulted from the 12.2% increase in net product sales as well as an increase in cost of products sold. Cost of products sold was 77.9% of net product sales in the 2004 period and 78.7% in the 2005 period. The overall increase in cost of goods sold as a percentage of product sales was primarily caused by the continued deterioration of retail price points and sales of relatively lower margin computer products growing at a more rapid rate than sales of higher margin products.

Cost of Service Parts Sold. Cost of service parts sold, including warehousing and occupancy cost, increased approximately $500,000, or 11.7%, for the year ended January 31, 2005 as compared to the year ended January 31, 2004, due to increases in parts sales.

Selling, General and Administrative Expense. While Selling, general and administrative expense increased by $17.7 million, or 13.1%, from $135.2 million for the year ended January 31, 2004 to $152.9 million for the year ended January 31, 2005, it decreased as a percentage of total revenue from 27.1% to 27.0%. The increase in total expense was primarily the result of increased sales salaries and commissions (and other payroll-related expense), delivery, occupancy and depreciation expense due to the addition of new stores and all in line with the 12.1% increase in net sales. Professional services was up 41.2% which partially reflects the effect of complying with Sarbanes/Oxley Section 404 by expending approximately $600,000 on direct implementation, including our independent accounting firms cost incurred in testing and preparation necessary to issue its initial report, but not including our employee man hours. General liability, property and health insurance costs were up 24.3% due to additional stores, additional employees (primarily sales) and the higher exposure of being a publicly-traded company. These cost increases were partially offset by decreases in telephone, amortization, advertising and equipment lease expense.

Provision for Bad Debts. The provision for bad debts on receivables retained by the Company and not transferred to the QSPE and other non-credit portfolio receivables increased by $1.0 million, or 21.1%, during the year ended January 31, 2005 as compared to the year ended January 31, 2004, primarily due to the 21.2% increase in our average outstanding balance of our credit portfolio.

Interest Expense, net. Net interest expense decreased by $2.2 million, or 48.5%, from $4.6 million for the year ended January 31, 2004 to $2.4 million for the year ended January 31, 2005. The net decrease in interest expense was attributable to the following factors:

- the expiration of $30.0 million of our interest rate hedges in April 2003 and the expiration of $50.0 million of our interest rate hedges in November 2003 and the discontinuation of hedge accounting for derivatives resulted in a net decrease of $1.4 million in interest expense from the prior period; and

- the decrease in our average outstanding debt from $39.9 million to $2.6 million (when ignoring the impact of FIN 46 consolidation of $14.8 million, see below) as a result of our public offering and payoff of substantially all of our outstanding debt with the proceeds resulted in a decrease in interest expense of approximately $1.9 million;

these decreases were offset by the following:

- the increase in interest rates in our continuing revolving debt facilities and related commitment fees of $361,000; and

- the implementation of FIN 46 resulted in reclassification of $759,000 in expenses previously reflected as occupancy cost in Selling, general and administrative expense to Interest expense; these reclassifications should not be necessary in the future since we are no longer subject to the provisions of FIN 46.

Minority Interest. As a result of FIN 46, beginning February 1, 2004, we eliminate the pretax operating profit contributed from the consolidation of SRDS through the minority interest line item in our consolidated statement of operations.

Provision for Income Taxes. The provision for income taxes increased by $3.4 million, or 26.4%, from $12.8 million for the year ended January 31, 2004 to $16.2 million for the year ended January 31, 2005. The increase in the tax provision was directly related to the increase in pretax profits of $9.2 million, or 24.7%. The effective tax rate attributable to continuing operations for the year ended January 31, 2005 was 35.0%, compared with 34.6% for the prior year. Taxes were comprised of federal and state rates totaling 35.5% in both periods offset by cash refunds due to return amounts being lower than estimates and adjustments of previous tax provisions in both periods.

Net Income. As a result of the above factors, Net income increased $5.8 million, or 23.8%, from $24.3 million for the year ended January 31, 2004 to $30.1 million for the year ended January 31, 2005.

Impact of Inflation

We do not believe that inflation has a material effect on our net sales or results of operations. However, a continuing significant increase in oil and gasoline prices could adversely affect our customers' shopping decisions and patterns. We rely heavily on our internal distribution system and our same or next day delivery policy to satisfy our customers' needs and desires, and any such significant increases could result in increased distribution charges. Such increases may not affect our competitors in the same manner as it affects us.

Seasonality and Quarterly Results of Operations

Our business is somewhat seasonal, with a higher portion of sales and operating profit realized during the quarter that ends January 31. The fiscal quarter ending January 31 reflects the holiday selling season, the major collegiate bowl season, the National Football League playoffs and the Super Bowl. Over the four quarters of fiscal 2006, gross margins were 35.4%, 36.2%, 35.7% and 34.6%. During the same period, operating margins were 9.7%, 8.8%, 8.2% and 9.5%. A portion of the fluctuation in gross margins and operating margins is due to planned infrastructure cost additions, such as increased warehouse space and larger stores, additional personnel and systems required to absorb the significant increase in revenues that we have experienced over the last several years.

Additionally, quarterly results may fluctuate materially depending on factors such as the following:

- timing of new product introductions, new store openings and store relocations;

- sales contributed by new stores;

- increases or decreases in comparable store sales;

- adverse weather conditions;

- shifts in the timing of certain holidays or promotions; and

- changes in our merchandise mix.

Results for any quarter are not necessarily indicative of the results that may be achieved for a full year.

The following table sets forth certain unaudited quarterly statement of operations information for the eight quarters ended January 31, 2006. The unaudited quarterly information has been prepared on a consistent basis and includes all normal recurring adjustments that management considers necessary for a fair presentation of the information shown.

	2005				2006			
	Quarter Ended				Quarter Ended			
	Apr. 30	Jul. 31	Oct. 31	Jan. 31	Apr. 30	Jul. 31	Oct. 31	Jan. 31
	(dollars and shares in thousands, except per share amounts)							
Total revenues	$134,877	$136,601	$132,910	$162,704	$158,163	$164,375	$173,305	$206,579
Percent of total revenues ..	23.8%	24.1%	23.4%	28.7%	22.5%	23.4%	24.7%	29.4%
Gross profit	$ 48,999	$ 49,805	$ 49,228	$ 59,350	$ 56,021	$ 59,560	$ 61,947	$ 71,520
Gross profit as a % of total revenues ...	36.3%	36.5%	37.0%	36.5%	35.4%	36.2%	35.7%	34.6%
Operating profit	$ 12,715	$ 11,057	$ 10,117	$ 14,956	$ 15,387	$ 14,417	$ 14,137	$ 19,707
Operating profit as a % total revenues	9.4%	8.1%	7.6%	9.2%	9.7%	8.8%	8.2%	9.5%
Net income available for common stockholder	$ 7,773	$ 6,790	$ 6,315	$ 9,247	$ 9,802	$ 9,324	$ 9,131	$ 12,924
Net income available for common stockholder as a % of revenue	5.8%	5.0%	4.8%	5.7%	6.2%	5.7%	5.3%	6.3%
Outstanding shares:								
Basic	23,145	23,179	23,206	23,230	23,307	23,366	23,458	23,523
Diluted	23,749	23,801	23,681	23,764	23,856	24,114	24,286	24,512
Earnings per share:								
Basic	$ 0.34	$ 0.29	$ 0.27	$ 0.40	$ 0.42	$ 0.40	$ 0.39	$ 0.55
Diluted	$ 0.32	$ 0.29	$ 0.27	$ 0.39	$ 0.41	$ 0.39	$ 0.38	$ 0.53

Liquidity and Capital Resources

We require capital to finance our growth as we add new stores and markets to our operations, which in turn requires additional working capital for increased receivables and inventory. We have historically financed our operations through a combination of cash flow generated from operations and external borrowings, including primarily bank debt, extended terms provided by our vendors for inventory purchases, acquisition of inventory under consignment arrangements and transfers of receivables to our asset-backed securitization facilities. At January 31, 2006, we had a revolving line of credit facility with a group of lenders in the amount of $50 million, under which we had no borrowings outstanding but utilized $3.0 million of availability to issue letters of credit. We expect that our cash requirements for the foreseeable future, including those for our capital expenditure requirements, will be met with our available line of credit and our existing $45.2 million in cash and cash equivalents at January 31, 2006, together with cash generated from operations. Our current plans are to grow our store base by approximately 10% a year. We expect we will invest in real estate and customer receivables to support the additional stores and same store sales growth. Depending on market conditions we may, at times, enter into sale-leaseback transactions to finance our real estate or seek alternative financing sources for new store expansions and customer receivables growth.

The following is a comparison of our statement of cash flows for our fiscal years 2005 and 2006:

The increase in cash flow from operating activities for fiscal year 2006 from fiscal year 2005 of $64.1 million, resulted primarily from increased net income, a smaller increase in the retained interest in the asset backed securitization program and the timing of payments of accounts payable and federal income and employment taxes. Operating cash flows have been positively impacted in the amount of approximately $18.9 million by federal income and employment tax payment deadlines being deferred until February 28, 2006 after Hurricane Rita.

Our promotional credit programs offered to certain customers provide for "same as cash" interest free periods of varying terms, generally three, six, twelve, eighteen, twenty-four or thirty-six months. These promotional accounts are eligible for securitization up to 30.0% of eligible securitized receivables. The percentage of eligible securitized receivables represented by promotional receivables was 15.0%, 23.5% and 19.4% as January 31, 2004, 2005 and 2006, respectively. To the extent we exceed the 30.0% limit, or to the extent we have such promotional credit receivables that do not qualify for inclusion in the programs, we are required to use our other capital resources to fund the unpaid balance of the receivables for the promotional period. The weighted average promotional period was 12.5 and 11.8 months for promotional receivables outstanding as of January 31, 2005 and January 31, 2006, respectively. The weighted average remaining term on those same promotional receivables was 9.0 and 7.3 months, respectively. While overall these promotional receivables have a much shorter average weighted life than non-promotional receivables, we receive less income as a result of a reduced net interest margin used in the calculation of the gain on the sale of the receivables. As a result, the existence of the interest free extended payment terms negatively impacts the gains or losses as compared to the other receivables, and results in a decrease in our available cash.

Net cash used in investing activities was $18.5 million for both fiscal year 2005 and fiscal year 2006. Offsetting the $1.1 million decline in purchases of property and equipment was a $1.1 million decline in proceeds from sales of property and equipment. Included in fiscal 2005 purchase of property and equipment was $1.7 million of purchases by SRDS, which was consolidated in our fiscal 2005 Statement of Cash Flows. The cash expended for property and equipment was used primarily for construction of new stores and the reformatting of existing stores to better support our current product mix. We estimate that capital expenditures for the 2007 fiscal year will approximate $25 million to $30 million.

We lease 50 of our 56 stores, and our plans for future store locations include primarily leases, but does not exclude store ownership. Our capital expenditures for future store projects should primarily be for our tenant improvements to the property leased (including any new distribution centers and warehouses), the cost of which is approximately $1.5 million per store, and for our existing store remodels, in the range of $220,000 per store remodel, depending on store size. In the event we purchase existing properties, our capital expenditures will depend on the particular property and whether it is improved when purchased. We are continuously reviewing new relationship and funding sources and alternatives for new stores, which may include "sale-leaseback" or direct "purchase-lease" programs, as well as other funding sources for our purchase and construction of those projects. If we are successful in these relationship developments, our direct cash needs should include only our capital expenditures for tenant improvements to leased properties and our remodel programs for existing stores, but could include full ownership if it meets our cash investment strategy.

Net cash from financing activities decreased $19.6 million from $11.9 million for the year ended January 31, 2005, to a use of cash of $7.7 million for the year ended January 31, 2006. This change resulted primarily from increases in payments on various debt instruments of $10.5 million, as opposed to borrowings in the prior year of $10.4 million. Partially offsetting the use of cash was increased proceeds from stock issued under employee benefit plans. We do not expect to incur significant net borrowing or repayments under our bank credit facilities in fiscal 2007.

On October 31, 2005, we entered into a new, expanded bank credit facility with the same group of banks that had provided the previous credit arrangement. The new agreement expands the line of credit to $50 million, from $35 million, provides an accordion feature to allow further expansion of the facility to $90 million, under certain conditions, and extends the maturity date to November 1, 2010. Additionally, the facility provides sublimits of $8 million for a swingline line of credit for faster advances on borrowing requests, and $5 million for standby letters of credit. Loans under our revolving credit facility may, at our option, bear interest at either the alternate base rate, which is the greater of the administrative agent's prime rate or the federal funds rate, or the adjusted LIBO/LIBOR rate for the applicable interest period, in each case plus an applicable interest margin. The interest margin is between 0.00% and 0.50% for base rate loans and between 0.75% and 1.75% for LIBO/LIBOR alternative rate loans. The interest margin will vary depending on our debt coverage ratio. We additionally pay commitment fees for the undrawn portion of our revolving credit facility. At January 31, 2006 the interest rate on the revolving facility was 7.25%.

A summary of the significant financial covenants that govern our bank credit facility compared to our actual compliance status at January 31, 2006, is presented below:

	Actual	Required Minimum/ Maximum
Debt service coverage ratio must exceed required minimum	4.44 to 1.00	2.00 to 1.00
Total adjusted leverage ratio must be lower than required maximum	1.53 to 1.00	3.00 to 1.00
Adjusted consolidated net worth must exceed required minimum	$ 237,280,000	$ 143,240,000
Charge-off ratio must be lower than required maximum	0.02 to 1.00	0.06 to 1.00
Extension ratio must be lower than required maximum	0.03 to 1.00	0.05 to 1.00
30-day delinquency ratio must be lower than required maximum	0.09 to 1.00	0.13 to 1.00

Note: All terms in the above table are defined by the bank credit facility and may or may not agree directly to the financial statement captions in this document.

Events of default under the credit facility include, subject to grace periods and notice provisions in certain circumstances, non-payment of principal, interest or fees; violation of covenants; material inaccuracy of any representation or warranty; default under or acceleration of certain other indebtedness; bankruptcy and insolvency events; certain judgments and other liabilities; certain environmental claims; and a change of control. If an event of default occurs, the lenders under the credit facility are entitled to take various actions, including accelerating amounts due under the credit facility and requiring that all such amounts be immediately paid in full. Our obligations under the credit facility are secured by all of our and our subsidiaries' assets, excluding customer receivables owned by the QSPE and certain inventory subject to vendor floor plan arrangements.

The following table reflects outstanding commitments for borrowings and letters of credit, and the amounts utilized under those commitments, as of January 31, 2006:

	Commitment Expires in Fiscal Year Ending January 31,							Balance at January 31, 2006	Available at January 31, 2006
	2007	2008	2009	2010	2011	Thereafter	Total		
	(in thousands)								
Revolving Bank Facility (1) ...	$ -			$ 50,000			$ 50,000	$ 3,015	$ 46,985
Unsecured Line of Credit	8,000						8,000	-	8,000
Inventory Financing (2)	30,000						30,000	12,626	17,374
Letters of Credit	1,500						1,500	-	1,500
Total	$ 39,500	$ -	$ -	$ 50,000	$ -	$ -	$ 89,500	$ 15,641	$ 73,859

(1) Includes letter of credit sublimit. There was $3.0 million of letters of credit issued at January 31, 2006.
(2) Included in accounts payable on the consolidated balance sheet as of January 31, 2006.

Since we extend credit in connection with a large portion of our retail, service maintenance and credit insurance sales, we created a QSPE in 2002 to purchase customer receivables from us and to issue asset-backed and variable funding notes to third parties to finance its purchase of these receivables. We transfer receivables, consisting of retail installment contracts and revolving accounts extended to our customers, to the issuer in exchange for cash, subordinated securities and the right to receive the interest spread between the assets held by the QSPE and the notes issued to third parties and our servicing fees. The subordinated securities issued to us accrue interest based on prime rates and are subordinate to these third party notes

Both the bank credit facility and the asset-backed securitization program are significant factors relative to our ongoing liquidity and our ability to meet the cash needs associated with the growth of our business. Our inability to use either of these programs because of a failure to comply with their covenants would adversely affect our continued growth. Funding of current and future receivables under the asset-backed securitization program can be adversely affected if we exceed certain predetermined levels of re-aging receivables, write-offs, bankruptcies or other ineligible receivable amounts. If the funding under the asset-backed securitization program were reduced or terminated, we would have to draw down our bank credit facility more quickly than we have estimated.

A summary of the total receivables managed under the credit portfolio, including quantitative information about delinquencies, net credit losses and components of securitized assets, is presented in note 2 to our consolidated financial statements.

Based on current operating plans, we believe that cash provided by operating activities, available borrowings under our credit facility, access to the unfunded portion of the variable funding portion of our asset- backed securitization program and our current cash and cash equivalents will be sufficient to fund our operations, store expansion and updating activities and capital expenditure programs through at least January 31, 2007. However, there are several factors that could decrease cash provided by operating activities, including:

- o reduced demand for our products;
- o more stringent vendor terms on our inventory purchases;
- o loss of ability to acquire inventory on consignment;
- o increases in product cost that we may not be able to pass on to our customers;
- o reductions in product pricing due to competitor promotional activities;
- o changes in inventory requirements based on longer delivery times of the manufacturers or other requirements which would negatively impact our delivery and distribution capabilities;
- o increases in the retained portion of our receivables portfolio under our current QSPE's asset-backed o securitization program as a result of changes in performance or types of receivables transferred (promotional versus non-promotional);
- o inability to expand our capacity for financing our receivables portfolio under new or replacement QSPE o asset-backed securitization programs or a requirement that we retain a higher percentage of the credit portfolio under such programs;
- o increases in the program costs (interest and administrative fees relative to our receivables portfolio) associated with the funding of our receivables;
- o increases in personnel costs required for us to stay competitive in our markets; and
- o our inability to obtain a relationship to provide the purchase of and financing of our capital expenditures for our new stores.

If cash provided by operating activities during this period is less than we expect or if we need additional financing for future growth, we may need to increase our revolving credit facility or undertake additional equity or debt offerings. We may not be able to obtain such financing on favorable terms, if at all.

Off-Balance Sheet Financing Arrangements

At January 31, 2006, the issuer has issued two series of notes: a Series A variable funding note with a capacity of $250.0 million purchased by Three Pillars Funding Corporation and three classes of Series B notes in the aggregate amount of $200.0 million. The commercial paper underlying the Series A variable funding note is rated A1/P1 by Standard and Poors and Moody's, respectively. These ratings represent the highest rating ("highest quality") of each rating agency's three short-term investment grade ratings, except that Standard and Poors could add a "+" which would convert the "highest quality" rating to an "extremely strong" rating. The Series B notes consist of: Class A notes in the amount $120.0 million, rated Aaa by Moody's representing the highest rating ("highest quality") of the four long term investment grade ratings provided by this organization; Class B notes in the amount $57.8 million, rated A2 by Moody's representing the middle of the third rating ("upper medium quality") of the four long term investment grade ratings provided by this organization; and

Class C notes in the amount of $22.2 million, rated Baa2/BBB by Moody's and Fitch, respectively. These ratings represent the lowest of the four investment grades ("medium quality") provided by these organizations. The ratings disclosed are not recommendations to buy, sell or hold securities. These ratings may be changed or withdrawn at any time without notice, and each of the ratings should be evaluated independently of any other rating. We are not aware of a rating by any other rating organization and are not aware of any changes in these ratings. Private institutional investors, primarily insurance companies, purchased the Series B notes. The issuer used the proceeds of these issuances, along with funds provided by us in fiscal 2003 from borrowings under our bank credit facility, to initially purchase eligible accounts receivable from us and to fund a required $8.0 million restricted cash account for credit enhancement of the Series B notes.

We are entitled to a monthly servicing fee, so long as we act as servicer, in an amount equal to .25% multiplied by the average aggregate principal amount of receivables plus the amount of average aggregate defaulted receivables. The issuer records revenues equal to the interest charged to the customer on the receivables less losses, the cost of funds, the program administration fees paid to either Three Pillars Funding Corporation or the Series B note holders, and the servicing fee. SunTrust Capital Markets, Inc. serves as an administrative agent for Three Pillars Funding Corporation in connection with the Series A variable funding note.

The Series A variable funding note permits the issuer to borrow funds up to $250.0 million to purchase receivables from us, thereby functioning as a credit facility to accumulate receivables. When borrowings under the Series A variable funding note approach $250.0 million, the issuer intends to refinance the receivables by issuing a new series of notes and use the proceeds to pay down the outstanding balance of the Series A variable funding note, so that the credit facility will once again become available to accumulate new receivables. As of January 31, 2006, borrowings under the Series A variable funding note were $185.0 million.

The Series A variable funding note matures on September 1, 2007. The issuer will repay the Series A variable funding note and any refinancing note with amounts received from customers pursuant to receivables that we transferred to the issuer. Beginning on October 20, 2006, the issuer will begin to make scheduled principal payments on the Series B notes with amounts received from customers pursuant to receivables that we transferred to the issuer. To the extent that the issuer has not otherwise repaid the Series B notes, they mature on September 1, 2010. We are currently in negotiations to increase the amount and extend the term of the Series A variable funding note and issue a new series of fixed-rate notes to provide funding for additional purchases of receivables and the paydown of the Series B notes.

The Series A variable funding note bears interest at the commercial paper rate plus an applicable margin, in most instances of 0.8%, and the Series B notes have fixed rates of 4.469%, 5.769% and 8.180% for the Class A, B and C notes, respectively. In addition, there is an annual administrative fee and a non-use fee associated with the unused portion of the committed facility.

We are not directly liable to the lenders under the asset-backed securitization facility. If the issuer is unable to repay the Series A and Series B notes due to its inability to collect the transferred customer accounts, the issuer could not pay the subordinated notes it has issued to us in partial payment for transferred customer accounts, and the Series B lenders could claim the balance in the restricted cash account. We are also contingently liable under a $10.0 million letter of credit that secures our performance of our obligations or services under the servicing agreement as it relates to the transferred assets that are part of the asset-backed securitization facility.

The issuer is subject to certain affirmative and negative covenants contained in the transaction documents governing the Series A variable funding note and the Series B notes, including covenants that restrict, subject to specified exceptions: the incurrence of additional indebtedness and other obligations and the granting of additional liens; mergers, acquisitions, investments and disposition of assets; and the use of proceeds of the program. The issuer also makes covenants relating to compliance with certain laws, payment of taxes, maintenance of its separate legal entity, preservation of its existence, protection of collateral and financial reporting. In addition, the program requires the issuer to maintain a minimum net worth.

Events of default under the Series A variable funding note and the Series B notes, subject to grace periods and notice provisions in some circumstances, include, among others: failure of the issuer to pay principal, interest or fees; violation by the issuer of any of its covenants or agreements; inaccuracy of any representation or warranty made by the issuer; certain servicer defaults; failure of the trustee to have a valid and perfected first priority security interest in the collateral; default under or acceleration of certain other indebtedness; bankruptcy and insolvency events; failure to maintain certain loss ratios and portfolio yield; change of control provisions and certain events pertaining to us. The issuer's obligations under the program are secured by the receivables and proceeds.

[GRAPHIC OMITTED]

[SEE SUPPLEMENTAL PDF OF SECURITIZATION FACILITIES CHART]

Certain Transactions

Since 1996, we have leased a retail store location of approximately 19,150 square feet in Houston, Texas from Thomas J. Frank, Sr., our Chairman of the Board and Chief Executive Officer. The lease provides for base monthly rental payments of $17,235 plus escrows for taxes, insurance and common area maintenance expenses of increasing monthly amounts based on expenditures by the management company operating the shopping center of which this store is a part through January 31, 2011. We also have an option to renew the lease for two additional five-year terms. Mr. Frank received total payments under this lease of $281,000 in fiscal 2004, 2005 and 2006, respectively. Based on market lease rates for comparable retail space in the area, we believe that the terms of this lease are no less favorable to us than we could have obtained in an arms' length transaction at the date of the lease commencement.

We leased six store locations from Specialized Realty Development Services, LP ("SRDS"), a real estate development company that was created prior to our becoming publicly held and was owned by various members of management and individual investors of Stephens Group, Inc., a significant shareholder of the company. Based on independent appraisals that were performed on each project that was completed, we believe that the terms of the leases were at least comparable to those that could be obtained in an arms' length transaction. As part of the ongoing operation of SRDS, we received management fees associated with the administrative functions that were provided to SRDS of $5,000, $100,000 and $6,500 for the years ended January 31, 2004, 2005 and 2006, respectively. As of January 31, 2005, we no longer leased any properties from SRDS since it divested itself of the leased properties. As part of the divestiture, SRDS reimbursed us $75,000 for costs related to lease modifications.

We engage the services of Direct Marketing Solutions, Inc., or DMS, for a substantial portion of its direct mail advertising. Direct Marketing Solutions, Inc. is partially owned (less than 50%) by the Stephens Group Inc., members of the Stephens family, Jon Jacoby, and Doug Martin. The Stephens Group Inc. and the members of the Stephens family are significant shareholders of the Company, and Jon Jacoby and Doug Martin are members of our Board of Directors. The fees we paid to DMS during fiscal years ended 2005 and 2006 amounted to approximately $1.8 million and $4.3 million, respectively. Thomas J. Frank, the Chief Executive Officer and Chairman of the Board of Directors owned a small percentage (0.7%) at the end of fiscal year 2005, but divested his interest during the first half of fiscal year 2006.

Contractual Obligations

The following table presents a summary of our known contractual obligations as of January 31, 2005, with respect to the specified categories, classified by payments due per period.

		Payments due by period			
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
		(in thousands)			
Long term debt	$ 136	$ 136	$ -	$ -	$ -
Operating leases:					
Real estate	112,262	14,348	27,448	24,933	45,533
Equipment	3,795	1,217	1,439	831	308
Purchase obligations (1)	2,789	1,664	1,125	-	-
Total contractual cash obligations	$ 118,982	$ 17,365	$ 30,012	$ 25,764	$ 45,841

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(1) Includes contracts for long-term communication services. Does not include outstanding purchase orders for merchandise, services or supplies which are ordered in the normal course of operations and which generally are received and recorded within 30 days.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Interest rates under our bank credit facility are variable and are determined, at our option, as the base rate, which is the greater of prime rate or federal funds rate plus 0.50% plus the base rate margin, which ranges from 0.00% to 0.50%, or LIBO/LIBOR plus the LIBO/LIBOR margin, which ranges from 0.75% to 1.75%. Accordingly, changes in the prime rate, the federal funds rate or LIBO/LIBOR, which are affected by changes in interest rates generally, will affect the interest rate on, and therefore our costs under, our bank credit facility. We are also exposed to interest rate risk associated with our interest only strip and the subordinated securities we receive from our sales of receivables to the QSPE. See footnote 2 to the audited financial statements for disclosures related to the sensitivity of the current fair value of the interest only strip and the subordinated securities to 10% and 20% adverse changes in the factors that affect these assets, including interest rates.

We held interest rate swaps and collars with notional amounts totaling $20.0 million as of January 31, 2004, with terms extending through April 2005. Those instruments were held for the purpose of hedging variable interest rate risk, primarily related to cash flows from our interest-only strip as well as our variable rate debt. In fiscal 2004, hedge accounting was discontinued for the remaining $20.0 million. At the time the cash flow hedge designation was discontinued, we began to recognize changes in the fair value of the swaps as interest expense and to amortize the accumulated other comprehensive loss related to those derivates as interest expense over the period that the forecasted transactions effected the statement of operations. During fiscal 2004, we reclassified $0.2 million of losses previously recorded in accumulated other comprehensive losses into the statement of operations and recorded $1.7 million of income into the statement of operations because of the change in fair value of the swaps. During fiscal 2005, we reclassified $1.1 million of losses previously recorded in accumulated other comprehensive losses into the statement of operations and recorded $1.1 million of income into the statement of operations because of the change in fair value of the swaps. During fiscal 2006, we reclassified $0.2 million of losses previously recorded in accumulated other comprehensive losses into the statement of operations and recorded $0.2 million of income into the statement of operations because of the change in fair value of the swaps.

Prior to discontinuing these hedges, each period we recorded hedge ineffectiveness, which arose from differences between the interest rate stated in the derivative instrument and the interest rate upon which the underlying hedged transaction is based. Ineffectiveness totaled $0.4 million, for the year ended January 31, 2004, and is reflected in "Interest Expense" in our consolidated statement of operations. Since all hedge accounting has ceased, no ineffectiveness was recognized in fiscal 2005 or 2006.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) or Rule 15(d)-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Our management (with the participation of our principal executive officer and our principal financial officer) assessed the effectiveness of our internal control over financial reporting as of January 31, 2006. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework. Based on our assessment and those criteria, management believes that, as of January 31, 2006, our internal control over financial reporting is effective.

Management's assessment of the effectiveness of our internal control over financial reporting as of January 31, 2006 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included elsewhere herein.

Conn's, Inc.
Beaumont, Texas
March 30, 2006

/s/ David L. Rogers

David L. Rogers
Chief Financial Officer

/s/ Thomas J. Frank

Thomas J. Frank
Chief Executive Officer

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Conn's, Inc.

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Conn's, Inc. maintained effective internal control over financial reporting as of January 31, 2006, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Conn's, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Conn's, Inc. maintained effective internal control over financial reporting as of January 31, 2006, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Conn's, Inc. maintained, in all material respects, effective internal control over financial reporting as of January 31, 2006, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Conn's, Inc. as of January 31, 2006 and 2005, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended January 31, 2006 of Conn's, Inc. and our report dated March 29, 2006 expressed an unqualified opinion thereon.

Ernst & Young LLP

Houston, Texas
March 29, 2006

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Conn's, Inc.

We have audited the accompanying consolidated balance sheets of Conn's, Inc. as of January 31, 2006 and 2005, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended January 31, 2006. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Conn's, Inc. at January 31, 2006 and 2005, and the consolidated results of its operations and its cash flows for each of the three years in the period ended January 31, 2006, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, effective January 31, 2005 the Company adopted Financial Standards Board Interpretation No. 46, "Consolidation of Variable Interest Entities".

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of January 31, 2006, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 29, 2006 expressed an unqualified opinion thereon.

Ernst & Young LLP

Houston, Texas
March 29, 2006

Conn's, Inc.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

Assets	January 31, 2005	January 31, 2006
Current Assets		
Cash and cash equivalents	$ 7,027	$ 45,176
Accounts receivable, net of allowance for doubtful accounts of $2,211 and $914, respectively	26,728	23,542
Interest in securitized assets	105,159	123,449
Inventories	62,346	73,987
Deferred income taxes	4,901	4,670
Prepaid expenses and other assets	3,552	4,004
Total current assets	209,713	274,828
Non-current deferred income tax asset	1,523	2,464
Property and equipment		
Land	2,919	6,671
Buildings	8,068	7,084
Equipment and fixtures	10,036	9,612
Transportation equipment	4,419	3,284
Leasehold improvements	56,926	65,507
Subtotal	82,368	92,158
Less accumulated depreciation	(34,658)	(37,332)
Total property and equipment, net	47,710	54,826
Goodwill, net	9,617	9,617
Other assets, net	229	260
Total assets	$268,792	$341,995

Liabilities and Stockholders' Equity

	2005	2006
Current Liabilities		
Notes payable	$ 5,500	$ -
Current portion of long-term debt	29	136
Accounts payable	27,108	40,920
Accrued compensation and related expenses	8,548	18,847
Accrued expenses	11,928	17,380
Income taxes payable	-	8,794
Deferred income taxes	966	757
Deferred revenues and allowances	7,383	8,498
Fair value of derivatives	177	-
Total current liabilities	61,639	95,332
Long-term debt	5,003	-
Non-current deferred tax liability	704	903
Deferred gain on sale of property	644	476
Stockholders' equity		
Preferred stock ($0.01 par value, 1,000,000 shares authorized; none issued or outstanding)	-	-
Common stock ($0.01 par value, 40,000,000 shares authorized; 23,267,596 and 23,571,564 shares issued and outstanding at January 31, 2005 and 2006, respectively)	233	236
Accumulated other comprehensive income	7,516	8,004
Additional paid in capital	84,257	87,067
Retained earnings	108,796	149,977
Total stockholders' equity	200,802	245,284
Total liabilities and stockholders' equity	$268,792	$341,995

See notes to consolidated financial statements.

Conn's, Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except earnings per share)

	Years Ended January 31,		
	2004	2005	2006
Revenues			
Product sales	$402,579	$451,560	$569,877
Service maintenance agreement commissions (net)	20,074	23,950	30,583
Service revenues	18,265	18,725	20,278
Total net sales	440,918	494,235	620,738
Finance charges and other	58,392	72,857	81,684
Total revenues	499,310	567,092	702,422
Cost and expenses			
Cost of goods sold, including warehousing and occupancy costs	313,637	355,159	448,064
Cost of service parts sold, including warehousing and occupancy cost	4,075	4,551	5,310
Selling, general and administrative expense	135,174	152,900	181,631
Provision for bad debts	4,657	5,637	3,769
Total cost and expenses	457,543	518,247	638,774
Operating income	41,767	48,845	63,648
Interest expense	4,577	2,359	400
Income before minority interest and income taxes	37,190	46,486	63,248
Minority interest in limited partnership	-	118	-
Income before income taxes	37,190	46,368	63,248
Provision for income taxes			
Current	12,980	16,147	23,048
Deferred	(130)	96	(981)
Total provision for income taxes	12,850	16,243	22,067
Net Income	24,340	30,125	41,181
Less preferred dividends	1,954	-	-
Net income available for common stockholders	$ 22,386	$ 30,125	$ 41,181
Earnings per share			
Basic	$ 1.26	$ 1.30	$ 1.76
Diluted	$ 1.22	$ 1.27	$ 1.70
Average common shares outstanding			
Basic	17,726	23,192	23,412
Diluted	18,335	23,754	24,192

See notes to consolidated financial statements.

Conn's, Inc.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except per share amounts)

	Preferred Stock		Common Stock		Accum. Other Compre-hensive			Treasury Stock		
	Shares	Amount	Shares	Amount	Income	Paid in Capital	Retained Earnings	Shares	Amount	Total
Balance January 31, 2003	175	15,226	17,175	$ 172	$2,751	$ -	$68,131	$ 455	$(3,611)	$ 82,669
Preferred dividends declared		10,194					(10,194)			-
Preferred stock redeemed:										
For cash	(10)	(1,454)								(1,454)
For common stock	(165)	(23,966)	1,712	17		23,949				-
Additional common stock issued at IPO			4,623	46		58,311				58,357
Exercise of options			47	1		396				397
Cancellation of treasury stock			(455)	(5)			(3,606)	(455)	3,611	-
Net income							24,340			24,340
Unrealized gain on derivative instruments (net of tax of $794), net of reclassification adjustments of $158 (net of tax of $ 89)					1,411					1,411
Adjustment of fair value of securitized assets (net of tax of $489), net of reclassification adjustments of $ 239 (net of tax of $ 134)					870					870
Total comprehensive income										26,621
Balance January 31, 2004	-	-	23,102	231	5,032	82,656	78,671	-	-	166,590
Exercise of options, including tax benefit			162	2		1,492				1,494
Issuance of common stock under Employee Stock Purchase Plan			9			109				109
Forfeiture of 5,181 restricted shares			(5)							-
Net income							30,125			30,125
Reclassification adjustments on derivative instruments (net of tax of $ 399)					732					732
Adjustment of fair value of securitized assets (net of tax of $955), net of reclass-ification adjustments of $9,643 (net of tax of $5,249)					1,752					1,752
Total comprehensive income										32,609
Balance January 31, 2005	-	-	23,268	233	7,516	84,257	108,796	-	-	200,802
Exercise of options, including tax benefit			293	3		2,618				2,621
Issuance of common stock under Employee Stock Purchase Plan			11			192				192
Net income							41,181			41,181
Reclassification adjustments on derivative instruments (net of tax of $ 86)					160					160
Adjustment of fair value of securitized assets (net of tax of $164), net of reclass-ification adjustments of $9,175 (net of tax of $4,963)					328					328
Total comprehensive income										41,669
Balance January 31, 2006	-	$ -	23,572	$ 236	$8,004	$87,067	$149,977	-	$ -	$245,284

See notes to consolidated financial statements.

Conn's, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Years Ended January 31,		
	2004	2005	2006
Cash flows from operating activities			
Net income	$ 24,340	$ 30,125	$ 41,181
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	6,654	8,777	11,271
Amortization	592	18	(318)
Provision for bad debts	4,657	5,637	3,769
Accretion from interests in securitized assets	(12,529)	(14,892)	(14,138)
Provision for deferred income taxes	(130)	96	(981)
Loss (gain) from sale of property and equipment	64	126	69
Discounts on promotional credit, net	-	1,571	691
Losses (gains) from derivatives	(1,010)	(15)	69
Change in operating assets and liabilities:			
Accounts receivable	(11,412)	(29,339)	(4,889)
Inventory	(7,624)	(8,604)	(11,641)
Prepaid expenses and other assets	900	(515)	(452)
Accounts payable	1,910	696	13,812
Accrued expenses	4,200	7,697	15,751
Income taxes payable	2,429	(2,430)	8,794
Deferred revenues and allowances	(648)	1,222	1,330
Net cash provided by operating activities	12,393	170	64,318
Cash flows from investing activities			
Purchase of property and equipment	(9,401)	(19,619)	(18,490)
Proceeds from sales of property	1,291	1,131	34
Net cash used in investing activities	(8,110)	(18,488)	(18,456)
Cash flows from financing activities			
Net proceeds from the sale of common stock	58,357	-	-
Net proceeds from stock issued under employee benefit plans, including tax benefit	397	1,603	2,813
Redemption of preferred stock	(1,454)	-	-
Net borrowings (payments) under line of credit	(31,999)	10,500	(10,500)
Payments on term note	(15,000)	-	-
Increase in debt issuance costs	(213)	(118)	(130)
Borrowings on promissory notes	-	-	136
Payment of promissory notes	(4,901)	(60)	(32)
Net cash provided by (used in) financing activities	5,187	11,925	(7,713)
Impact on cash of consolidation of SRDS	1,024	478	-
Net change in cash	10,494	(5,915)	38,149
Cash and cash equivalents			
Beginning of the year	2,448	12,942	7,027
End of the year	$ 12,942	$ 7,027	$ 45,176
Supplemental disclosure of cash flow information			
Cash interest paid	$ 5,718	$ 2,387	$ 635
Cash income taxes paid, net of refunds	10,162	19,372	13,179
Cash interest received from interests in securitized assets	12,801	19,630	26,996
Cash proceeds from new securitizations	213,741	256,139	285,529
Cash flows from servicing fees	11,963	14,496	17,542
Supplemental disclosure of non-cash activity			
Customer receivables exchanged for interests in securitized assets	41,123	58,342	58,835
Amounts reinvested in interests in securitized assets	(56,478)	(81,652)	(76,133)

See notes to consolidated financial statements.

1. Summary of Significant Accounting Policies

Principles of Consolidation. The consolidated financial statements include the accounts of Conn's, Inc. and its subsidiaries, limited liability companies and limited partnerships, all of which are wholly-owned (the "Company"). All material intercompany transactions and balances have been eliminated in consolidation.

The Company enters into securitization transactions to sell its retail installment and revolving customer receivables. These securitization transactions are accounted for as sales in accordance with Statement of Financial Accounting Standards ("SFAS") No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities because the Company has relinquished control of the receivables. Additionally, the Company has transferred such receivables to a qualifying special purpose entity ("QSPE"). Accordingly, neither the transferred receivables nor the accounts of the QSPE are included in the consolidated financial statements of the Company. See Note 2 for further discussion.

Application of FIN 46. In January 2003, the Financial Accounting Standards Board issued Interpretation No. 46, Consolidation of Variable Interest Entities, An Interpretation of Accounting Research Bulletin No. 51, or FIN 46. FIN 46 requires entities, generally, to be consolidated by a company when it has a controlling financial interest through ownership, direct or indirect, of a majority voting interest in an entity with which it conducts business. The Company evaluated the effects of the issuance of FIN 46 on the accounting for its leases with Specialized Realty Development Services, LP ("SRDS") and determined that it was appropriate to consolidate the balance sheet of SRDS with the Company as of January 31, 2004. As of January 31, 2005, the Company no longer leased any of its facilities from SRDS and therefore FIN 46 no longer applies and the Company no longer consolidates SRDS's balance sheet or statement of operations. However, the operations of SRDS are consolidated with those of the Company commencing on February 1, 2004 through the last effective date of the Company's leases with SRDS of January 30, 2005. The effect of such consolidation on the Company's Statement of Operations for the year ended January 31, 2005 was to reduce "Selling, general and administrative expense" by $0.9 million, increase "Interest expense" by $0.8 million and reduce "Income before income taxes" by $0.1 million for "Minority interest in limited partnership". The Company had no exposure to losses incurred by SRDS.

Business Activities. The Company, through its retail stores, provides products and services to its customer base in six primary market areas, including southern Louisiana, southeast Texas, Houston, South Texas, San Antonio/Austin, and Dallas, Texas. Products and services offered through retail sales outlets include major home appliances, consumer electronics, home office equipment, lawn and garden products, mattresses, furniture, service maintenance agreements, installment and revolving credit account services, and various credit insurance products. These activities are supported through an extensive service, warehouse and distribution system. For the reasons discussed below, the aggregation of operating companies represent one reportable segment under SFAS No. 131, Disclosures About Segments of an Enterprise and Related Information. Accordingly, the accompanying consolidated financial statements reflect the operating results of the Company's single reportable segment. The Company's retail stores bear the "Conn's" name, and deliver the same products and services to a common customer group. The Company's customers generally are individuals rather than commercial accounts. All of the retail stores follow the same procedures and methods in managing their operations. The Company's management evaluates performance and allocates resources based on the operating results of the retail stores and considers the credit programs, service contracts and distribution system to be an integral part of the Company's retail operations.

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Vendor Programs. The Company receives funds from vendors for price protection, product and volume rebates, marketing, training and promotional programs which are recorded on as the amounts are earned as a reduction to the related product cost or advertising expense, according to the nature of the program. The Company accrues rebates based on the satisfaction of terms of the program and sales of qualifying products even though funds may not be received until the end of a quarter or year. If the programs are related to product purchases, which would include price protection, product and volume rebates, the allowances, credits, or payments are recorded as a reduction of product cost and are reflected in cost of goods sold when the related product is sold. If the programs relate to marketing, training and promotions that are not for reimbursement of specific incremental costs, the allowances, credits or payments are reflected as a reduction of cost of goods sold. If the programs are related to promotion or marketing of the product, the allowances, credits, or payments for reimbursement of specific, incremental, identifiable, advertising-related costs incurred in selling the vendors' products are recorded as a reduction of advertising expense and are reflected in selling, general and administrative expenses in the period in which the expense is incurred. The credits/payments received from vendors that were netted against advertising expense for the years ended January 31, 2004, 2005 and 2006 were $2.8 million, $4.8 million and $5.8 million, respectively.

Earnings Per Share. In accordance with SFAS No. 128, Earnings per Share, the Company calculates basic earnings per share by dividing net income by the weighted average number of common shares outstanding. Diluted earnings per share include the dilutive effects of any stock options granted calculated under the treasury method. The following table sets forth the shares outstanding for the earnings per share calculations (shares in thousands):

	Year Ended January 31,		
	2004	2005	2006
Common stock outstanding, beginning of period	17,175	23,102	23,268
Weighted average common stock issued in initial public offering	719		-
Weighted average common stock issued in preferred stock redemption	285		-
Weighted average common stock issued in stock option exercises	2	89	142
Weighted average common stock issued to employee stock purchase plan	-	3	2
Weighted average number of restricted shares forfeited	-	(2)	
Less: Weighted average treasury shares purchased and weighted average shares purchased and cancelled	(455)		-
Shares used in computing basic earnings per share	17,726	23,192	23,412
Dilutive effect of stock options, net of assumed repurchase of treasury stock	609	562	780
Shares used in computing diluted earnings per share	18,335	23,754	24,192

During the periods presented, options with an exercise price in excess of the average market price of the Company's common stock are excluded from the calculation of the dilutive effect of stock options for diluted earnings per share calculations. The weighted average number of options not included in the calculation of the dilutive effect of stock options was 0.1 million for each of the years ended January 31, 2005 and 2006, and none for the year ended January 31, 2004.

Cash and Cash Equivalents. The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Inventories. Inventories consist of finished goods or parts and are valued at the lower of cost (moving weighted average method) or market.

Property and Equipment. Property and equipment are recorded at cost. Costs associated with major additions and betterments that increase the value or extend the lives of assets are capitalized and depreciated. Normal repairs and maintenance that do not materially improve or extend the lives of the respective assets are charged to operating expenses as incurred. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, or in the case or leasehold improvements, over the shorter of the estimated useful lives or the remaining terms of the respective leases. The estimated lives used to compute depreciation expense are summarized as follows:

Buildings	30 years
Equipment and fixtures	3 - 5 years
Transportation equipment	3 years
Leasehold improvements	5 - 10 years

Property and equipment are evaluated for impairment at the retail store level. The Company performs a periodic assessment of assets for impairment in the absence of such information or indicators. Additionally, an impairment evaluation is performed whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. The most likely condition that would necessitate an assessment would be an adverse change in historical and estimated future results of a retail store's performance. For property and equipment to be held and used, the Company recognizes an impairment loss if its carrying amount is not recoverable through its undiscounted cash flows and measures the impairment loss based on the difference between the carrying amount and fair value.

All gains and losses on sale of assets are included in "Selling, general and administrative expense" in the consolidated statements of operations.

	Years Ended January 31,		
(in thousands of dollars)	2004	2005	2006
Gain (loss) on sale of assets	(64)	(126)	(69)

Receivable Sales and Interests in Securitized Receivables. The Company enters into securitization transactions to sell customer retail installment and revolving receivable accounts. In these transactions, the Company retains interest-only strips and subordinated securities, all of which are retained interests in the securitized receivables. Gain or loss on the sales of the receivables depends in part on the previous carrying amount of the financial assets involved in the transfer, allocated between the assets sold and the retained interests, based on their relative fair value at the date of transfer. Retained interests are carried at fair value on the Company's balance sheet as available-for-sale securities in accordance with SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities. Impairment and interest income are recognized in accordance with Emerging Issues Task Force ("EITF") No. 99-20, Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets. Servicing fees are recognized monthly as they are earned. Gains on sales of receivables, impairment on retained interests, interest income from retained interests and servicing fees are included in "Finance charges and other" in the consolidated statement of operations.

The Company estimates fair value of its retained interest in both the initial securitization and thereafter based on the present value of future expected cash flows using management's best estimates of the key assumptions--credit losses, prepayment rates, forward yield curves, and discount rates commensurate with the risks involved. The Company's retained interest in the transferred receivables are valued on a revolving pool basis.

Receivables Not Sold. Certain receivables are not eligible for inclusion in the securitization transactions and are therefore carried on the Company's balance sheet in "Accounts receivable". Such receivables are recorded net of an allowance for doubtful accounts, which is calculated based on historical losses. Generally, a receivable is considered delinquent if a payment has not been received on the scheduled due date. Generally, an account that is delinquent more than 120 days and for which no payment has been received in the past seven months will be charged-off against the allowance and interest accrued subsequent to the last payment will be reversed. The Company has a secured interest in the merchandise financed by these receivables and therefore has the opportunity to recover a portion of the charged-off value. (See also Note 2.)

Goodwill. Goodwill represents the excess of purchase price over the fair market value of net assets acquired. The Company assesses the potential future impairment of goodwill on an annual basis, or at any other time when impairment indicators exist. In fiscal 2004, 2005 and 2006, the Company concluded that goodwill was not impaired based on its annual impairment testing.

Income Taxes. The Company follows the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the tax rates and laws that are expected be in effect when the differences are expected to reverse.

Revenue Recognition. Revenues from the sale of retail products are recognized at the time the product is delivered to the customer. Such revenues are recognized net of any adjustments for sales incentive offers such as discounts, coupons, rebates or other free products or services. The Company sells service maintenance agreements and credit insurance contracts on behalf of unrelated third parties. For contracts where the third parties are the obligor on the contract, commissions are recognized in revenues at the time of sale, and in the case of retrospective commissions, at the time that they are earned. The Company records a receivable for earned but unremitted retrospective commissions and reserves for future cancellations of service maintenance agreements and credit insurance contracts estimated based on historical experience. Where the Company sells service maintenance agreements in which it is deemed to be the obligor on the contract at the time of sale, revenue is recognized ratably, on a straight-line basis, over the term of the service maintenance agreement. These Company-obligor service maintenance agreements are renewal contracts which provide our customers protection against product repair costs arising after the expiration of the manufacturer's warranty and the third-party obligor contracts. These agreements typically range from 12 months to 36 months. These agreements are separate units of accounting under EITF No. 00-21, Revenue Arrangements with Multiple Deliverables and are valued based on the agreed upon retail selling price. The amounts of service maintenance agreement revenue deferred at January 31, 2005 and 2006 were $3.9 million and $3.6 million, respectively, and are included in "Deferred revenue and allowances" in the accompanying balance sheets. Under the renewal contracts, the Company defers and amortizes its direct selling expenses over the contract term and records the cost of the service work performed as products are repaired.

The classification of the amounts included as "Finance charges and other" is summarized as follows (in thousands):

	Years Ended January 31,		
	2004	2005	2006
Securitization income:			
Servicing fees received	$11,963	$14,496	$17,542
Accretion of gains on sale of receivables	12,529	14,892	14,138
Interest earned on retained interests	12,801	19,630	26,996
Total securitization income	37,293	49,018	58,676
Interest Income from receivables not sold	888	1,224	1,181
Insurance commissions	16,498	17,992	18,305
Other	3,713	4,623	3,522
Finance charges and other	$58,392	$72,857	$81,684
Gains on sale of receivables	$13,510	$17,604	$14,692

Securitization income includes accretion of gains on sales of receivables, impairment of retained interests, interest income from retained interests and servicing fees. No significant impairments related to the interest only strip of retained interests have been recorded in the years ended January 31, 2004, 2005, or 2006. Gains on sale of receivables will be recognized as securitization income as accretion over the lives of the related receivables. See "Receivable Sales and Interest in Securitized Receivables" for revenue recognition policies related to these components.

The Company offers interest free promotional programs for three- to 24-month contracts and has recorded interest income only on those contracts that are not expected to make payments within the time period specified to satisfy the promotional requirements. The Company also offers 24- and 36-month no-interest contracts on which no interest is owed for the term of the contract, unless the terms of the contract related to periodic payments are not met, in which case interest accrues at the normal contract rate from that point forward. Other than these promotional programs, the Company does not extend credit at interest rates other than market rates.

The following table sets forth the sales made under the interest free programs (in thousands):

	Years Ended January 31,		
	2004	2005	2006
Sales under interest-free programs ..	$66,986	$126,575	$159,767

These sales are recognized at the time the product is delivered to the customer, which is consistent with the above stated policy. Considering the short-term nature of interest free programs for terms less than one year, sales are recorded at full value and are not discounted. Sales financed by longer-term (18-, 24- and 36-month) interest free programs are recorded at their net present value (see "Application of APB 21 to Cash Option Programs that Exceed One Year in Duration" below). Receivables arising out of the Company's interest-free programs are securitized with other qualifying customer receivables.

The Company classifies amounts billed to customers relating to shipping and handling as revenues. Costs of $15.1 million, $16.7 million and $21.0 million associated with shipping and handling revenues are included in "Selling, general and administrative expense" for the years ended January 31, 2004, 2005 and 2006, respectively.

Fair Value of Financial Instruments. The fair value of cash and cash equivalents, receivables, and notes and accounts payable approximate their carrying amounts because of the short maturity of these instruments. The fair value of the Company's interests in securitized receivables is determined by estimating the present value of future expected cash flows using management's best estimates of the key assumptions, including credit losses, prepayment rates, forward yield curves and discount rates commensurate with the risks involved. See Note 2. The carrying value of the Company's long-term debt approximates fair value due to either the time to maturity or the existence of variable interest rates that approximate current market rate.

The fair value of interest rate swap agreements are recorded in current liabilities based on the settlement value obtained from the counter-party in the transaction. The Company does not use derivative financial instruments for trading purposes. The Company uses derivatives to hedge a portion of the variable interest rate risk related to the cash flows from its interest only strip and its variable rate debt.

We held interest rate swaps and collars with notional amounts totaling $20 million at both January 31, 2004 and 2005, with terms extending through April 2005. Those instruments were held for the purpose of hedging a portion of the variable interest rate risk, primarily related to cash flows from our interest-only strip as well as our variable rate debt. Hedge accounting was discontinued for the rate swaps in fiscal 2004. At the time the cash flow hedge designation was discontinued, we began to recognize changes in the fair value of the swaps as interest expense and amortize the accumulated other comprehensive loss related to those derivates as interest expense over the period that the forecasted transactions effected the statement of operations. During fiscal 2004, we reclassified $0.2 million of losses previously recorded in accumulated other comprehensive losses into the statement of operations and recorded $1.7 million of income into the statement of operations because of the change in fair value of the swaps. During fiscal 2005, we reclassified $1.1 million of losses previously recorded in accumulated other comprehensive losses into the statement of operations and recorded $1.1 million of income into the statement of operations because of the change in fair value of the swaps. During fiscal 2006, we reclassified $0.2 million of losses previously recorded in accumulated other comprehensive losses into the statement of operations and recorded $0.2 million of income into the statement of operations because of the change in fair value of the swaps.

Prior to discontinuing these hedges, each period we recorded hedge ineffectiveness, which arose from differences between the interest rate stated in the derivative instrument and the interest rate upon which the underlying hedged transaction is based. Ineffectiveness totaled $0.4 million for the year ended January 31, 2004, and is reflected in "Interest Expense" in our consolidated statement of operations. Since all hedge accounting has ceased, no ineffectiveness was recognized in fiscal 2005 or 2006.

Stock-Based Compensation. As permitted by SFAS No. 123, Accounting for Stock-Based Compensation, the Company follows the intrinsic value method of accounting for stock-based compensation issued to employees, as prescribed by Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. Since all options have been issued at or above fair value, no compensation expense has been recognized under the Company's stock option plan for any of the periods presented. Additionally, no compensation expense is recorded for shares issued pursuant to the employee stock purchase plan as it is a qualified plan.

If compensation expense for the Company's stock option plan and employee stock purchase plan had been recognized using the fair value method of accounting under SFAS 123, net income and earnings per share would have decreased by the percentages reflected in the tables below. The straight-line attribution method was used to allocate compensation expense over the vesting period for the stock option plan. The fair value of the options issued was estimated on the date of grant, with the weighted average assumptions used for grants as reflected in the table. For post-IPO grants the Company has used the Black-Scholes model to determine fair value. Prior to the IPO, the fair value of the options issued was estimated using the minimum valuation option-pricing model. Fair value compensation expense for the employee stock purchase plan was computed as the 15% discount from fair market value the employee receives when purchasing the shares. The following presents the impact to earnings per share if the Company had adopted the fair value recognition provisions of SFAS 123 (dollars in thousands except per share data):

	Years Ended January 31,		
	2004	2005	2006
Net income available for common stockholders as reported	$ 22,386	$ 30,125	$ 41,181
Stock-based compensation, net of tax, that would have been reported under SFAS 123	(530)	(1,017)	(1,313)
Pro forma net income	$ 21,856	$ 29,108	$ 39,868
Earnings per share-as reported:			
Basic	$ 1.26	$ 1.30	$ 1.76
Diluted	$ 1.22	$ 1.27	$ 1.70
Pro forma earnings per share:			
Basic	$ 1.23	$ 1.26	$ 1.70
Diluted	$ 1.20	$ 1.23	$ 1.66
Percent change:			
Net income	(2.4)%	(3.4)%	(3.2)%
Assumptions used in pricing model:			
Weighted average risk free interest rates	0.9%	1.8%	3.9%
Weighted average expected lives in years	4.3	4.4	4.6
Weighted average volatility	37.5%	30.0%	32.0%
Expected dividends	-	-	-

Self insurance. The Company is self-insured for certain losses relating to group health, workers' compensation, automobile, general and product liability claims. The Company has stop loss coverage to limit the exposure arising from these claims. Self-insurance losses for claims filed and claims incurred, but not reported, are accrued based upon the Company's estimates of the aggregate liability for uninsured claims incurred using development factors based on historical experience.

Expense Classifications. The Company records "Cost of goods sold" as the direct cost of products sold, any related in-bound freight costs, and receiving costs, inspection costs, internal transfer costs, and other costs associated with the operations of its distribution system. Also included in "Cost of goods sold" is an allocation of advertising expense computed at approximately 6% of the product direct cost. The offset for this allocation is in "Selling, general and administrative expense" and is netted with advertising costs along with vendor rebates (see "Vendor Programs" above). Advertising expense included in Selling, general and administrative expense for the years ended January 31, 2004, 2005 and 2006, was:

	Years Ended January 31,		
	2004	2005	2006
		(in thousands)	
Gross advertising expense	$ 24,686	$ 28,564	$ 32,107
Less:			
Vendor rebates	(2,812)	(4,752)	(5,793)
Allocation to Cost of goods sold	(17,517)	(20,635)	(26,621)
Net advertising expense in Selling, general and adminstrative expense	$ 4,357	$ 3,177	$ (307)

In addition, the Company records as "Cost of service parts sold" the direct cost of parts used in its service operation and the related inbound freight costs, purchasing and receiving costs, inspection costs, internal transfer costs, and other costs associated with the warranty and service distribution operation.

The costs associated with the Company's merchandising function, including product purchasing, advertising, sales commissions, and all store occupancy costs are included in "Selling, general and administrative expense."

Application of APB 21 to Cash Option Programs that Exceed One Year in Duration. In February 2004, the Company began offering promotional credit payment plans on certain products that extend beyond one year. In accordance with APB 21, Interest on Receivables and Payables, such sales are discounted to their fair value resulting in a reduction in sales and receivables and the amortization of the discount amount over the term of the deferred interest payment plan. The difference between the gross sale and the discounted amount is reflected as a reduction of Product sales in the consolidated statements of operations and the amount of the discount being amortized in the current period is recorded in Finance charges and other. For the years ended January 31, 2005 and 2006, "Product sales" were reduced by $2.4 million and $3.1 million, respectively, and "Finance charges and other" was increased by $0.9 million and $2.4 million, respectively, to effect the adjustment to fair value and to reflect the appropriate amortization of the discount.

Reclassifications. Certain reclassifications have been made in the prior years' financial statements to conform to the current year's presentation.

Accumulated Other Comprehensive Income. The balance of accumulated other comprehensive income (net of tax) at January 31, 2005 was comprised of $7.7 million of unrealized gains on interests in securitized assets less $0.2 million of unrealized losses on derivatives. The balance of accumulated other comprehensive income (net of tax) at January 31, 2006 was comprised of $8.0 million of unrealized gains on interests in securitized assets.

Recent Accounting Pronouncements. In December 2004, SFAS No. 123R, Share-Based Payment, was issued. The statement is a revision of SFAS No. 123 and supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees. This statement establishes standards for accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. The statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions, and does not change the previous accounting guidance for share-based payment transactions with parties other than employees. This statement requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award and record that cost over the period during which the employee is required to provide service in exchange for the award. Additionally, employee services received in exchange for liability awards will be measured at fair value and re-measured at each reporting date, with changes in the fair value recorded as compensation cost over that period.

This statement applies to all awards granted after the required effective date and to awards modified, repurchased or cancelled after that date. The cumulative effect of initially applying this statement, if any, is recognized as of the required effective date. As of the required effective date, all public entities will apply this statement using a modified version of prospective application, which requires recognition of compensation cost on or after the required effective date for the portion of outstanding awards for which the requisite service has not yet been rendered. For periods before the required effective date, entities may elect to apply a modified version of retrospective application under which financial statements for prior periods are adjusted on a basis consistent with the pro forma disclosures required for those periods by SFAS No. 123. The Company is required to adopt this statement on February 1, 2006, and intends to elect the modified retrospective application and will adjust the financial statements for prior periods to give effect to the fair-value-based method of accounting for share-based payments. See Note 1 - Stock-Based Compensation for the expected impact on prior year "Net income".

In February 2006, SFAS No. 155, Accounting for Certain Hybrid Financial Instruments, was issued. This statements is an amendment of SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, and SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities-a replacement of FASB Statement No. 125. This statement permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that would otherwise require bifurcation, clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS No. 133, establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation, clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives and amends SFAS No. 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. This statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. The Company is currently analyzing the impact this statement will have on its consolidated results of operations and its financial position.

In March 2006, SFAS No. 156, Accounting for Servicing of Financial Assets an amendment of FASB Statement No. 140, was issued. This statement requires an entity to recognize a servicing asset or liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract, requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, permits an entity to choose either the amortization method or fair value measurement method for subsequent measurement of each class of separately recognized servicing assets, permits, at its initial adoption, a one-time reclassification of available-for-sale securities to trading securities by entities with recognized servicing rights and, requires separate presentation of and additional disclosures for servicing assets and servicing liabilities subsequently measured at fair value. This statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. The Company is currently analyzing the impact this statement will have on its consolidated results of operations and its financial position.

2. Interests in Securitized Receivables

The Company has an agreement to sell customer receivables. As part of this agreement, the Company sells eligible retail installment and revolving receivable accounts to a QSPE that pledges the transferred accounts to a trustee for the benefit of investors. The following table summarizes the availability of funding under the Company's securitization program at January 31, 2006 (in thousands):

	Capacity	Utilized	Available
Series A	$ 250,000	$ 185,000	$ 65,000
Series B - Class A	120,000	120,000	--
Series B - Class B	57,778	57,778	--
Series B - Class C	22,222	22,222	--
Total	$ 450,000	$ 385,000	$ 65,000

The Series A program functions as a credit facility to fund the initial transfer of eligible receivables. When the facility approaches capacity, the QSPE ("Issuer") intends to seek financing to pay down the outstanding balance in the Series A variable funding note; at that point, the facility will once again become available to accumulate the transfer of new receivables or to meet required principal payments on other series as they become due. This new financing could be in the form of additional notes, bonds or other instruments as the market might allow. The Series A program matures September 1, 2007. The Series B program (which is non-amortizing for the first four years) matures officially on September 1, 2010, although it is expected that the principal payments, which are required to begin in October 2006, will retire the bonds prior to that date.

The agreement contains certain covenants requiring the maintenance of various financial ratios and receivables performance standards. The Company was in compliance with the requirements of the agreement as of January 31, 2006. As part of the new securitization program, the Company and Issuer arranged for the issuance of a stand-by letter of credit in the amount of $10.0 million to provide assurance to the trustee on behalf of the bondholders that funds collected monthly by the Company, as servicer, will be remitted as required under the base indenture and other related documents. The letter of credit has a term of one year, and the maximum potential amount of future payments is the face amount of the letter of credit. The letter of credit is callable, at the option of trustee, if the Company, as servicer, fails to make the required monthly payments of the cash collected to the trustee.

Through its retail sales activities, the Company generates customer retail installment and revolving receivable accounts. The Company enters into securitization transactions to sell these accounts to the QSPE. In these securitizations, the Company retains servicing responsibilities and subordinated interests. The Company receives annual servicing fees and other benefits approximating 3.9% of the outstanding balance and rights to future cash flows arising after the investors in the securities issued by or on behalf of the QSPE have received from the trustee all contractually required principal and interest amounts. The Company does not record an asset or liability related to any servicing obligations because the servicing benefits received are determined to be just adequate to compensate the Company for its servicing responsibilities. The investors and the securitization trustee have no recourse to the Company's other assets for failure of the individual customers of the Company and the QSPE to pay when due. The Company's retained interests are subordinate to the investors' interests. Their value is subject to credit, prepayment, and interest rate risks on the transferred financial assets.

The fair values of the Company's interest in securitized assets were as follows (in thousands):

	January 31, 2005	January 31, 2006
Interest-only strip	$ 16,365	$ 18,853
Subordinated securities	88,794	104,596
Total fair value of interests in securitized assets	$ 105,159	$ 123,449

The table below summarizes valuation assumptions used for each period presented:

	Years Ended January 31, 2004	2005	2006
Prepayment rates			
Primary installment	1.5%	1.5%	1.5%
Primary revolving	3.0%	3.0%	3.0%
Secondary installment	1.5%	1.5%	1.5%
Net interest spread			
Primary installment	12.2%	12.0%	11.1%
Primary revolving	12.2%	12.0%	11.1%
Secondary installment	13.0%	13.6%	13.5%
Expected losses			
Primary installment	3.5%	3.4%	3.0%
Primary revolving	3.5%	3.4%	3.0%
Secondary installment	3.5%	3.4%	3.0%
Projected expense			
Primary installment	3.9%	3.9%	3.9%
Primary revolving	3.9%	3.9%	3.9%
Secondary installment	3.9%	3.8%	3.9%
Discount rates			
Primary installment	10.0%	10.0%	13.0%
Primary revolving	10.0%	10.0%	13.0%
Secondary installment	14.0%	14.0%	17.0%
Delinquency and deferral rates			
Primary installment	9.4%	10.1%	9.3%
Primary revolving	11.3%	8.9%	7.3%
Secondary installment	16.5%	15.3%	14.0%

At January 31, 2006, key economic assumptions and the sensitivity of the current fair value of the interests in securitized assets to immediate 10% and 20% adverse changes in those assumptions are as follows (dollars in thousands):

	Primary Portfolio Installment	Primary Portfolio Revolving	Secondary Portfolio Installment
Fair value of interest in securitized assets	$87,491	$9,691	$26,267
Expected weighted average life	1.2 years	1.4 years	1.6 years
Annual prepayment rate assumption	1.5%	3.0%	1.5%
Impact on fair value of 10% adverse change	$ 122	$ 14	$ 108
Impact on fair value of 20% adverse change	$ 240	$ 27	$ 210
Net interest spread assumption	11.1%	11.1%	13.5%
Impact on fair value of 10% adverse change	$ 2,845	$ 315	$ 1,545
Impact on fair value of 20% adverse change	$ 5,630	$ 624	$ 3,019
Expected losses assumptions	3.0%	3.0%	3.0%
Impact on fair value of 10% adverse change	$ 775	$ 86	$ 349
Impact on fair value of 20% adverse change	$ 1,546	$ 171	$ 695
Projected expense assumption	3.9%	3.9%	3.9%
Impact on fair value of 10% adverse change	$ 983	$ 109	$ 421
Impact on fair value of 20% adverse change	$ 1,966	$ 217	$ 841
Discount rate assumption	13.0%	13.0%	17.0%
Impact on fair value of 10% adverse change	$ 821	$ 91	$ 482
Impact on fair value of 20% adverse change	$ 1,630	$ 181	$ 951
Delinquency and deferral	9.3%	7.3%	14.0%
Impact on fair value of 10% adverse change (1)	$ 73	$ 8	$ 96
Impact on fair value of 20% adverse change (1)	$ 146	$ 16	$ 186

(1) For purposes of this analysis, an adverse change is assumed to be a decrease in the delinquency and deferral rate. A decrease results in a faster repayment of the loans, which reduces the fair value of the interest-only strip a greater amount than the resulting increase in the fair value of the subordinated securities. Since it is assumed that none of the other assumptions would change, an increase in the delinquency and deferral rate results in an increase in the fair value, (i.e. losses are not assumed to increase as a result).

These sensitivities are hypothetical and should be used with caution. As the figures indicate, changes in fair value based on a 10% variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, the effect of the variation in a particular assumption on the fair value of the interest-only strip is calculated without changing any other assumption; in reality, changes in one factor may result in changes in another (i.e. increases in market interest rates may result in lower prepayments and increased credit losses), which might magnify or counteract the sensitivities.

The following illustration presents quantitative information about the receivables portfolios managed by the Company (in thousands):

	Total Principal Amount of Receivables January 31,		Principal Amount Over 60 Days Past Due (1) January 31,	
	2005	2006	2005	2006
Primary portfolio:				
Installment	$ 328,042	$ 380,603	$ 16,636	$ 24,934
Revolving	30,210	41,046	867	1,095
Subtotal	358,252	421,649	17,503	26,029
Secondary portfolio:				
Installment	70,448	98,072	5,640	9,508
Total receivables managed	428,700	519,721	23,143	35,537
Less receivables sold	419,172	509,681	21,540	33,483
Receivables not sold	9,528	10,040	$ 1,603	$ 2,054
Non-customer receivables	17,200	13,502		
Total accounts receivable, net ...	$ 26,728	$ 23,542		

	Average Balances January 31, (1)		Net Credit Losses January 31, (2)	
	2005	2006	2005	2006
Primary portfolio:				
Installment	$ 297,187	$ 352,315		
Revolving	25,921	35,149		
Subtotal	323,108	387,464	$ 8,829	$ 11,303
Secondary portfolio:				
Installment	64,484	83,461	2,394	2,421
Total receivables managed	387,592	470,925	11,223	13,724
Less receivables sold	378,178	461,215	9,760	13,165
Receivables not sold	$ 9,414	$ 9,710	$ 1,463	$ 559

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(1) Amounts are based on end of period balances.

(2) Amounts represent total loan loss provision, net of recoveries, on total receivables.

3. Notes Payable and Long-Term Debt

At January 31, 2006, the Company had $47.0 million of its $50 million revolving credit facility available for borrowings. The amounts utilized under the revolving credit facility reflected $3.0 million related to letters of credit issued. The letters of credit were issued under a $5.0 million sublimit provided under the facility for standby letters of credit. Additionally, there were no amounts outstanding under a short-term revolving bank agreement that provides up to $8.0 million of availability on an unsecured basis. This unsecured facility matures in May 2006 and has a floating rate of interest, based on Prime, which equaled 7.00% at January 31, 2006.

Long-term debt consists of the following (in thousands, except repayment explanations):

	January 31, 2005	January 31, 2006
Revolving credit facility with interest at variable rates (7.25% at January 31, 2006)	$ 5,000	$ -
Promissory notes, due in monthly installments	32	136
Total long-term debt	5,032	136
Less amounts due within one year	(29)	(136)
Amounts classified as long-term	$ 5,003	$ -

The revolving facility is subject to the Company maintaining various financial and non-financial covenants. In addition, the provisions of the bank credit facility limit the payment of dividends on the Company's common stock. As of January 31, 2005 and January 31, 2006, the Company was in compliance with all financial and non-financial covenants.

The current agreement provides for a revolving facility capacity of $50 million, with a $5 million letter of credit sublimit and an $8.0 million sublimit for a swingline of credit. Interest rates are variable and are determined, at the option of the Company, at the Base Rate (the greater of Agent's prime rate or federal funds rate plus 0.50%) plus the Base Rate Margin (which ranges from 0.00% to 0.50%) or LIBO/LIBOR Rate plus the LIBO/LIBOR Margin (which ranges from 0.75% to 1.75%). Both the Base Rate Margin and the LIBO/LIBOR Margin are determined quarterly based on a debt coverage ratio equal to the rolling four-quarter relationship of total debt (including lease obligations) to earnings before interest, taxes, depreciation, amortization and rent. The Company is obligated to pay a non-use fee on a quarterly basis on the non-utilized portion of the revolving facility at rates ranging from .20% to ..375%. The revolving facility is secured by the assets of the Company not otherwise encumbered and a pledge of substantially all of the stock of the Company's present and future subsidiaries and matures in November 2010.

Interest expense incurred on notes payable and long-term debt totaled $2.2, $1.1 and $0.2 million for the years ended January 31, 2004, 2005 and 2006, respectively. Interest expense included interest related to SRDS debt, which totaled $0.8 million for the year ended January 31, 2005. Aggregate maturities of long-term debt as of January 31 in the year indicated are as follows (in thousands):

2007	$ 136
2008	-
2009	-
Total	$ 136

4. Letters of Credit

The Company utilizes unsecured letters of credit to secure a portion of the QSPE's asset-backed securitization program, deductibles under the Company's insurance programs and international product purchases. At January 31, 2005 and January 31, 2006, the Company had outstanding unsecured letters of credit of $12.1 million and $13.0 million, respectively. These letters of credit were issued under the three following facilities:

- The Company has a $5.0 million sublimit provided under its revolving line of credit for stand-by and import letters of credit. At January 31, 2006, $3.0 million of letters of credit were outstanding and callable at the option of the Company's insurance carrier if the Company does not honor its requirement to fund deductible amounts as billed under its insurance program.

- The Company has arranged for a $10.0 million stand-by letter of credit to provide assurance to the trustee of the asset-backed securitization program that funds collected by the Company, as the servicer, would be remitted as required under the base indenture and other related documents. The letter of credit has a term of one year and expires in August 2006.

- The Company obtained a $1.5 million commitment for trade letters of credit to secure product purchases under an international arrangement. At January 31, 2006, there were no letters of credit outstanding under this commitment. The letter of credit commitment has a term of one year and expires in May 2006.

The maximum potential amount of future payments under these letter of credit facilities is considered to be the aggregate face amount of each letter of credit commitment, which total $16.5 million as of January 31, 2006.

5. Income Taxes

Deferred income taxes reflect the net effects of temporary timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's net deferred tax assets result primarily from differences between financial and tax methods of accounting for income recognition on service contracts and residual interests, capitalization of costs in inventory, and deductions for depreciation and doubtful accounts, and the fair value of derivatives. The deferred tax assets and liabilities are summarized as follows (in thousands):

	January 31, 2005	January 31, 2006
Deferred Tax Assets		
Allowance for doubtful accounts and warranty and insurance cancellations	$ 763	$ 1,844
Deferred revenue	2,204	597
Fair value of derivatives	62	-
Interest in securitized assets	479	982
Property and equipment	1,297	2,297
Inventories	952	772
Accrued vacation and other	667	1,268
Total deferred tax assets	6,424	7,760
Deferred Tax Liabilities		
Sales tax receivable	(919)	(768)
Goodwill	(672)	(903)
Other	(79)	(615)
Total deferred tax liabilities	(1,670)	(2,286)
Net Deferred Tax Asset	$ 4,754	$ 5,474

Significant components of income taxes were as follows (in thousands):

	Years Ended January 31, 2004	2005	2006
Current:			
Federal	$ 13,095	$ 16,100	$ 23,023
State	(115)	47	25
Total current	12,980	16,147	23,048
Deferred:			
Federal	(339)	96	(975)
State	209	-	(6)
Total deferred	(130)	96	(981)
Total tax provision	$ 12,850	$ 16,243	$ 22,067

A reconciliation of the statutory tax rate and the effective tax rate for each of the periods presented in the statements of operations is as follows:

	Years Ended January 31,		
	2004	2005	2006
U.S. Federal statutory rate	35.0%	35.0%	35.0%
State and local income taxes	0.3	0.1	0.1
Non-deductible entertainment, tax-free interest income and other	0.2	0.4	(0.1)
Effective tax rate attributable to continuing operations	35.5%	35.5%	35.0%
Other	(0.9)	(0.5)	(0.1)
Effective tax rate	34.6%	35.0%	34.9%

6. Leases

The Company leases certain of its facilities and operating equipment from outside parties and from a stockholder/officer. The real estate leases generally have initial lease periods of from 5 to 15 years with renewal options at the discretion of the Company; the equipment leases generally provide for initial lease terms of three to seven years and provide for a purchase right by the Company at the end of the lease term at the fair market value of the equipment.

The following is a schedule of future minimum base rental payments required under the operating leases that have initial non-cancelable lease terms in excess of one year (in thousands):

Years Ended January 31,	Third Party	Related Party	Total
2007	$ 15,358	$ 207	$ 15,565
2008	14,764	207	14,971
2009	13,709	207	13,916
2010	13,077	207	13,284
2011	12,273	207	12,480
Thereafter	45,841	-	45,841
Total	$ 115,022	$ 1,035	$ 116,057

Total lease expense was approximately $14.0 million, $15.0 million and $15.7 million for the years ended January 31, 2004, 2005 and 2006, respectively, including approximately $1.6 million, $0.2 million and $0.2 million paid to related parties, respectively. During the year ended January 31, 2005, the Company paid $1.4 million under leases with SRDS. As SRDS was consolidated in the statement of operations for the year ended January 31, 2005, these payments were characterized as selling, general and administrative expenses, depreciation expense, interest expense and minority interest in limited partnership. See Note 1.

Certain of our leases are subject to scheduled minimum rent increases or escalation provisions, the cost of which is recognized on a straight-line basis over the minimum lease term. Tenant improvement allowances, when granted by lessor, are deferred and amortized as contra-lease expense over the term of the lease.

7. Stock-Based Compensation

The Company approved an Incentive Stock Option Plan that provides for a pool of up to 3.5 million options to purchase shares of the Company's common stock. Such options are to be granted to various officers and employees at prices equal to the market value on the date of the grant. The options vest over three or five year periods (depending on the grant) and expire ten years after the date of grant. As part of the completion of the IPO, the Company amended the Incentive Stock Option Plan to provide for a total available pool of 2,559,767 options, adopted a Non-Employee Director Stock Option Plan that included 300,000 options, and adopted an Employee Stock Purchase Plan that reserved up to 1,267,085 shares of the Company's common stock to be issued. On November 24, 2003, the Company issued six non-employee directors 240,000 total options to acquire the Company's stock at $14.00 per share. On June 3, 2004, the Company issued 40,000 options to acquire the Company's stock at $17.34 per share to a seventh non-employee director. At January 31, 2006, the Company had 20,000 options remaining in the Non-Employee Director Stock Option Plan.

The Employee Stock Purchase Plan is available to a majority of the employees of the Company and its subsidiaries, subject to minimum employment conditions and maximum compensation limitations. At the end of each calendar quarter, employee contributions are used to acquire shares of common stock at 85% of the lower of the fair market value of the common stock on the first or last day of the calendar quarter. During the year ended January 31, 2005 and 2006, the Company issued 8,664 and 10,496 shares of common stock, respectively, to employees participating in the plan, leaving 1,247,925 shares remaining reserved for future issuance under the plan as of January 31, 2006.

A summary of the status of the Company's Incentive Stock Option Plan and the activity during the years ended January 31, 2004, 2005 and 2006 is presented below (shares in thousands):

	Years Ended January 31,					
	2004		2005		2006	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of year	1,241	$8.34	1,531	$9.68	1,666	$11.50
Granted	369	14.00	387	17.43	343	33.88
Exercised	(47)	(8.36)	(162)	(8.72)	(271)	(8.34)
Canceled	(32)	(9.15)	(90)	(11.07)	(112)	(17.78)
Outstanding, end of year	1,531	$9.68	1,666	$11.50	1,626	$16.31
Weighted average grant date fair value of options granted during period		$4.77		$4.97		$11.09
Options exercisable at end of year	551		712		743	
Options available for grant	981		684		453	

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Shares Outstanding January 31, 2006	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Shares Exercisable January 31, 2006	Weighted Average Exercise Price
$4.29-$4.29	9	3.9	$4.29	9	$4.29
$8.21-$10.83	696	5.3	8.51	569	8.38
$14.00 -$16.49	306	7.9	14.33	108	14.17
$17.73-$17.73	288	8.9	17.73	57	17.73
$33.88-$33.88	327	9.8	33.88	-	-
Total	1,626	7.3	$16.31	743	$9.88

8. Significant Vendors

As shown in the table below, a significant portion of the Company's merchandise purchases for years ended January 31, 2004, 2005 and 2006 were made from six vendors:

	Years Ended January 31,		
Vendor	2004	2005	2006
A	15.5 %	14.2 %	17.0 %
B	11.2	13.8	12.2
C	12.5	13.2	11.4
D	5.7	8.0	7.8
E	4.0	6.7	6.8
F	4.7	5.8	5.4
Totals	53.6 %	61.7 %	60.6 %

As part of a program to purchase product inventory from vendors overseas, the Company was not obligated at January 31, 2006 for under any stand-by letters of credit.

9. Related Party Transactions

The Company leases one of its stores from its Chief Executive Officer and Chairman of Board, under the terms of a lease it entered prior to becoming a publicly held company. It also leased six store locations from Specialized Realty Development Services, LP ("SRDS"), a real estate development company that was created prior to the Company's becoming publicly held and was owned by various members of management and individual investors of Stephens Group, Inc. The Stephens Group, Inc. is a significant shareholder of the Company. Based on independent appraisals that were performed on each project that was completed, the Company believes that the terms of the leases were at least comparable to those that could be obtained in an arms' length transaction. As part of the ongoing operation of SRDS, the Company received a management fee associated with the administrative functions that were provided to SRDS of $5,000, $100,000 and $6,500 for the years ended January 31, 2004, 2005 and 2006, respectively. As of January 31, 2005, the Company no longer leased any properties from SRDS since it divested itself of the leased properties. As part of the divestiture, SRDS reimbursed the Company $75,000 for costs related to lease modifications. As a result of the divestiture, the Company's consolidated balance sheet at January 31, 2005 does not include accounts of SRDS that were previously consolidated with our financial statements at January 31, 2004. However, the consolidated statements of operations and cash flows for fiscal 2005 include the operations and cash flows of SRDS through the dates the sales were completed.

The Company engaged the services of Direct Marketing Solutions, Inc., or DMS, for a substantial portion of its direct mail advertising. Direct Marketing Solutions, Inc. is partially owned (less than 50%) by the Stephens Group Inc., members of the Stephens family, Jon Jacoby, and Doug Martin. The Stephens Group Inc. and the members of the Stephens family are significant shareholders of the Company, and Jon Jacoby and Doug Martin are members of the Company's Board of Directors. The fees the Company paid to DMS during fiscal years ended 2005 and 2006 amounted to approximately $1.8 million and $4.3 million, respectively. Thomas J. Frank, the Chief Executive Officer and Chairman of the Board of Directors owned a small percentage (0.7%) at the end of fiscal year 2005, but divested his interest during the first half of fiscal year 2006.

10. Benefit Plans

The Company has established a defined contribution 401(k) plan for eligible employees who are at least 21 years old and have completed at least one-year of service. Employees may contribute up to 20% of their eligible pretax compensation to the plan. The Company will match 100% of the first 3% of the employees' contributions and 50% of the next 2% of the employees' contributions. Employees at least 50 years of age may make supplemental contributions to the Plan as defined by current regulations. At its option, the Company may also make supplemental contributions to the Plan, but has not made such contributions in the past three years. The matching contributions made by the company totaled $1.2, $1.4 and $1.6 million during the years ended January 31, 2004, 2005 and 2006, respectively.

11. Common and Preferred Stock

The Company has outstanding 23,571,564 shares of common stock at January 31, 2006, of which 7,000 shares are restricted as to various vesting rights until July 2006.

As part of the Company's recapitalization and reorganization that took place in 1998, a total of 213,720 shares of preferred stock were issued in exchange for existing common stock of the Company; such shares were valued as of the date of the transaction at $87.18 per share and bore a cumulative dividend of 10% that was not payable until declared by the Company's board of directors. Such cumulative dividends must be paid before dividends on the common stock can be distributed. On January 24, 2003, the board of directors declared a preferred stock dividend as of April 30, 2003 in the amount of $8.8 million ($50.53 per share) contingent upon the completion of a proposed initial public offering. On December 1, 2003 when the initial public offering was closed, the Company redeemed all preferred stock and accumulated dividends for 1,711,832 shares of common stock and $1.5 million in cash.

The table below reflects the number of preferred shares the Company redeemed during the periods covered and the total costs of the redemptions including accumulated dividends (dollars in thousands):

Year ended January 31,	Redeemed	Costs	Dividends
2004	174,648	$25,420	$10,194
2005	-	-	-
2006	-	-	-

12. Contingencies

Legal Proceedings. The Company is involved in routine litigation incidental to our business from time to time. Currently, the Company does not expect the outcome of any of this routine litigation to have a material effect on its financial condition or results of operations. However, the results of these proceedings cannot be predicted with certainty, and changes in facts and circumstances could impact the Company's estimate of reserves for litigation.

Insurance. Because of its inventory, vehicle fleet and general operations, the Company has purchased insurance covering a broad variety of potential risks. The Company purchases insurance polices covering general liability, workers compensation, real property, inventory and employment practices liability, among others. Additionally, the Company has umbrella policies with an aggregate limit of $50.0 million. The Company has retained a portion of the risk under these policies and its group health insurance program. See additional discussion under Note 1. The Company has a $3.0 million letter of credit outstanding supporting its obligations under the property and casualty portion of its insurance program.

Service Maintenance Agreement Obligations. The Company sells service maintenance agreements under which it is the obligor for payment of qualifying claims. The Company is responsible for administering the program, including setting the pricing of the agreements sold and paying the claims. The pricing is set based on historical claims experience and expectations about future claims. While the Company is unable to estimate maximum potential claim exposure, it has a history of overall profitability upon the ultimate resolution of agreements sold. The revenues related to the agreements sold are deferred at the time of sales and recorded in revenues in the statement of operations over the life of the agreements. The amounts deferred are reflected on the face of the balance sheet in "Deferred revenues and allowances," see also Note 1 for additional discussion.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

In accordance with Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, we have evaluated, under the supervision and with the participation of management, including our Chief Executive Officer and our Chief Financial Officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this annual report. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, as of the end of the period covered by this annual report, our disclosure controls and procedures were effective in timely alerting them to material information relating to our business (including our consolidated subsidiaries) required to be included in our Exchange Act filings.

Management's Report on Internal Control over Financial Reporting

Please refer to Management's Report on Internal Control over Financial Reporting on page 49 of this report.

Changes in Internal Controls Over Financial Reporting

There have been no changes in our internal controls over financial reporting that occurred in the quarter ended January 31, 2006, which have materially affected, or are reasonably likely to materially affect our internal controls over financial reporting.

ITEM 9B. OTHER INFORMATION

None

PART III

The information required by Items 10 through 14 is included in our definitive Proxy Statement relating to our 2006 Annual Meeting of Stockholders, and is incorporated herein by reference.

CROSS REFERENCE TO ITEMS 10-14 LOCATED IN THE PROXY STATEMENT

	Item	Caption in the Conn's, Inc. 2006 Proxy Statement
ITEM 10.	DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT	BOARD OF DIRECTORS, EXECUTIVE OFFICERS
ITEM 11.	EXECUTIVE COMPENSATION	EXECUTIVE COMPENSATION
ITEM 12.	SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	STOCK OWNERSHIP OF DIRECTORS, EXECUTIVE OFFICERS AND PRINCIPAL STOCKHOLDERS
ITEM 13.	CERTAIN RELATIONSHIPS AND RELATED TRANSACTION	CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS
ITEM 14.	PRINCIPAL ACCOUNTANT FEES AND SERVICES	INDEPENDENT PUBLIC ACCOUNTANTS

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) The following documents are filed as a part of this report:

(1) The financial statements listed in response to Item 8 of this report are as follows:

Consolidated Balance Sheets as of January 31, 2005 and 2006

Consolidated Statements of Operations for the Years Ended January 31, 2004, 2005 and 2006

Consolidated Statements of Stockholders' Equity for the Years Ended January 31, 2004, 2005 and 2006

Consolidated Statements of Cash Flows for the Years Ended January 31, 2005 and 2006

(2) Financial Statement Schedule: Report of Independent Auditors on Financial Statement Schedule for the three years in the period ended January 31, 2006; Schedule II -- Valuation and Qualifying Accounts. The financial statement schedule should be read in conjunction with the consolidated financial statements in our 2006 Annual Report to Stockholders. Financial statement schedules not included in this report have been omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

(3) Exhibits: A list of the exhibits filed as part of this report is set forth in the Index to Exhibits, which immediately precedes such exhibits and is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of l934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CONN'S, INC.
(Registrant)

/s/ Thomas J. Frank, Sr.

Date: March 30, 2006

Thomas J. Frank, Sr.
Chairman of the Board and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Thomas J. Frank. Sr. Thomas J. Frank, Sr.	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	March 30, 2006
/s/ David L. Rogers David L. Rogers	Chief Financial Officer (Principal Financial and Accounting Officer)	March 30, 2006
/s/ Marvin D. Brailsford Marvin D. Brailsford	Director	March 30, 2006
/s/ Jon E.M.Jacoby Jon E.M. Jacoby	Director	March 30, 2006
/s/ Bob L. Martin Bob L. Martin	Director	March 30, 2006
/s/ Douglas H. Martin Douglas H. Martin	Director	March 30, 2006
/s/ Scott L. Thompson Scott L. Thompson	Director	March 30, 2006
/s/ William T. Trawick William T. Trawick	Director	March 30, 2006
/s/ Theodore M. Wright Theodore M. Wright	Director	March 30, 2006

EXHIBIT INDEX

Exhibit Number	Description
2	Agreement and Plan of Merger dated January 15, 2003, by and among Conn's, Inc., Conn Appliances, Inc. and Conn's Merger Sub, Inc. (incorporated herein by reference to Exhibit 2 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).
3.1	Certificate of Incorporation of Conn's, Inc. (incorporated herein by reference to Exhibit 3.1 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).
3.1.1	Certificate of Amendment to the Certificate of Incorporation of Conn's, Inc. dated June 3, 2004 (incorporated herein by reference to Exhibit 3.1.1 to Conn's, Inc. Form 10-Q for the quarterly period ended April 30, 2004 (File No. 000-50421) as filed with the Commission on June 7, 2004).
3.2	Bylaws of Conn's, Inc. (incorporated herein by reference to Exhibit 3.2 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).
3.2.1	Amendment to the Bylaws of Conn's, Inc. (incorporated herein by reference to Exhibit 3.2.1 to Conn's Form 10-Q for the quarterly period ended April 30, 2004 (File No. 000-50421) as filed with the Commission on June 7, 2004).
4.1	Specimen of certificate for shares of Conn's, Inc.'s common stock (incorporated herein by reference to Exhibit 4.1 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on October 29, 2003).
10.1	Amended and Restated 2003 Incentive Stock Option Plan (incorporated herein by reference to Exhibit 10.1 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).t
10.1.1	Amendment to the Conn's, Inc. Amended and Restated 2003 Incentive Stock Option Plan (incorporated herein by reference to Exhibit 10.1.1 to Conn's Form 10-Q for the quarterly period ended April 30, 2004 (File No. 000-50421) as filed with the Commission on June 7, 2004).t
10.1.2	Form of Stock Option Agreement (incorporated herein by reference to Exhibit 10.1.2 to Conn's, Inc. Form 10-K for the annual period ended January 31, 2005 (File No. 000-50421) as filed with the Securities and Exchange Commission on April 5, 2005).t
10.2	2003 Non-Employee Director Stock Option Plan (incorporated herein by reference to Exhibit 10.2 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046)as filed with the Securities and Exchange Commission on September 23, 2003).t
10.2.1	Form of Stock Option Agreement (incorporated herein by reference to Exhibit 10.2.1 to Conn's, Inc. Form 10-K for the annual period ended January 31, 2005 (File No. 000-50421) as filed with the Securities and Exchange Commission on April 5, 2005).t
10.3	Employee Stock Purchase Plan (incorporated herein by reference to Exhibit 10.3 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).t
10.4	Conn's 401(k) Retirement Savings Plan (incorporated herein by reference to Exhibit 10.4 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).t

10.5 Shopping Center Lease Agreement dated May 3, 2000, by and between Beaumont Development Group, L.P., f/k/a Fiesta Mart, Inc., as Lessor, and CAI, L.P., as Lessee, for the property located at 3295 College Street, Suite A, Beaumont, Texas (incorporated herein by reference to Exhibit 10.5 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).

10.5.1 First Amendment to Shopping Center Lease Agreement dated September 11, 2001, by and among Beaumont Development Group, L.P., f/k/a Fiesta Mart, Inc., as Lessor, and CAI, L.P., as Lessee, for the property located at 3295 College Street, Suite A, Beaumont, Texas (incorporated herein by reference to Exhibit 10.5.1 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).

10.6 Industrial Real Estate Lease dated June 16, 2000, by and between American National Insurance Company, as Lessor, and CAI, L.P., as Lessee, for the property located at 8550-A Market Street, Houston, Texas (incorporated herein by reference to Exhibit 10.6 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).

10.6.1 First Renewal of Lease dated November 24, 2004, by and between American National Insurance Company, as Lessor, and CAI, L.P., as Lessee, for the property located at 8550-A Market Street, Houston, Texas (incorporated herein by reference to Exhibit 10.6.1 to Conn's, Inc. Form 10-K for the annual period ended January 31, 2005 (File No. 000-50421) as filed with the Securities and Exchange Commission on April 5, 2005).

10.7 Lease Agreement dated December 5, 2000, by and between Prologis Development Services, Inc., f/k/a The Northwestern Mutual Life Insurance Company, as Lessor, and CAI, L.P., as Lessee, for the property located at 4810 Eisenhauer Road, Suite 240, San Antonio, Texas (incorporated herein by reference to Exhibit 10.7 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).

10.7.1 Lease Amendment No. 1 dated November 2, 2001, by and between Prologis Development Services, Inc., f/k/a The Northwestern Mutual Life Insurance Company, as Lessor, and CAI, L.P., as Lessee, for the property located at 4810 Eisenhauer Road, Suite 240, San Antonio, Texas (incorporated herein by reference to Exhibit 10.7.1 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).

10.8 Lease Agreement dated June 24, 2005, by and between Cabot Properties, Inc. as Lessor, and CAI, L.P., as Lessee, for the property located at 1132 Valwood Parkway, Carrollton, Texas (incorporated herein by reference to Exhibit 99.1 to Conn's, Inc. Current Report on Form 8-K (file no. 000-50421) as filed with the Securities and Exchange Commission on June 29, 2005).

10.9 Credit Agreement dated October 31, 2005, by and among Conn Appliances, Inc. and the Borrowers thereunder, the Lenders party thereto, JPMorgan Chase Bank, National Association, as Administrative Agent, Bank of America, N.A., as Syndication Agent, and SunTrust Bank, as Documentation Agent (incorporated herein by reference to Exhibit 10.9 to Conn's, Inc. Quarterly Report on Form 10-Q (file no. 000-50421) as filed with the Securities and Exchange Commission on December 1, 2005).

10.9.1 Letter of Credit Agreement dated November 12, 2004 by and between Conn Appliances, Inc. and CAI Credit 10.9.1 Insurance Agency, Inc., the financial institutions listed on the signature pages thereto, and JPMorgan Chase Bank, as Administrative Agent (incorporated herein by reference to Exhibit 99.2 to Conn's Inc. Current Report on Form 8-K (File No. 000-50421) as filed with the Commission on November 17, 2004).

10.10 Receivables Purchase Agreement dated September 1, 2002, by and among Conn Funding II, L.P., as Purchaser, Conn Appliances, Inc. and CAI, L.P., collectively as Originator and Seller, and Conn Funding I, L.P., as Initial Seller (incorporated herein by reference to Exhibit 10.10 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).

10.11 Base Indenture dated September 1, 2002, by and between Conn Funding II, L.P., as Issuer, and Wells Fargo Bank Minnesota, National Association, as Trustee (incorporated herein by reference to Exhibit 10.11 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).

10.11.1 First Supplemental Indenture dated October 29, 2004 by and between Conn Funding II, L.P., as Issuer, and Wells Fargo Bank, National Association, as Trustee (incorporated herein by reference to Exhibit 99.1 to Conn's, Inc. Current Report on Form 8-K (File No. 000-50421) as filed with the Commission on November 4, 2004).

10.12 Series 2002-A Supplement to Base Indenture dated September 1, 2002, by and between Conn Funding II, L.P., as Issuer, and Wells Fargo Bank Minnesota, National Association, as Trustee (incorporated herein by reference to Exhibit 10.12 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).

10.12.1 Amendment to Series 2002-A Supplement dated March 28, 2003, by and between Conn Funding II, L.P. as Issuer, and Wells Fargo Bank Minnesota, National Association, as Trustee (incorporated herein by reference to Exhibit 10.12.1 to Conn's, Inc. Form 10-K for the annual period ended January 31, 2005 (File No. 000-50421) as filed with the Securities and Exchange Commission on April 5, 2005).

10.12.2 Amendment No. 2 to Series 2002-A Supplement dated July 1, 2004, by and between Conn Funding II, L.P., as Issuer, and Wells Fargo Bank Minnesota, National Association, as Trustee (incorporated herein by reference to Exhibit 10.12.2 to Conn's, Inc. Form 10-K for the annual period ended January 31, 2005 (File No. 000-50421) as filed with the Securities and Exchange Commission on April 5, 2005).

10.13 Series 2002-B Supplement to Base Indenture dated September 1, 2002, by and between Conn Funding II, L.P., as Issuer, and Wells Fargo Bank Minnesota, National Association, as Trustee (incorporated herein by reference to Exhibit 10.13 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).

10.13.1 Amendment to Series 2002-B Supplement dated March 28, 2003, by and between Conn Funding II, L.P., as Issuer, and Wells Fargo Bank Minnesota, National Association, as Trustee (incorporated herein by reference to Exhibit 10.13.1 to Conn's, Inc. Form 10-K for the annual period ended January 31, 2005 (File No. 000-50421) as filed with the Securities and Exchange Commission on April 5, 2005).

10.14 Servicing Agreement dated September 1, 2002, by and among Conn Funding II, L.P., as Issuer, CAI, L.P., as Servicer, and Wells Fargo Bank Minnesota, National Association, as Trustee (incorporated herein by reference to Exhibit 10.14 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).

10.14.1 First Amendment to Servicing Agreement dated June 24, 2005, by and among Conn Funding II, L.P., as Issuer, CAI, L.P., as Servicer, and Wells Fargo Bank, National Association, as Trustee (incorporated herein by reference to Exhibit 10.14.1 to Conn's, Inc. Form 10-Q for the quarterly period ended July 31, 2005 (File No. 000-50421) as filed with the Securities and Exchange Commission on August 30, 2005).

10.14.2 Second Amendment to Servicing Agreement dated November 28, 2005, by and among Conn Funding II, L.P., as 10.14.2 Issuer, CAI, L.P., as Servicer, and Wells Fargo Bank, National Association, as Trustee (incorporated herein by reference to Exhibit 10.14.2 to Conn's, Inc. Form 10-Q for the quarterly period ended July 31, 2005 (File No. 000-50421) as filed with the Securities and Exchange Commission on August 30, 2005).

10.15 Form of Executive Employment Agreement (incorporated herein by reference to Exhibit 10.15 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on October 29, 2003).t

10.15.1 First Amendment to Executive Employment Agreement between Conn's, Inc. and Thomas J. Frank, Sr., Approved by the stockholders May 26, 2005 (incorporated herein by reference to Exhibit 10.15.1 to Conn's, Inc. Form 10-Q for the quarterly period ended July 31, 2005 (file No. 000-50421) as filed with the Securities and Exchange Commission on August 30, 2005).t

10.16 Form of Indemnification Agreement (incorporated herein by reference to Exhibit 10.16 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).t

10.17 2007 Bonus Program (incorporated herein by reference to Form 8-K (file no. 000-50421) filed with the Securities and Exchange Commission on March 30, 2006).t

10.18 Description of Compensation Payable to Non-Employee Directors (incorporated herein by reference to Form 8-K (file no. 000-50421) filed with the Securities and Exchange Commission on June 2, 2005).t

10.19 Dealer Agreement between Conn Appliances, Inc. and Voyager Service Programs, Inc. effective as of January 1, 1998 (filed herewith).

10.19.1 Amendment #1 to Dealer Agreement by and among Conn Appliances, Inc., CAI, L.P., Federal Warranty Service Corporation and Voyager Service Programs, Inc. effective as of July 1, 2005 (filed herewith).

10.19.2 Amendment #2 to Dealer Agreement by and among Conn Appliances, Inc., CAI, L.P., Federal Warranty Service Corporation and Voyager Service Programs, Inc. effective as of July 1, 2005 (filed herewith).

10.19.3 Amendment #3 to Dealer Agreement by and among Conn Appliances, Inc., CAI, L.P., Federal Warranty Service Corporation and Voyager Service Programs, Inc. effective as of July 1, 2005 (filed herewith).

10.19.4 Amendment #4 to Dealer Agreement by and among Conn Appliances, Inc., CAI, L.P., Federal Warranty Service Corporation and Voyager Service Programs, Inc. effective as of July 1, 2005 (filed herewith).

10.20 Service Expense Reimbursement Agreement between Affiliates Insurance Agency, Inc. and American Bankers Life Assurance Company of Florida, American Bankers Insurance Company Ranchers & Farmers County Mutual Insurance Company, Voyager Life Insurance Company and Voyager Property and Casualty Insurance Company effective July 1, 1998 (filed herewith).

10.20.1 First Amendment to Service Expense Reimbursement Agreement by and among CAI, L.P., Affiliates Insurance Agency, Inc., American Bankers Life Assurance Company of Florida, Voyager Property & Casualty Insurance Company, American Bankers Life Assurance Company of Florida, American Bankers Insurance Company of Florida and American Bankers General Agency, Inc. effective July 1, 2005 (filed herewith).

10.21 Service Expense Reimbursement Agreement between CAI Credit Insurance Agency, Inc. and American Bankers Life Assurance Company of Florida, American Bankers Insurance Company Ranchers & Farmers County Mutual Insurance Company, Voyager Life Insurance Company and Voyager Property and Casualty Insurance Company effective July 1, 1998 (filed herewith).

10.21.1 First Amendment to Service Expense Reimbursement Agreement by and among CAI Credit Insurance Agency, Inc., American Bankers Life Assurance Company of Florida, Voyager Property & Casualty Insurance Company, American Bankers Life Assurance Company of Florida, American Bankers Insurance Company of Florida, American Reliable Insurance Company, and American Bankers General Agency, Inc. effective July 1, 2005 (filed herewith).

10.22 Consolidated Addendum and Amendment to Service Expense Reimbursement Agreements by and among Certain Member Companies of Assurant Solutions, CAI Credit Insurance Agency, Inc. and Affiliates Insurance Agency, Inc. effective April 1, 2004 (filed herewith).

11.1 Statement re: computation of earnings per share is included under Note 1 to the financial statements.

21 Subsidiaries of Conn's, Inc. (incorporated herein by reference to Exhibit 21 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).

23.1 Consent of Ernst & Young LLP (filed herewith).

31.1 Rule 13a-14(a)/15d-14(a) Certification (Chief Executive Officer) (filed herewith).

31.2 Rule 13a-14(a)/15d-14(a) Certification (Chief Financial Officer) (filed herewith).

32.1 Section 1350 Certification (Chief Executive Officer and Chief Financial Officer) (furnished herewith).

99.1 Subcertification by Chief Operating Officer in support of Rule 13a-14(a)/15d-14(a) Certification (Chief Executive Officer) (filed herewith).

99.2 Subcertification by Treasurer in support of Rule 13a-14(a)/15d-14(a) Certification (Chief Financial Officer) (filed herewith).

99.3 Subcertification by Secretary in support of Rule 13a-14(a)/15d-14(a) Certification (Chief Financial Officer) (filed herewith).

99.4 Subcertification of Chief Operating Officer, Treasurer and Secretary in support of Section 1350 Certifications (Chief Executive Officer and Chief Financial Officer) (furnished herewith).

t Management contract or compensatory plan or arrangement.

Schedule II-Valuation and Qualifying Accounts
Conn's, Inc.

Col A	Col B	Col C		Col D	Col E
		Additions			
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts Describe	Deductions Describe(1)	Balance at End of Period
Year ended January 31, 2004					
Reserves and allowances from asset accounts:					
Allowance for doubtful accounts	117	4,657	-	(2,855)	1,919
Year ended January 31, 2005					
Reserves and allowances from asset accounts:					
Allowance for doubtful accounts	1,919	5,637	-	(5,345)	2,211
Year ended January 31, 2006					
Reserves and allowances from asset accounts:					
Allowance for doubtful accounts	2,211	3,769	-	(5,066)	914

(1) Uncollectible accounts written off, net of recoveries

DEALER AGREEMENT

between

CONN APPLIANCES, INC.

and

VOYAGER SERVICE PROGRAMS, INC.

This Dealer Agreement is entered into effective as of January 1, 1998 by and between Conn Appliances, Inc., Beaumont, Texas, a Texas corporation (hereinafter, "Dealer"), and Voyager Service Programs, Inc., a Florida corporation (hereinafter "Voyager").

WHEREAS, Dealer is engaged in the sale of certain merchandise (hereafter, the "Covered Merchandise") to the general public in the States of Louisiana and Texas; and

WHEREAS, Dealer desires to offer, sell, and administer Voyager's extended service agreements in the States of Texas and Louisiana in the form(s) attached hereto as Exhibit A (such agreements as amended from time to time by agreement of the parties being referred to hereinafter as the "Service Contract(s)" to provide repairs for the protection of certain of Dealer's merchandise, which repairs will be in addition to the warranty protection offered by or enforceable against the manufacturer of such merchandise; and

WHEREAS, Voyager desires to make its Service Contracts available to customers of Dealer and to delegate to Dealer certain administrative and claims service responsibilities.

In consideration of the foregoing premises and the mutual promises and covenants contained herein, the parties agree as follows:

1. Scope of Agreement.

1.1 Applicability. This Agreement shall cover all new Service Contracts sold by Dealer issued in connection with the sale of Covered Merchandise since January 1, 1998 and during the term of this Agreement in the States of Louisiana and Texas and those service contracts covered under the Release, Transfer and Indemnification Agreement attached hereto as Exhibit "B." Contemporaneous with the execution hereof, the parties shall execute the Release, Transfer and Indemnification Agreement or substantially similar agreement as attached hereto as Exhibit B.

1.2 Voyager Exclusive. The parties agree that, effective as of the date of this Agreement, Voyager shall be Dealer's exclusive provider of the Service Contracts and related services performed by Voyager hereunder. With the exception of renewal Service Contracts, the parties acknowledge that Dealer has marketed and administered its own extended service agreements and which shall hereafter be governed by this Agreement and the Release, Transfer and Indemnification Agreement. Any renewals under any Service Contract before the effective date of this Agreement shall not be covered by this Agreement.

2. Sale of Service Contracts.

2.1 Eligible Merchandise. Dealer and Voyager shall agree, from time to time, as to which types of merchandise sold by Dealer are eligible to be Covered Merchandise of the type described in the Service Contract.

2.2 Contract Prices. Voyager shall provide Service Contracts to Dealer at the prices contained in Schedule A attached hereto ("Contract Prices"). Dealer shall, from time to time, establish the Contract Prices to be charged for the Service Contracts subject to Voyager's approval and shall advise Voyager in writing of such Contract Prices. Approval of the Contract Prices shall not be unreasonably withheld. Dealer shall comply with all Federal, Texas and Louisiana laws and regulations applicable to the pricing of the Service Contracts.

3. Duties of Dealer.

3.1 General. Dealer shall (i) sell and issue the Service Contracts to purchasers; (ii) handle all inquiries from purchasers of Service Contracts pertaining to the Service Contracts (each such original purchaser is a "Contract Holder"); (iii) discuss all requests for repairs with Contract Holders, determine to what extent repairs are necessary, and advise Contract Holders as to the procedure for obtaining repairs or, if necessary, replacement of the Covered Merchandise (such repair or replacement is hereinafter "Covered Repair/Replacement"); (iv) arrange for the provision of service to Contract Holders with repair facilities (a "Repair Facility"); (v) authorize the appropriate Repair Facility to perform the Covered Repair/Replacement; (vi) pay the Repair Facility (or Contract Holder, if circumstances warrant) for the reasonable cost ("Service Contract Losses") of effecting the Covered Repair/Replacement; (vii) provide to Voyager monthly Service Contract sale and repair cost summaries, including such data and information as is reasonably necessary for the parties to carry out the transactions contemplated by this Agreement; and, (viii) perform such other services and duties as may reasonably be required to offer, sell, and administer the Service Contracts that are subject to this Agreement.

3.2 Materials. Dealer shall submit all printed contracts, any marketing materials which contain a reference to Voyager or the Service Contracts, or forms pertaining to the transactions contemplated by this Agreement to Voyager for its approval prior to use. Such approval shall not be unreasonably withheld.

3.3 Books: Accounts: Records. Dealer shall keep accurate books, accounts, and records relating to the Service Contracts that are subject to this Agreement, including but not limited to, names and address of each Contract Holder, and the dates, amounts and description and model numbers of all Covered Merchandise, and Service Contract Losses which are submitted. Such books, accounts, and records shall be maintained in accordance with commercially reasonable standards for a period of at least five years after the date of termination of this Agreement. Dealer agrees that its books, accounts, and records pertaining to the Service Contracts may be audited twice annually by Voyager or an authorized regulatory agency. Such audits shall be conducted upon reasonable notice to Dealer during regular business hours. All information obtained by Voyager or its affiliates shall be subject to the provisions of Paragraph 12.

3.4 Compliance with Laws. Dealer understands that the offer, sale, and administration of the Service Contracts may require Dealer to obtain certain governmental licenses, and Dealer represents and warrants that in the event such material licenses, permits and governmental approvals and authorizations are necessary to lawfully offer, sell, and administer the Service Contracts. Dealer shall comply with such regulations. Dealer further understands that applicable laws impose certain limitations on the Dealer's ability to restrict implied warranties on merchandise covered by a Service Contract. Dealer shall comply with all applicable Federal, Texas and Louisiana laws and regulations relating to the offer, sale, and administration of the Service Contracts which shall include without limitation the Texas and Louisiana Deceptive Trade Practices Acts and the Magnuson-Moss Warranty Act and any applicable Retail Installment Sales Act as well as other Federal, Texas and Louisiana laws Dealer and Voyager may advise the other party may be applicable to the Service Contracts written hereunder.

3.5 Sales Taxes. In connection with the sale of the Service Contracts, Dealer agrees to account, remit, process, file and pay to the appropriate governmental authorities, pursuant to applicable law, any Federal, Texas, Louisiana or local sales tax assessable with respect to the sale of the Service Contracts.

3.6 Representations. In connection with offers and sales of the Service Contracts, Dealer shall make no oral or written representation (i) pertaining to the coverage provided under a Service Contract that misrepresents the scope of the coverage actually provided under the terms thereof or (ii) to the effect that the decision of Dealer or the Repair Facility is binding on the Contract Holder in any dispute concerning the Service Contract.

3.7 Voyager Funds. Those portions of Contract Prices received for the benefit of Voyager shall be held by Dealer in a fiduciary capacity. All such Voyager funds shall be promptly remitted or credited to Voyager on a monthly basis in the manner described in paragraph 5.5 below.

3.8 Relationship. Dealer's relationship with Voyager shall be that of an independent contractor authorized to sell and service Voyager's Service Contracts and nothing herein shall be construed as creating an employer-employee relationship between Voyager and officers, employees or agents of Dealer, or the relationship of a partnership or joint venture.

3.9 Complaints. Dealer shall immediately refer all lawsuits, demands for arbitration and regulatory complaints to Voyager for handling, together with copies of all information in Dealer's files and a summary of the Dealer activity regarding the litigated or disputed matter. Voyager agrees to promptly notify Dealer of all consumer and insurance department complaints received regarding the Service Contracts subject to this Agreement. Dealer shall maintain a log of all written complaints, which shall be available for inspection by Voyager. Dealer and Voyager shall cooperate in such matters so as to allow resolution thereof to the benefit of both parties.

3.10 Liability Insurance. At the option of Voyager, Dealer agrees to obtain and maintain, at its sole expense, blanket fidelity, and errors and omissions insurance, insuring Dealer's responsibilities hereunder. Voyager shall be named an additional insured on such insurance coverages and evidence thereof shall be furnished to Voyager and in the event the addition of Voyager as a named insured to any such insurance policy increases the cost or fee for such insurance, Voyager shall bear the increased cost attributable to its addition as a named insured.

3.11 Dealer Administrative Compensation. Dealer's compensation for the administrative services performed by it under this Agreement shall be included in the cost of the Service Contracts issued to Contract Holders and shall be five percent (5%) of the Contract Prices as defined herein. Dealer is authorized to deduct said fee reimbursements as stated in Paragraph 5.4. Voyager shall pay Dealer interest on any reserves held for the Service Contracts at the annual statement interest rate for Voyager Property & Casualty Insurance Company, on a quarterly basis, at the time an Experience Refund is paid or would be payable pursuant to Paragraph 5.5. Except as provided in paragraph 5.5 below, Voyager shall not be responsible for any other remuneration to Dealer. Any liability for any Service Contracts transferred pursuant to Exhibit B shall not be subject to this paragraph.

4. Duties of Voyager.

4.1 Dealer Assistance. Upon Dealer's reasonable request from time to time, Voyager agrees to consult with Dealer and provide advice relating to procedural, legal and other matters relevant to the conduct of the offer, sale, and administration of the Service Contracts. Except as provided in this Paragraph 4, Voyager shall have no duties with respect to the Service Contracts.

4.2 Forms. Voyager shall furnish to Dealer sample copies of all Service Contracts which are authorized for sale by the Dealer, together with necessary procedure manuals, reporting forms and claim forms. Upon ninety days (90) prior written notice to Dealer, Voyager may, at its sole discretion, amend any Service Contract or withdraw any Service Contract from the market, but Voyager shall provide a replacement Service Contract acceptable to Dealer in the event of any withdrawal at or before the date of its written notice to Dealer.

4.3 Contract Liability Policy. Voyager shall secure a Contractual Liability Insurance Policy covering the resulting liability from the Service Contracts issued hereunder from Voyager Property & Casualty Insurance Company (VP&C), a company authorized to issue such coverage, which, as of the effective date, has an A.M. Best rating of A-. In the event VP&C's A.M. Best rating falls below a B+ rating, Voyager shall immediately replace the VP&C Contractual Liability Insurance Policy with such a policy issued by another insurance company with an A.M. Best rating of B+ or higher. Both the VP&C Contractual Liability Insurance Policy and any required replacement policy shall be substantially similar to the policy attached hereto as Exhibit "C." Such policy shall cover all Service Contracts described in Paragraph 1.1 of this Agreement. The termination of this agreement shall not terminate the coverage under the policy, which coverage shall continue until the Service Contract's expiration.

5. Fees: Reimbursement; Refunds.

5.1 Voyager Fees. "Voyager Fee," as that phrase is used herein, shall mean that amount equal to forty percent (40%) of the Contract Prices (net of sales tax collected) of the Service Contracts sold by Dealer or delivered by Dealer in connection with the sale of Covered Merchandise any renewals thereof.

5.2 Claims Reimbursement. Dealer shall prepare and submit to Voyager a monthly invoice summarizing all claims and claims-related expenses under the Service Contracts adjusted and paid during the previous month. "Claims-related expenses" are defined as direct costs incurred in investigating and paying the Service Contract Losses. Within twenty (20) days of the end of the month in which any invoice is submitted, Voyager shall reimburse Dealer for any Service Contract Losses incurred by Dealer during the relevant period, upon submission to Voyager of Dealer's summary of Service Contract Losses.

5.3 Contract Holder Refunds. If any Service Contract is cancelled, Dealer shall pay the Contract Holder the appropriate refund owed to such Holder. Voyager shall credit to Dealer the unearned pro-rata portion of the Voyager Fee paid by Dealer to Voyager with respect to each Service Contract cancelled. Dealer shall be authorized to deduct the amounts credited due to cancellations from the amount due under Paragraph 5.1 hereof, in order to determine the net Voyager Fee due for the relevant month.

5.4 Payments to Voyager. Within twenty (20) days after the end of each month while this Agreement is in effect, Dealer shall send to Voyager the net amount due (Voyager Fees described in Paragraph 5.1 less Dealer compensation as provided in Paragraph 3.11, less the credit for cancellations referenced in Paragraph 5.3) attributable to all Service Contracts sold or renewed in connection with the sale of Covered Merchandise during the preceding month.

5.5 Experience Refund. Voyager shall prepare an Experience Refund (herein so called) computation for each relevant Calculation Period in accordance with the steps set forth on Exhibit D attached hereto. For purposes of the Experience Refund Computation under Exhibit B, the amount transferred to Voyager for Service Contracts pursuant to Exhibit B shall be considered "Voyager Fees," but in the computation to be made under Exhibit D, no subtraction for premium taxes nor Dealer Administrative Compensation shall be made, charged or paid on the transferred amounts. The first "Calculation Period" hereunder shall end on June 30, 1998, and subsequent Calculation Periods shall consist of each calendar quarter following the initial Calculation Period. If such calculations result in a negative amount (i.e., a deficit), then no Experience Refund shall be paid. The amount of such deficit shall be carried forward to subsequent Calculation Periods and offset against the Experience Refunds that would otherwise be payable for such Periods, until such negative amount is completely offset or paid. If such calculations result in a positive amount, then Voyager shall within thirty (30) days after the end of a Calculation Period remit such amount to Dealer as an Experience Refund.

5.6 Following termination of this Agreement in accordance with Paragraph 7, other than as provided under Paragraph 7.2(a), (b), (c), (d), or (e), Voyager shall continue to calculate an Experience Refund at the end of each quarterly period. If such calculations result in a positive amount, Voyager shall within 30 days after the end of the Calculation Period remit such amount to Dealer. If such calculations result in a deficit, such deficit shall be carried forward to subsequent Calculation Periods and offset in the same manner as described in Paragraph 5.5, except that if positive amounts have been paid after termination, Dealer shall be required to repay Voyager such positive amount(s) to reimburse Voyager for such deficit.

5.7 Within 60 days after Dealer has certified to Voyager that all liabilities under all Service Contracts covered by this Agreement have expired, Voyager shall calculate a final Experience Refund, using the same procedure described in Paragraph 5.5, 5.6 and Exhibit D.

5.8 In the event this Agreement is terminated pursuant to Paragraph 7.2(a), (b), (c), or (d), or (e), no further Experience Refund will be payable hereunder until all liability for the Service Contracts written under this Agreement has expired. Without waiving the foregoing, in the event Voyager, at its sole discretion, subject to Paragraph 11 herein, determines that its actual damages, costs, expenses and attorney's fees resulting from such events of termination are satisfied and reimbursed in their entirety, such amounts that would have been payable as an Experience Refund shall be calculated and paid to Dealer pursuant to Paragraph 5.6 contained herein and Voyager shall pay any positive amounts under such calculation in excess of any amounts necessary to satisfy and reimburse such actual damages, costs, expenses and attorney's fees.

6. Term. The term of this Agreement shall continue until terminated as permitted in Paragraph 7.

7. Termination.

7.1 Termination Without Cause. Either party may terminate this Agreement upon one hundred twenty (120) days prior written notice to the other party; provided, that such party is not then in material breach of this Agreement. This Agreement shall also terminate on any date that is mutually agreed upon in writing by the parties.

7.2 Termination With Cause by Voyager. Subject to the cure provisions contained herein, Voyager may immediately terminate this agreement by written notice to Dealer in the event of (a) Dealer's violation of any applicable law relating to the offer, sale, or administration of the Service Contracts and the violation continues for fifteen (15) days after Dealer has received notice of the violation; (b) material breach of this Agreement by Voyager, which material breach continues for 30 days after Voyager has received notice of the breach; (c) gross neglect of duty, fraud, misappropriation, or embezzlement by Dealer or its affiliates of funds owed to Voyager or any of its affiliates under this

Agreement or any other agreement with Dealer or any of its affiliates; (d) Dealer or any of its affiliates shall become the subject of any order or injunction of any court or governmental body relating to the offer, sale, or administration of the Service Contracts and such order or injunction is not dismissed within thirty (30) days; or (e) Dealer's voluntary bankruptcy, insolvency or assignment for the benefit of creditors. For purposes of this Agreement, an "affiliate" of Voyager is defined as any company or entity that is a member company of American Bankers Insurance Group and an "affiliate" of a Dealer shall mean any subsidiary, parent or successor corporation of the Dealer.

7.3 Termination With Cause by Dealer. Subject to the cure provisions contained herein, Dealer may immediately terminate this agreement by written notice to Voyager in the event of (a) material breach of this Agreement by Voyager, which material breach continues for 30 days after Voyager has received notice of the breach; (b) gross neglect of duty, fraud, misappropriation, or embezzlement by Voyager of funds owed Dealer under this Agreement; (c) Voyager or its Affiliates becoming the subject of any order or injunction of any court or governmental body relating to the sale or administration of the Service Contracts and such order or injunction is not dismissed within thirty (30) days; or (d) Voyager's insolvency.

7.4 Right to Cure. Both parties shall have the right to cure any event that would provide either party the right to terminate this Agreement for cause within thirty (30) days after written notice is received of the occurrence of such event unless a shorter period of time to cure such occurrence is provided by this Agreement. Such notice shall include a specific reference to the provision or provisions of this Agreement which are alleged to have been breached, a description of the event giving rise to the alleged violation, and the action to be taken by the party alleged to have violated the Agreement. During the cure period, neither party shall terminate the Agreement. Paragraph 7.2(c) and Paragraph 7.3(b) are hereby expressly excluded from this right to cure.

8. Offset. The parties hereto agree that either party may offset, at any time, any amounts alleged to be due from the other party against any amounts due to the other. Written notice of the offset and the basis for the offset shall be given to the other party by the party claiming the right of offset. If either party is determined to have wrongfully asserted a right of offset, that party shall be liable to the other party for the other party's reasonable attorney's fees, costs, expenses incurred in challenging the offset and interest on the offset funds at a rate of six percent (6%) per annum from the date the funds were initially due.

9. Indemnity.

9.1 By Dealer. Dealer hereby agrees to indemnify, defend, and hold harmless Voyager, any affiliate of Voyager, and their respective directors, officers, employees, agents, successors, and assigns (collectively, the "indemnified parties" and individually an "indemnified party") from and against (i) any and all losses, liabilities, costs, and damages (or actions or claims in respect thereof) that any indemnified party may suffer or incur insofar as such losses, liabilities, costs, or damages (or actions or claims in respect thereof) arise out of or are based upon any claim arising out of or relating in any manner whatsoever to (a) the transactions of Dealer contemplated by this Agreement (but specifically excluding items for which Dealer is being indemnified under Subparagraph 9.2 and the contractual liabilities payable under the terms and conditions of the Service Contracts) including without limitation, the offer, sale, or administration of the Service Contracts by Dealer or its agents and employees, claims based upon misrepresentations or fraud by Dealer or its agents and employees in connection with the offer or sale of the Service Contracts, the violation of any law, statute, regulation, or order applicable to the transactions contemplated by this Agreement by Dealer or its agents and employees, or claims of Contract Holders relating to repairs performed by Dealer or its agents and employees pursuant to Service Contracts, (b) any act or omission of Dealer or the breach by Dealer of any covenant, representation, or warranty of Dealer in this Agreement, or (c) claims of any taxing authority for taxes owing or alleged to be owing with respect to the sale of the Service Contracts by Dealer, including income taxes payable thereon, by Dealer other than premium taxes that are the responsibility of and customarily paid by insurance companies, and (ii) any and all reasonable legal and other expenses incurred by any indemnified party in connection with investigating, defending, or prosecuting any of the matters referred to in clause (i) above (or actions or claims in respect thereof) that result in any loss, liability, cost, or damage to the indemnified party.

9.2 By Voyager. Voyager hereby agrees to indemnify, defend, and hold harmless Dealer, any affiliate of Dealer, and their respective directors, officers, employees, agents, successors, and assigns (collectively, the "indemnified parties" and individually an "indemnified party") from and against (i) any and all losses, liabilities, costs, and damages (or actions or claims in respect thereof) that any indemnified party may suffer or incur, insofar as such losses, liabilities, costs, or damages (or actions or claims in respect thereof) arise out of or are based upon any claim arising out of or relating in any manner whatsoever to the breach by Voyager of any covenant, representation, or warranty of Voyager in this Agreement; the obligation of Voyager under the Service Contracts; claims of any taxing authority for taxes owed or alleged to be owed by Voyager with respect to the sale of Service Contracts or the purchase of the contractual liability policy; and (ii) any and all reasonable legal and other expenses incurred by any indemnified party in connection with investigating, defending, or prosecuting any of the matters referred to in clause (i) above (or actions or claims in respect thereof) that result in any loss, liability, cost, or damage to the indemnified party.

10. Effect of Termination. If this Agreement is terminated by Voyager pursuant to Paragraph 7.2, then Voyager, in its sole discretion, may elect to either (a) permit Dealer to continue to perform the administrative duties of Dealer specified in Paragraph 3 during the run-off of the Service Contracts that have not yet expired (the "Unexpired Service Contracts"), or (b) have Voyager, one of its affiliates, or a third party assume the administrative duties of Dealer under Paragraph 3 with respect to the Unexpired Service Contracts. If Dealer is removed as the administrator, then Dealer agrees to pay to the successor administrator, whether it be Voyager, an affiliate, or a third party, the unearned Dealer Administrative Compensation computed by the pro-rata method based on the terms of the actual unexpired Service Contracts. Dealer agrees to provide to Voyager or its designee such data regarding the Service Contracts, and such other information as Voyager may reasonably require to enable the successor administrator to service the business hereunder. If this Agreement is terminated by Dealer pursuant to Paragraph 7.1 or 7.3, then Dealer may, in Dealer's sole discretion, continue to perform the duties specified in Paragraph 3 during run-off. Whether this Agreement is terminated by Dealer or Voyager, Dealer may, at Dealer's sole discretion, continue to act as a Repair Facility under any applicable Repair Facility Agreement until the expiration of the Service Contracts written hereunder unless Dealer materially breaches the Repair Facilities Agreement or unless this Agreement has been terminated pursuant to Paragraph 7.2(c).

If this Agreement is terminated pursuant to Paragraph 7.1 or 7.3 by Dealer, Voyager agrees, upon termination of this Agreement and upon Dealer's election, to transfer the unearned Voyager Fee less the Dealer Administrative Compensation to any administrator authorized by Dealer and, if applicable, by law to receive such fee in the state in which the administrator is domiciled. In the event the Agreement is terminated pursuant to Paragraph 7.1 and Dealer elects to transfer the unearned Voyager Fee to a substitute administrator, such transfer shall be of the unearned Voyager Fee less the Dealer Administrative Compensation and less Voyager's retention as defined in Exhibit D attached hereto. Upon Dealer's election, all liability for subsequent claims, refunds or any other obligations regardless of effective or incurred date, shall be transferred from Voyager to an approved assuming insurer on the effective date of such assumption. In such event, Voyager and its affiliates shall be indemnified and held harmless from any further liability under this Agreement or the Contractual Liability Insurance Policy.

11. Arbitration. Unless otherwise agreed to by Dealer and Voyager, any controversy or claim arising out of or relating to this Agreement, or breach hereof, shall be submitted to arbitration in Beaumont, Texas in accordance with the Commercial Arbitration Rules of the American Arbitration Association. Voyager and Dealer shall each appoint one arbitrator within fifteen (15) days of the other party's request, and the two arbitrators so appointed shall appoint a third arbitrator. If either party refuses or neglects to appoint an arbitrator within thirty (30) days after the other party's request in writing, then the other party may appoint two arbitrators who shall appoint the third. If the two arbitrators fail to agree upon the selection of a third arbitrator within thirty (30) days of their appointment, the third arbitrator shall be selected pursuant to the American Arbitration Association rules. None of the arbitrators shall be an employee, officer, or director of either Voyager or Dealer or any of their affiliates. The decision rendered by the arbitrator(s) shall be binding. Judgment upon the decision of the arbitrators may be entered in any court having jurisdiction thereof. Each party shall pay the expenses incurred by it and the one arbitrator selected by or for it, and shall equally bear the expenses of the American Arbitration Association and the third arbitrator.

12. Confidentiality. All communications from Voyager to Dealer or any affiliate, or from Dealer to Voyager or any affiliate, pursuant to this Agreement and all information and other material supplied to or obtained by the other party or affiliate under this Agreement (the "Protected Information") is, by its nature, confidential, proprietary, material, or important information of the applicable party or affiliate and is intended to be exclusively the knowledge of Voyager, Dealer, or their respective affiliates, as applicable, alone. From and after the date hereof, Voyager, Dealer, and their respective affiliates, as applicable, shall not, directly or indirectly, in any individual or representative capacity, reveal, divulge, disclose, or communicate in any manner whatsoever to any individual or entity (other than their respective

officers, directors, employees, or consultants who have a need to know) any Protected Information of the other party or any affiliate, except as may be required by law or in response to a subpoena issued by a court having jurisdiction in the matter, or use any Protected Information of the other party or any affiliate for its benefit or the benefit of any third person. The term "Protected Information" includes any information of any kind, nature, or description concerning any matter affecting or relating to the businesses of Voyager or any of its affiliates or Dealer or any of its affiliates, as applicable, including without limitation, (i) names of any customers, clients, accounts, agents, or personnel, (ii) financial affairs, (iii) manner of operation, (iv) strategies, advertising or marketing plans or plans of any other nature, (v) information contained in any data bases, (vi) software programs, (vii) trade secrets, (viii) confidential information, or (ix) methods of distribution. Without regard to whether any of the foregoing would be deemed to be material or important under applicable law, Dealer and Voyager each agrees that the same are material and important and materially affect the effective conduct of the business of Voyager and its affiliates and Dealer and its affiliates, as applicable.

13. Notices. Any notice or communication pertaining to this Agreement must be in writing and given by depositing the same in the United States mail, addressed to the party to be notified, postage prepaid and registered or certified with return receipt requested, by prepaid overnight courier, or by delivering the same in person. Such notice shall be deemed received on the date on which it is hand-delivered or, if mailed, on the earlier of the date actually received or (whether or not received) on the fifth business day following the date on which it is so mailed. For purposes of notice, the addresses of the parties shall be:

If to Voyager: Voyager Service Programs, Inc.
110 W. 7th Street
Fort Worth, Texas 76102
Attn: Tom McCraw, First Senior Vice President

If to Dealer: Conn Appliances, Inc.
2755 Liberty
Beaumont, Texas 77704
Attn: Thomas Frank, Chairman and Chief Executive Officer

Any party may change its address for notice by written notice given to the other parties in the manner prescribed in this Paragraph.

14. Survival. The provisions of this Agreement shall survive termination of this Agreement for a period of four (4) years after all liabilities expire under all Service Contracts covered by this Agreement.

15. General.

15.1 Entire Contract. This Agreement and the Exhibits attached hereto supersede all prior agreements and understandings relating to the subject matter hereof. This Agreement (including the Exhibits attached hereto) may not be amended other than by written agreement of the parties.

15.2 Choice of Laws. This Agreement and the rights and obligations of the parties hereto shall be governed, construed, and enforced in accordance with the laws of the State of Texas (excluding its conflict of laws rules).

15.3 Non-Assignment. This Agreement may not be assigned by Dealer or Voyager. Any attempted assignment in violation of this provision shall be ineffective for all purposes.

15.4 Severability. If any provision of this Agreement is held to be illegal, invalid, or unenforceable under present or future laws effective during the term hereof, such provision shall be fully severable; this Agreement shall be construed and enforced as if such illegal, invalid, or unenforceable provision had never comprised a part hereof; and, the remaining provisions hereof shall remain in full force and effect and shall not be affected by the illegal, invalid, or unenforceable provision or by its severance herefrom. In lieu of such illegal, invalid, or unenforceable provision, there shall be added automatically as a part hereof a provision as similar in terms to such illegal, invalid, or unenforceable provision as may be possible and be legal, valid, and enforceable.

15.5 Captions. The titles appearing before each provision of this Agreement are for informational purposes only and shall not be construed to limit or modify such provisions.

EXECUTED by the respective officers of the parties by authority of their respective Boards of Directors, on the dates set forth below, to be effective as of the date first set forth above.

VOYAGER SERVICE PROGRAMS, INC.

By: /s/ Mark Cooper

Its: Authorized Representative

Date: 7-16-1998

CONN APPLIANCES, INC.

By: /s/ Thomas J. Frank

Its: Chief Executive Officer

Date: 7-16-1998

In consideration of the mutual promises and covenants contained in the Dealer Agreement, American Bankers Insurance Company hereby guarantees to Conn Appliances, Inc., jointly and severally with its affiliate, Voyager Service Programs, Inc. ("Voyager"), the performance by Voyager of all of Voyager's obligations contained in the Dealer Agreement and any and all future amendments thereto.

AMERICAN BANKERS INSURANCE COMPANY

By: /s/ Mark Cooper

Its: Authorized Representative

Date: 7-16-1998

EXHIBIT A

Issued By: Voyager Service Programs, Inc. ("Voyager"), a subsidiary of American Bankers Insurance Group

SERVICE AGREEMENT

In consideration of the amount paid on this invoice for this Service Agreement ("Agreement"), and except as hereinafter provided, Voyager will make all necessary repairs and replacement of parts for the appliance or product identified on this invoice at the owner's address as identified on the invoice.

TERMS AND CONDITIONS

(1) Service shall be rendered during normal working hours and within the territory normally serviced by Voyager retained and qualified service administrators.

(2) This Agreement excludes (a) damages caused by spillage of liquids, insect infestations or by other improper or negligent use of the products; (b) damages caused by corrosion or rust; (c) theft or damage caused by flood, fire, hurricane, tornado, or all other acts of God; (d) consumable items such as knobs, cabinetry, trim, antennas, software, disks, needles, cartridges, glass, bulbs, batteries, etc.; (e) commercial use of the product; (f) routine cleaning of appliances, such as air conditioners; (g) Special, consequential or indirect damages, whether by contract, tort, or negligence; (h) repair or replacement covered by the manufacturer's warranty; (i) verified food loss damages in excess of $150 on refrigerators and $250 on freezers; or (j) damages/repairs covered by owner's other insurance coverages.

(3) This Agreement may be canceled by Voyager for fraud, material misrepresentation, or if any payment is not made when due. Voyager shall calculate a prorata refund, less amounts paid for repairs made on owner's behalf.

(4) Owner has the right to request in writing the cancellation of this Agreement. Upon cancellation, owner will receive a refund of the unearned prorata portion of eighty percent (80%) of the price of this Service Agreement, less amounts paid for repairs.

(5) This Agreement is subject to review by seller before being considered for renewal.

(6) Voyager's limit of liability is the replacement value of the product.

a. Should Voyager be unable to repair a product due to part unavailability, or other circumstances, Voyager may choose, at its option, to either replace it with a product of like value, a refurbished product, or credit monies towards the purchase of a new product.

b. If a product is replaced under the terms of this Agreement, the customer may purchase a new Agreement at new product pricing.

(7) This Agreement is transferable upon Voyager or its service administrator receiving a written request from the original owner.

This instrument sets forth the entire agreement between the parties and no representation, promise or condition not contained herein shall modify its terms. If services are required that are not included in this Service Agreement, they will be provided at regular repair rates.

Voyager has retained Conn Appliances, Inc. ("Conn's") as its service administrator. Conn's provides customer assistance at these locations and telephone number:

Area	Service Center Address		Telephone
Orange-Port Arthur-Bridge City	2686 Laurel	Beaumont TX	409.735.7166
Beaumont	2686 Laurel	Beaumont TX	409.832.9938
Lake Charles	2678 Laurel	Beaumont TX	800.634.7118
Houston Area	635 Blue Bell	Houston TX	281.591.6611
Houston	635 Blue Bell	Houston TX	713.xxx.xxxx
San Antonio	1974 S. Alamo	San Antonio TX	210.354.1000
Lafayette	2910 Johnston St.	Lafayette LA	318.233.8427

EXHIBIT B

RELEASE, TRANSFER AND INDEMNIFICATION AGREEMENT

This Release, Transfer and Indemnification Agreement is effective this 1st day of January, 1998 by Conn Appliances, Inc., ("Conn"), Voyager Service Programs, Inc., ("Voyager") and Voyager Property and Casualty Insurance Company ("VPC").

WITNESSETH:

WHEREAS, Voyager Property and Casualty Insurance Company issued to Conn, a Service Contract Reimbursement Policy ("Policy"), indemnifying Conn for contractual liabilities incurred under Conn's Service Contracts with its customers administered by Conn (collectively referred to with Voyager's service agreements as the "Service Contacts"): and

WHEREAS, the parties have previously entered into a certain Dealer Agreement for the sale of Voyager Service Contracts and a Deposit Agreement dated October 19, 1992, and all amendments and modifications thereto (collectively Agreement #1), by and among Conn, Voyager, VPC, American Bankers Insurance Company and Chase Bank of Texas National Association (formerly known as Texas Commerce Bank - Beaumont National Association) which established a certain related trust account, (hereinafter, the "Trust Account").

WHEREAS, effective January 1, 1998, Conn and Voyager entered into a certain new Dealer Agreement (Agremeent #2), whereby Voyager issues Voyager's Service Contracts to customers of Conn; and

WHEREAS, pursuant to the terms and conditions of Agreement #2 and this Agreement, Voyager agrees to assume liability for and administer existing Service Contracts and to issue new Service Contracts, and to release, indemnify and hold Conn and VPC harmless from any further obligations and liabilities under the Deposit Agreement, the Policy and the previously issued Service Contracts; and

WHEREAS Conn desires to release, indemnify and hold Voyager and VPC harmless from any obligation under Agreement #1 and Policy.

NOW, THEREFORE, in consideration of the mutual consideration contained herein, the receipt and sufficiency thereof being duly acknowledged, the parties agree as follows:

(1) Voyager hereby assumes the liabilities under the Service Contracts, except for any renewals thereof issued by Conn prior to the effective date of Agreement #2. The duties and obligations of the parties regarding such Service Contracts are hereby and hereinafter subject to the terms of Agreement #2 between Conn and Voyager dated January 1, 1998.

(2) In consideration of the assumption of such liability and duty of administration, the parties to this Agreement do hereby agree to terminate the Deposit Agreement and disburse the Trust Account balance in the amount of $4,900,000 to Conn and the remainder to Voyager. The balance remitted to Voyager shall be consider Voyager Fees and included in the calculation of the Experience Refund under Agreement #2.

(3) Each party shall indemnify and hold the other party harmless from any and all loss, penalties or costs incurred by it when it is made a party to any regulatory action, lawsuit or threat of either because of any act or omission of the other party resulting from or growing out of unauthorized, negligent, fraudulent, or unfaithful acts or omissions by the other party in connection with Agreement #1 or Policy. Costs shall include, but are not limited to, attorney's fees, court costs, expenses, settlement costs, fines, judgments and all damage awards whether actual, compensatory, punitive or otherwise.

(4) The parties further warranty that, by virtue of payment of the foregoing consideration, neither party nor any of their successors and assigns shall have any claim or right against the other or under or pursuant to said Policy and Agreement #1 after the effective date of agreement #2 and expressly agrees that the said Deposit Agreement and Policy is terminated as of the effective date of this agreement and there is no liability for any claims on or after the date of this agreement other than those as specified herein and occurring after the effective date of Agreement #2.

(5) The parties acknowledge that they have read and understand this Release, Transfer and Indemnification Agreement; that they have received independent legal advise from their attorney in regard to its rights and obligations regarding the matters released and parties indemnified herein; that this Release, Transfer and Indemnification Agreement shall not be subject to any claim of mistake of fact and that the consideration received with respect to this Release, Transfer and Indemnification Agreement constitutes full satisfaction of all obligations and liabilities.

(6) The Parties understand that this Release, Transfer and Indemnification Agreement shall be interpreted and governed by the laws of the State of Texas, that it shall inure to the benefit of and be binding upon Conn, VPC and their successors and assigns.

(7) The parties represent that this Release, Transfer and Indemnification Agreement does not violate articles of incorporation, by-laws or other applicable regulations or resolutions, and that it has taken any and all action as may be required to have the officers executing this instrument authorized to execute it on behalf of the corporation.

IN WITNESS WHEREOF, the Parties have executed duplicate originals of this Release, Transfer and Indemnification Agreement and affixed its respective corporate seal as of the date stated below.

VOYAGER PROPERTY AND CASUALTY INSURANCE COMPANY

By:

Its:

Date:

VOYAGER SERVICE PROGRAMS, INC.
By:

Its:

Date:

CONN APPLIANCES, INC.

By:

Its:

Date:

EXHIBIT C

Service Contract Reimbursement Insurance Policy issued to Voyager Service Programs, Inc. by Voyager Property & Casualty Insurance Company effective April, 1, 1995 and Service Contract Reimbursement Insurance Policy issued from Voyager Guaranty Insurance Company to Voyager Service Programs, Inc. effective January 1, 1991 until April 1, 1995 and reinsured from Voyager Guaranty Insurance Company to Voyager Property & Casualty Insurance Company by Reinsurance Agreement effective January 1, 1993, Conn Appliances, Inc. being an additional named insured under both policies and the agreement by signature of authorized representative below. Both policies are further amended and endorsed to provide coverage for verified food loss damages in excess of $150 on refrigerators and$250 on freezers.

/s/ Mark Cooper

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Authorized Representative

EXHIBIT D

This Exhibit D attached to that certain Dealer Agreement by and between Voyager Service Programs, Inc. and Conn Appliances, Inc., effective January 1, 1998.

EXPERIENCE REFUND COMPUTATION

Step 1. In accordance with Paragraph 5.5, Voyager shall calculate an Experience Refund which shall be on a cumulative inception to date basis as follows:

(a) From the net written Voyager Fees, the unearned Voyager Fees as of the end of the applicable Calculation Period shall be subtracted. The amount of the "unearned Voyager Fees" shall be calculated using the pro rata method, over the term of the individual Service Contracts beginning from the date of sale. The resulting number is the earned Voyager Fees.

(b) From the earned Voyager Fees, the premium taxes, Voyager's retention of 10% and the Dealer Administrative Compensation associated with the earned Voyager Fees shall be subtracted. Provided, however, no premium taxes or Dealer Administrative Compensation on the funds transferred to Voyager pursuant tot Exhibit B shall be subtracted from the earned Voyager Fees for the purposes of computing the Experience Refund.

(c) From the amount calculated in (b), the paid Service Contract Losses, claims-related expenses and ending claims reserves shall be subtracted.

Step. 2. From the sum determined under Step 1, subtract any Experience Refunds previously paid for prior Calculation Periods.

The positive or negative amount calculated in accordance with these steps is the "Experience Refund" for the applicable Calculation Period to in Subparagraph 5.5.

AMENDMENT #1 TO DEALER AGREEMENT
ASSIGNMENTS, CONFIDENTIALITY, T&Cs

THIS AMENDMENT #1 (herein "Amendment") to the Dealer Agreement ("Agreement") is made this ___ day of July, 2005 with an effective date of July 1, 2005 ("Effective Date") by and among Conn Appliances, a Texas corporation ("Conn"), CAI, L.P., a Texas limited partnership ("CAILP"), Conn and CAI having their principal places of business at 3295 College Street, Beaumont, Texas 77701 (except where otherwise noted, Conn and CAI collectively herein referred to as "Dealer"), Federal Warranty Service Corporation, an Illinois corporation having its principal place of business at 260 Interstate North Circle, SE, Atlanta, GA 30339 ("Federal"), and Voyager Service Programs, Inc., a Florida corporation having its principal place of business at 11222 Quail Roost Drive, Miami, Florida 33157 ("Voyager").

WHEREAS, Dealer and Voyager entered into a "Dealer Agreement" stated as effective January 1, 1998 (the "Agreement") concerning the sale by Dealer of Service Contracts covering certain specified merchandise sold by Dealer, under which Service Contracts Voyager was the obligor, and which Service Contracts were administered by Dealer; and

WHEREAS, The parties desire for Federal to assume the rights and duties of Voyager under the Agreement, and to provide for the replacement of the contractual liability insurance policy by a different insurer affiliate of Federal; and

WHEREAS, The parties desire for CAILP to assume the rights and duties of Conn under the Agreement.

NOW THEREFORE, in consideration of the mutual covenants and promises set forth herein and in the Agreement, the parties do hereby agree as follows:

1. Voyager hereby assigns, and Federal hereby assumes, all of the rights, duties and obligations of Voyager under the Agreement.

2. Conn hereby assigns, and CAILP hereby assumes, all of the rights, duties and obligations of Dealer under the Agreement.

3. Exhibit A of the Agreement is hereby replaced by the attached Amendment #1 Exhibit A. Dealer shall implement the new Service Contract forms set forth in Exhibit A, and shall cease printing, offering, selling or issuing any other Service Contract forms, no later than the date selected by Federal, which shall not be sooner than ninety (90) days after the effective date of this Amendment #2, and shall reasonably reflect the time needed by Dealer to complete such implementation. Dealer shall provide Federal at least thirty (30) days' notice prior to the actual implementation date selected by Dealer. Dealer shall destroy all Service Contract forms which do not comply with the attached Exhibit A not later than thirty (30) days following the actual implementation date herein referenced.

4. All references within the Agreement to "Voyager," excluding references to "Voyager Property & Casualty Insurance Company" but including references within other terms such as "Voyager Fee" which incorporate the name "Voyager," are hereby changed to "Federal."

5. Paragraph 13 Notices of the Agreement, is hereby amended to indicate Federal's and Dealer's addresses for notices as:

   If to Federal: Federal Warranty Service Corporation
   260 Interstate North Circle, SE,
   Atlanta, Georgia 30339-2110
   Attn: President

   With copy to:
   American Bankers Insurance Company of Florida
   11222 Quail Roost Drive
   Miami, Florida 33157-6596
   Attn: PPP Channel Attorney

   If to Dealer: CAI, L.P.
   3295 College Street
   Beaumont, Texas 77701
   Attn: Mr. Thomas Franks

6. All references within the Agreement to "Voyager Property & Casualty Insurance Company" and "VP&C" are hereby changed to "American Bankers Insurance Company" and "ABIC" respectively.

7. Not later than the implementation date referenced in Paragraph 2 of this Amendment #1, Federal shall obtain a replacement contractual liability insurance policy from American Bankers Insurance Company of Florida. Upon issuance of the new American Bankers policy, Dealer agrees that the previous policy issued by Voyager Property & Casualty Insurance Company shall be cancelled, however the previous policy will continue to provide coverage for Voyager-obligor Service Contracts issued prior to such cancellation.

8. The "Confidentiality and Non-Disclosure Agreement" attached hereto as

Amendment #1 Exhibit B, shall be executed by the parties and attached to and made part of the Agreement as Exhibit E.

IN WITNESS HEREOF, the parties have signed this Amendment effective as of the date first above written.

Voyager Service Programs, Inc.	Conn Appliances, Inc.
By: /s/ Joe Erderman	By: /s/ David Atnip 7/21/05
Title: Vice President	Title: Treasurer
Federal Warranty Service Corporation	CAI, L.P.
By: /s/ Joe Erderman	By: /s/ David Atnip 7/21/05
Title: Vice President	Title: Treasurer

AMENDMENT #1 EXHIBIT A (Agreement Exhibit A)
SAMPLE SERVICE CONTRACT FORM

SERVICE AGREEMENT

In consideration of the amount paid on the invoice for this Service Agreement ("Agreement"), and except as hereinafter provided, Federal Warranty Service Corporation will make all necessary repairs and replacement of parts for the appliance or product identified on this invoice at the owner's address as identified on the invoice. Pre-existing conditions are included in this Agreement. This Agreement is not a contract of Insurance.

TERMS AND CONDITIONS

(1) Service shall be rendered during normal working hours and within the territory normally serviced by Federal Warranty Service Corporation retained and qualified service administrators.

(2) This Agreement excludes (a) damages caused by spillage of liquids, failure to maintain proper operating fluid levels, insect infestations or by other improper or negligent use of the products; (b) damages caused by corrosion or rust; (c) theft or damage caused by flood, fire, hurricane, tornado, or all other acts of God; (d) consumable items such as knobs, cabinetry, trim, antennas, software, disks, needles, cartridges, glass, bulbs, belts, blades, tires, oil, filters, spark plugs, batteries, etc.; (e) commercial use of the product; (f) routine cleaning and maintenance of products, as detailed in owners manual, such as air conditioners and lawn and garden products; (g) Special, consequential or indirect damages, whether by contract, tort, or negligence; (h) repair or replacement covered by the manufacturer's warranty; (i) verified food loss damages in excess of $ 150 on refrigerators and $ 250 on freezers; (j) damages/repairs covered by owner's other insurance coverages; or (k) use of the product in a manner which would void the manufacturer's warranty before or after the warranty period.

(3) Owner has the right at any time to request in writing to Federal Warranty Service Corporation or its designated service administrator the cancellation of this Agreement. Owner may return this Agreement within twenty (20) days of the date this Agreement was provided to them, or within ten (10) days if the Agreement was delivered at the time of sale. If no claim was made, the Agreement is void and the full purchase price will be refunded. A penalty fee of ten (10) percent of the amount outstanding per month on a refund that is not made within forty-five (45) days will be paid. These provisions apply only to the original purchaser of the Agreement and will not be extended to any additional owners for the product. In the event the seller cancels the Agreement, a written notice will be mailed to the last known address at least five (5) days prior to cancellation, which shall state the effective date of cancellation and the reason for cancellation. However, prior notice is not required if the reason for cancellation is nonpayment of the provider fee, a material misrepresentation relating to the covered property or its use, or a substantial breach of duties relating to the covered product or its use. Seller may cancel this Agreement at any time and a refund of 100% of the amount paid will be made to the owner. Any refunds made by Seller will be less the amounts paid on the owner's behalf for repairs.

(4) Our obligations under this Agreement are guaranteed by an insurance policy issued by American Bankers Insurance Company of Florida. If a covered claim is not paid within sixty (60) days after proof of loss has been filed, you may file a claim directly with the Insurance Company. Please call 1-800-842-2244.

(5) This Agreement is subject to review by seller before being considered for renewal.

(6) Federal Warranty Service Corp's limit of liability is the replacement value of the product.

a. Should Federal Warranty Service Corporation be unable to repair a product due to part unavailability, or other circumstances, Federal Warranty Service Corporation may choose, at its option, to either replace it with a product of like value, a refurbished product, or credit monies towards the purchase of a new product.

b. If a product is replaced under the terms of this Agreement, the customer may purchase a new Agreement at new product pricing.

(7) This Agreement is transferable upon Federal Warranty Service Corporation or its service administrator receiving a written request from the original owner.

This instrument sets forth the entire agreement between the parties and no representation, promise or condition not contained herein shall modify its terms. If services are required that are not included in this Service Agreement, they will by provided at regular repair rates.

Federal Warranty Service Corporation has retained CAI, LP ("Conn's"), as its service administrator. Conn's provides customer assistance at these locations and telephone numbers:

Area	Service Center Address		Telephone
Dallas			
Corpus Christi			
Orange-Port Arthur-Bridge City	2686 Laurel,	Beaumont ,TX	409 735 7166
Beaumont	2686 Laurel,	Beaumont ,TX	409 832 9938
Lake Charles	2678 Laurel,	Beaumont, TX	800 634 7118
Houston Area	635 Blue Bell,	Houston, TX	281 591 6611
San Antonio	1974 S. Alamo,	San Antonio, TX	210 354 1000
Lafayette	2910 JohnstonSt,	Lafayette, LA	318 233 8427

ARBITRATION PROVISION

READ THE FOLLOWING ARBITRATION PROVISION ("PROVISION") CAREFULLY. IT LIMITS CERTAIN OF YOUR RIGHTS, INCLUDING YOUR RIGHT TO OBTAIN RELIEF OR DAMAGES THROUGH COURT ACTION.

As used in this Provision, "You" and "Your" mean the person or persons named in this [Service Agreement], and all of his/her heirs, survivors, assigns and representatives. And, "We" and "Us" shall mean the Obligor identified above and shall be deemed to include all of its agents, affiliates, successors and assigns, and any retailer or distributor of its products, and all of the dealers, licensees, and employees of any of the foregoing entities

Any and all claims, disputes, or controversies of any nature whatsoever (whether in contract, tort or otherwise, including statutory, common law, fraud (whether by misrepresentation or by omission) or other intentional tort, property, or equitable claims) arising out of, relating to, or in connection with (1) this [Service Agreement] or any prior [Service Agreement], and the purchase thereof; and (2) the validity, scope, interpretation, or enforceability of this Provision or of the entire Agreement ("Claim"), shall be resolved by binding arbitration before a single arbitrator. All arbitrations shall be administered by the American Arbitration Association ("AAA") in accordance with its Expedited Procedures of the Commercial Arbitration Rules of the AAA in effect at the time the Claim is filed. The terms of this Provision shall control any inconsistency between the AAA's Rules and this Provision. You may obtain a copy of the AAA's Rules by calling (800) 778-7879. Upon written request We will advance to You either all or part of the fees of the AAA and of the arbitrator. The arbitrator will decide whether You or We will be responsible for these fees. The arbitrator shall apply relevant substantive law and applicable statute of limitations and shall provide written, reasoned findings of fact and conclusions of law. This Provision is part of a transaction involving interstate commerce and shall be governed by the Federal Arbitration Act, 9 U.S.C. ss. 1 et seq. If any portion of this Arbitration Provision is deemed invalid or unenforceable, it shall not invalidate the remaining portions of the Arbitration Provision. This Arbitration Provision shall inure to the benefit of and be binding on You and Us and its Provision shall continue in full force and effect subsequent to and notwithstanding the expiration of termination of this [Service Agreement].

You agree that any arbitration proceeding will only consider Your Claims. Claims by, or on behalf of, other individuals will not be arbitrated in any proceeding that is considering Your Claims.

You and We Understand and agree that because of this arbitration PROVISION neither you nor us will have the right to go to court except as provided above or to have a jury trial or to participate as any member of a class of claimants pertaining to any claim.

THIS CONTRACT PROVIDES LIMITED SERVICE FOR REASONABLE REPAIR OR REPLACEMENT TO SPECIFICALLY DESCRIBED ITEMS.

THIS SERVICE CONTRACT IS INCLUSIVE OF THE MANUFACTURER'S WARRANTY; IT DOES NOT REPLACE THE MANUFACTURER'S WARRANTY, BUT DOES PROVIDE CERTAIN ADDITIONAL BENEFITS DURING THE TERM OF THE MANUFACTURER'S WARRANTY.

Notice for Texas residents: If YOU have complaints or questions regarding this AGREEMENT, YOU may contact the Texas Department of Licensing and Regulation at the following address and telephone number: Texas Department of Licensing and Regulation, Post Office Box 12157, Austin, Texas 78711; 512-463-6599 or 800-803-9202.

To learn more about how Federal Warranty Service Corporation, an Assurant Solutions company, uses your information, please visit our website at www.assurantsolutions.com

AMENDMENT #1 EXHIBIT B (Agreement Exhibit E)
CONFIDENTIALITY AND NON-DISCLOSURE AGREEMENT

THIS CONFIDENTIALITY AND NON-DISCLOSURE [AND JOINT MARKETING] AGREEMENT ("Agreement") is effective ______, 200__ between Conn Appliances and CAI, L.P. (Conn and CAI collectively the "Producer"), having a principal place of business at 3295 College Street, Beaumont, Texas 77701, and Federal Warranty Service Corporation ("FWSC"), having a principal place of business at 260 Interstate North Circle, Atlanta, Georgia 30339.

A. FWSC and Producer engage in a business relationship that has been memorialized in certain contract(s) (the "Contract") executed by both parties. The Contract may involve the exchange of confidential and/or proprietary information.

B. The Gramm-Leach-Bliley Act of 1999 (Public Law 106-102, 113 Stat. 1138), as it may be amended from time to time (the "GLB Act") and the regulations promulgated thereunder impose certain obligations on financial institutions with respect to the confidentiality and security of the customer data of such financial institutions.

C. Without admitting any applicability of the GLB Act to the business conducted by and between the parties, the parties wish to enter into this Agreement to supplement the obligations of the parties set forth in the Contract in order to comply with the GLB Act and the regulations promulgated thereunder.

NOW, THEREFORE, in consideration of the covenants and promises contained herein, Producer and FWSC agree as follows:

1. Confidential Information. "Confidential Information" of a party shall mean and include information about hardware, software, screens, specifications, designs, plans, drawings, data, prototypes, discoveries, research, developments, methods, processes, procedures, improvements, `Know-how', compilations, market research, marketing techniques and plans, business plans and strategies, customer names and all other information related to customers, including without limitation any "nonpublic personal information" as defined under the GLB Act and regulations promulgated thereunder, price lists, pricing policies and financial information or other business and/or technical information and materials, in oral, demonstrative, written, graphic or machine-readable form, which is unpublished, not available to the general public or trade, and which is maintained as confidential and proprietary information by the disclosing party for regulatory, customer relations, and/or competitive reasons. Confidential Information shall also include such confidential and proprietary information or material belonging to a disclosing party of or to which the other party may obtain knowledge or access through or as a result of the performance of its obligations under the Contract. Confidential Information also includes any information described above which the disclosing party has obtained in confidence from another party who treats it as proprietary or designates it as Confidential Information, whether or not owned or developed by the disclosing party. Notwithstanding the foregoing, Confidential Information does not include aggregate claims experience data and other actuarial calculations resulting from Producer's service contract program, provided such data and calculations do not include and cannot in any manner be matched to individual customer-specific data including but not limited to names, addresses, telephone numbers, contract numbers, individual claim records, or individual complaint records.

2. Exceptions.

(a) Notwithstanding anything to the contrary herein, neither party shall have any obligation with respect to any Confidential Information of other party, or any portion thereof, which the receiving party can establish by competent proof (including, but not limited to, ideas, concepts, `Know-how' techniques, and methodologies); (i) is or becomes generally known to companies engaged in the same or similar businesses as the parties hereto on a non-confidential basis, through no wrongful act of the receiving party; (ii) is lawfully obtained by the receiving party from a third party which has no obligation to maintain the information as confidential and which provides it to the receiving party without any obligation to maintain the information as proprietary or confidential; (iii) was known prior to its disclosure to the receiving party without any obligation to keep it confidential as evidence by tangible records kept by the receiving party in the ordinary course of its business; (iv) is independently developed by the receiving party without reference to the disclosing party's Confidential Information; or (v) is the subject of written agreement whereby the disclosing party consents to the use or disclosure of such Confidential Information.

(b) If a receiving party or any of its representative shall be under a legal obligation in any administrative or judicial circumstance to disclose any Confidential Information, the receiving party shall give the disclosing party prompt notice thereof so that the disclosing party may seek a protective order and/or waiver, if the receiving party or any such representative shall, in the opinion of its counsel, stand liable for contempt or suffer other censure or penalty for failure to disclose, disclosure pursuant to the order of such tribunal may be made by the receiving party or its representative without liability hereunder.

3. Disclosure and Protection of Confidential Information.

(a) Each party warrants the disclosure of Confidential Information to the other party is in accordance with applicable state and federal law and the party's own stated privacy policies. Each party agrees not to use Confidential Information of the other party for any purpose other than the fulfillment of such party's obligations to the other party under the Contract. All Confidential Information relating to a party shall be held in confidence by the other party to the same extent and in at least the same manner such party protects its own confidential or proprietary information. Neither party shall disclose, publish, release, transfer or otherwise make available Confidential Information of the other party in any form to, or for the use or benefit of, any person or entity without the other party's consent. Each party shall, however, be permitted to disclose relevant aspects of the party's Confidential Information to its officers, agents, subcontractors, and employees to the extent that such disclosure is reasonably necessary for the performance of its duties and obligations under the Contract and this Agreement provided such disclosure is not prohibited by the "GLB Act," the regulations promulgated thereunder or other applicable law; provided, however, that such party shall take all reasonable measure to ensure that Confidential Information of the other party is not disclosed or duplicated in contravention of the provisions of the Contract and this Agreement by such officers, agents, subcontractors and employees. Each party further agrees promptly to advise the other party in writing of any misappropriation, or unauthorized disclosure or use by any person of Confidential Information which may come to its attention and to take all steps reasonably requested by the other party to limit, stop or otherwise remedy such misappropriation, or unauthorized disclosure or use. If the GLB Act, the regulations promulgated thereunder or other applicable law now or hereafter in effect imposes a higher standard of confidentiality to the Confidential Information, such standard shall prevail over the provisions of this Section 3.

(b) Neither party will make any more copies of the other party's written or graphic materials containing Confidential Information than is necessary for its use under the terms of the Contract, and each such copy shall be marked with the same proprietary notices as appear on the originals.

(c) Each party shall, at a minimum, protect the Confidential Information of the other party in the same manner as it protects its own Confidential Information.

(d) Each party shall develop, implement and maintain a comprehensive written information security program to protect Confidential Information ("Security Program") that includes administrative, technical and physical safeguards appropriate to its size and complexity and nature and scope of its activities in compliance with the GLB Act, Section 501(b) and regulations promulgated thereunder. The objective of each such Security Program shall be to insure the security and confidentiality of Confidential Information, protect against any anticipated threats or hazards to the security or integrity of Confidential Information and protect against the unauthorized access to or use of Confidential Information that could result in substantial harm or inconvenience to any customer.

Each party will ensure that any third party to whom it transfers Confidential Information enters into an agreement to protect the confidentiality and security of Confidential Information in the same manner as required by this Agreement and in compliance with the GLB Act and regulations promulgated thereunder.

Upon written request, a party shall provide to the other party information, such as audits or summaries of test results, demonstrating the effectiveness of its Security Program.

4. Term; Return of Materials. The term of this Agreement shall commence on the effective date first written above. For as long as a party continues to possess or control the Confidential Information furnished by the other party, and for so long as the Confidential Information remains unpublished, confidential and legally protectable as the intellectual property of the disclosing party, except as otherwise specified herein, the receiving party shall make no use of such Confidential Information whatsoever, notwithstanding the expiration of the Agreement. The parties acknowledge their understanding that the expiration of this Agreement shall not be deemed to give either party a right or license to use or disclose the Confidential Information of the other party. Any materials or documents, including copies thereof, which contain Confidential Information of a party shall be promptly returned to such party upon the request of such party except that copies may be retained, if required, for legal or financial compliance purposes. Upon termination or expiration of the Contract, all materials or documents, including copies thereof, which contain Confidential Information of a party shall be promptly returned to such party or destroyed except that copies may be retained, if required, for legal or financial compliance purposes.

5. Injunctive Relief. It is agreed that the unauthorized disclosure or use of any Confidential Information may cause immediate or irreparable injury to the party providing the Confidential Information, and that such party may not be adequately compensated for such injury in monetary damages. Each party therefore acknowledges and agrees that, in such event, the other party shall be entitled to seek any temporary or permanent injunctive relief necessary to prevent such unauthorized disclosure or use, or threat of disclosure or use, and consents to the jurisdiction of any federal or state court of competent jurisdiction sitting in Atlanta, Georgia for purposes of any suit hereunder and to service of process therein by certified or registered mail, return receipt requested.

6. Amendments. This Agreement shall not be amended, modified, released, discharged, abandoned or otherwise terminated prior to the expiration, in whole or in part, except by written agreement signed by the parties hereto.

7. Severability. In the event that any provisions, or any portion thereof, of this Agreement is determined by competent judicial, legislative or administrative authority to be prohibited by law, then such provisions or part thereof shall be ineffective only to the extent of such prohibition, without invalidating the remaining provisions of the Agreement.

8. Full Force and Effect. This Agreement is only intended to supplement any existing obligation of the parties as set forth in the Contract with respect to Confidential Information. To the extent that the provisions of the Contract impose a higher standard of confidentiality with respect to the Confidential Information, such standard shall prevail over the provisions of this Agreement. Except as supplemented herein, the Contract remains in full force and effect.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have executed this Agreement, and intend it to be effective as of the Effective Date, if set forth herein, or upon execution by both parties.

Agreed:	Agreed:
Federal Warranty Service Corp	Conn Appliances, Inc.
/s/ Joe Erdeman	
By:	By: /s/ David R. Atnip 7/21/2005
(Signature) (Date)	(Signature) (Date)
Name: /s/ Joe Erdeman	Name: David R. Atnip (Print) (Print)
Title: President	Title: Treasurer

CAI, L.P.

By: /s/ David R. Atnip 7/21/2005
(Signature) (Date)

Name: David R. Atnip (Print)

Title: Treasurer

Exhibit 10.19.2

AMENDMENT #2 TO DEALER AGREEMENT
TERM AND TERRITORY OF AGREEMENT

THIS AMENDMENT #2 (herein "Amendment") to the Dealer Agreement ("Agreement") is made this ___ day of July, 2005 with an effective date of July 1, 2005 ("Effective Date") by and among Conn Appliances, Inc., a Texas corporation ("Conn"), CAI, L.P., a Texas limited partnership ("CAILP"), having their principal places of business at 3295 College Street, Beaumont, Texas 77701 (except where otherwise noted, Conn and CAILP collectively herein referred to as "Dealer"), Federal Warranty Service Corporation, an Illinois corporation having its principal place of business at 260 Interstate North Circle, SE, Atlanta, GA 30339 ("Federal"), and Voyager Service Programs, Inc., a Florida corporation having its principal place of business at 11222 Quail Roost Drive, Miami, Florida 33157 ("Voyager").

WHEREAS, Dealer and Voyager entered into a "Dealer Agreement" stated as effective January 1, 1998 (the "Agreement") concerning the sale by Dealer of Service Contracts covering certain specified merchandise sold by Dealer, under which Service Contracts Voyager was the obligor, and which Service Contracts were administered by Dealer; and

WHEREAS, "Amendment #1" to the Agreement substituted Federal in place of Voyager as a party to the Agreement, for purposes of prospective business under the Agreement, and CAILP in place of Conn for purposes of the Agreement, amended Exhibit A and added Exhibit E; and

WHEREAS, The parties desire to provide for additional amendments to the Agreement.

NOW THEREFORE, in consideration of the mutual covenants and promises set forth herein and in the Agreement, the parties do hereby agree as follows:

1. Paragraph 6 Term of the Agreement is hereby deleted in its entirety and replaced with the following:

   "6. Term. The term of this Agreement shall be four (4) years commencing on July 1, 2005 unless terminated as provided in Paragraph 7. Notwithstanding the foregoing and in the absence of any other mutual agreement by the parties, this Agreement shall be extended automatically for two (2) years or such other period as agreed by the parties if, at the end of the term, the Experience Refund, as described in Section 5.5 and calculated in accordance with Exhibit D, is not projected to be a positive or zero amount over the remaining term of all unexpired Service Contracts then in-force. An automatic extension required by this Paragraph 6 shall end upon restoration of a positive or zero projected Experience Refund over the remaining term of all unexpired Service Contracts then in-force. Any such automatic extension shall not affect the parties' rights to terminate for cause as set forth in Paragraph 7. Notwithstanding the foregoing, in lieu of or to reduce the duration of any automatic extension required by this part, Dealer shall be afforded the opportunity to cure any projected negative amounts by methods other than by the automatic extension of the term.."

2. Paragraph 7.1 Termination Without Cause of the Agreement is hereby deleted in its entirety, and the remaining portions of Paragraph 7, and any references to Paragraph 7 within the Agreement shall be renumbered accordingly.

3. Paragraph 7.1 Termination With Cause by Federal of the Agreement, as renumbered by Paragraph 2 of this Amendment, is hereby deleted in its entirety and replaced with the following:

   "7.1. Termination With Cause by Federal. Subject to the cure provisions contained herein, Federal may immediately terminate this agreement by written notice to Dealer in the event of (a) Dealer's violation of any applicable law relating to the offer, sale, or administration of the Service Contracts and such violation continues for fifteen (15) days after Dealer has received notice of the violation; (b) material breach of this Agreement by Dealer, which material breach continues for thirty (30) days after Dealer has received notice of the breach; (c) gross neglect of duty, fraud, misappropriation, or embezzlement by Dealer or its affiliates of funds owed to Federal or any of its affiliates under this Agreement or any other agreement with Dealer or any of its affiliates; (d) Dealer or its affiliates becoming the subject of any order or injunction of any court or

   governmental body relating to the offer, sale or administration of the Service Contracts and such order or injunction is not dismissed within thirty (30) days; (e) Dealer's voluntary bankruptcy, insolvency or assignment for the benefit of creditors. For purposes of this Paragraph, an "affiliate" of a party shall mean any subsidiary, parent or successor corporation or partnership of the party."

4. Paragraph 7.2 Termination With Cause by Dealer of the Agreement, as renumbered by Paragraph 2 of this Amendment, is hereby deleted in its entirety and replaced with the following:

   "7.2. Termination With Cause by Dealer. Subject to the cure provisions contained herein, Dealer may immediately terminate this agreement by written notice to Federal in the event of (a) Federal's violation of any applicable law relating to the offer, sale, or administration of the Service Contracts and such violation continues for fifteen (15) days after Federal has received notice of the violation; (b) material breach of this Agreement by Federal, which material breach continues for thirty (30) days after Federal has received notice of the breach; (c) gross neglect of duty, fraud, misappropriation, or embezzlement by Federal or its affiliates of funds owed to Dealer or any of its affiliates under this Agreement or any other agreement with Federal or any of its affiliates; (d) Federal or its affiliates becoming the subject of any order or injunction of any court or governmental body relating to the offer, sale or administration of the Service Contracts and such order or injunction is not dismissed within thirty (30) days; (e) Federal's voluntary bankruptcy, insolvency or assignment for the benefit of creditors. For purposes of this Paragraph, an "affiliate" of a party shall mean any subsidiary, parent or successor corporation or partnership of the party."

5. Paragraph 7.3 Right to Cure of the Agreement, as renumbered by Paragraph 2 of this Amendment, is hereby amended to replace the reference to "Paragraph 7.2(c) and Paragraph 7.3(b)" to "Paragraphs 7.1(c) or 7.2(c)."

6. A new Paragraph 7.4 is hereby added to the Agreement, to read as follows:

   "7.4. Termination of Repair Center Agreement by Federal. In the event Federal terminates the Repair Center Agreement under which Dealer acts as a repair center for Service Contract claims, the parties agree that such termination shall constitute and have the same effect as a Termination With Cause by Federal pursuant to Paragraph 7.1 of this Agreement."

7. Wherever in the Agreement the applicable territory is described as "the States of Louisiana and Texas," such reference is hereby replaced with the term "the Territory States." The attached Amendment #2 Exhibit A shall define the Territory States, which may be amended from time to time by written agreement of the parties.

IN WITNESS HEREOF, the parties have signed this Amendment effective as of the date first above written.

Voyager Service Programs, Inc.	Conn Appliances, Inc.
By: /s/ Joe Erderman	By: /s/ David Atnip 7/21/05
Title: Vice President	Title: Treasurer
Federal Warranty Service Corporation	CAI, L.P.
By: /s/ Joe Erderman	By: /s/ David Atnip 7/21/05
Title: Vice President	Title: Treasurer

AMENDMENT #2 EXHIBIT A
TERRITORY STATES

Louisiana and Texas

* Territory states may be amended by written agreement of the parties without the need for a subsequent amendment to the Agreement.

AMENDMENT #3 TO DEALER AGREEMENT
PRICING AND TRANSFER OF RESERVES

THIS AMENDMENT #3 (herein "Amendment") to the Dealer Agreement ("Agreement") is made this ___ day of July, 2005 with an effective date of July 1, 2005 ("Effective Date") by and among Conn Appliances, Inc., a Texas corporation ("Conn"), CAI, L.P., a Texas limited partnership ("CAILP"), having their principal places of business at 3295 College Street, Beaumont, Texas 77701 (except as otherwise noted, Conn and CAILP collectively herein referred to as "Dealer"), Federal Warranty Service Corporation, an Illinois corporation having its principal place of business at 260 Interstate North Circle, SE, Atlanta, GA 30339 ("Federal"), and Voyager Service Programs, Inc., a Florida corporation having its principal place of business at 11222 Quail Roost Drive, Miami, Florida 33157 ("Voyager").

WHEREAS, Dealer and Voyager entered into a "Dealer Agreement" stated as effective January 1, 1998 (the "Agreement") concerning the sale by Dealer of Service Contracts covering certain specified merchandise sold by Dealer, under which Service Contracts Voyager was the obligor, and which Service Contracts were administered by Dealer; and

WHEREAS, "Amendment #1" to the Agreement substituted Federal in place of Voyager and CAILP in place of Conn as parties to the Agreement, amended Exhibit A and added Exhibit E, and "Amendment #2" amended the term and termination provisions of the Agreement; and

WHEREAS, The parties desire to provide for additional amendments to the Agreement.

NOW THEREFORE, in consideration of the mutual covenants and promises set forth herein and in the Agreement, the parties do hereby agree as follows:

1. Schedule A of the Agreement is hereby replaced with attached Amendment #3 Exhibit A.

2. Paragraph 5.1 of the Agreement is hereby deleted in its entirety and replaced with the following:

   "5.1 Federal Fees. "Federal Fee," as that phrase is used herein, shall at inception of this Agreement mean that amount equal to forty percent (40%) of the Contract Prices (net of sales tax collected) of the Service Contracts sold by Dealer or delivered by Dealer in connection with the sale of Covered Merchandise and any renewals thereof. Notwithstanding the foregoing Federal shall have the right to amend the amount of the Federal Fee for prospective sales of Service Contracts, as necessary based on loss experience and actuarial principles, to and only to ensure that the Experience Refund, as described in Paragraph 5.5 and calculated in accordance with Exhibit D, shall be not less than a zero amount for the period from inception of this Agreement to the expiration of all Service Contracts sold pursuant to this Agreement. Federal shall provide Dealer with not less than sixty (60) days notice prior to the effective date of any Federal Fee change, during which Dealer may obtain an independent opinion from an accredited nationwide actuarial firm. If the independent actuarial firm recommends a Federal Fee that is two (2) percentage points or more less than Federal's recommendation, then Federal and Dealer shall instead implement the recommendation of the independent actuarial firm. In addition, prior to the effective date of any Federal Fee increase requested by Federal under this Paragraph, Dealer and Federal shall discuss and may mutually agree to alternative measures intended to create a zero or positive Experience Refund from inception-to-expiration. In any event Dealer shall implement updated Federal Fees within sixty (60) days of notice from Federal."

3. Within ten (10) days following the execution date of this Amendment #3, Voyager and/or Federal shall pay to Dealer the amount of three million, three hundred seven thousand, nine hundred eighteen dollars ($3,307,918). This payment shall fully discharge Voyager and Federal and their affiliates from any obligation to reimburse Dealer or any other party in connection with Service Contract refunds paid by Dealer prior to the Effective Date. Federal shall continue to pay Voyager's share of refunds paid after the Effective Date by Dealer in connection with the cancellation of Voyager-obligor Service Contracts.

4. Within ten (10) days following the execution date of this Amendment #3 Voyager shall transfer all reserves held with respect to the Voyager-obligor Service Contracts to Federal, less the payment to Dealer as indicated in this Paragraph 3 of this Amendment. Of those reserves, two million dollars ($2,000,000) shall become property of Federal and shall be removed from the reserves held for Service Contracts and shall not be considered in any calculation of Experience Refunds.

5. Of the reserves to be transferred by Voyager to Federal, the parties estimate that after the immediate payment described in Paragraph 3 of this Amendment and the one-time payment of $2,000,000 to Federal as set forth in Paragraph 4 of this Amendment, the remaining reserves will include a

surplus in the amount of approximately one million, six hundred ninety-two thousand, eighty two dollars ($1,692,082) over and above the amount projected to reimburse Dealer for future Service Contract Losses under the Voyager-obligor Service Contracts. This surplus amount will be added to the Federal Fees collected under the Agreement, and shall be earned on a basis appropriate to the remaining term of the Voyager-obligor Service Contracts, and shall be included in future calculations of the Experience Refund.

6. Except for the amounts specially-designated in Paragraphs 3, 4 and 5 above, all reserves transferred by Voyager to Federal shall be held by Federal as reserves for future claims under the Voyager-obligor Service Contracts issued under the Prior Agreements, and shall be included in future Experience Refund calculations.

7. Exhibit D of the Agreement is hereby amended to reflect that the amount of "unearned Federal Fees" shall be calculated using the pro rata method, over the term of individual Service Contracts beginning on the first day of the tenth (10th) month following the date of sale.

8. Paragraph 5.3 of the Agreement is hereby deleted in its entirety and replaced with the following:

   "5.3 Contract Holder Refunds. If any Service Contract is cancelled prior to its expiration, Dealer shall pay the Contract Holder the appropriate refund owed to such Contract Holder, in accordance with the terms and conditions of the Service Contract. After paying such a refund, Dealer shall deduct from the next payment due to Federal (under Paragraph 5.1 above), Federal's proportionate share of the refund, which shall be thirty-five percent of the refund paid by Dealer (the percentage of the Federal Fee, less the percentage of Dealer Administrative Compensation retained by Dealer)."

IN WITNESS HEREOF, the parties have signed this Amendment effective as of the date first above written.

Voyager Service Programs, Inc.	Conn Appliances, Inc.
By: /s/ Joe Erderman	By: /s/ David Atnip 7/21/05
Title: Vice President	Title: Treasurer
Federal Warranty Service Corporation	CAI, L.P.
By: /s/ Joe Erderman	By: /s/ David Atnip 7/21/05
Title: Vice President	Title: Treasurer

AMENDMENT #4 TO DEALER AGREEMENT
REPLACEMENT PROGRAM, SALES MANAGER, POTENTIAL FEDERAL FEE REDUCTIONS

THIS AMENDMENT #4 (herein "Amendment") to the Dealer Agreement ("Agreement") is made this ___ day of July, 2005 with an effective date of July 1, 2005 ("Effective Date") by and among Conn Appliances, Inc., a Texas corporation ("Conn"), CAI, L.P., a Texas limited partnership ("CAILP") having their principal places of business at 3295 College Street, Beaumont, Texas 77701 (except as otherwise noted, Conn and CAILP collectively herein referred to as "Dealer"), Federal Warranty Service Corporation, an Illinois corporation having its principal place of business at 260 Interstate North Circle, SE, Atlanta, GA 30339 ("Federal"), and Voyager Service Programs, Inc., a Florida corporation having its principal place of business at 11222 Quail Roost Drive, Miami, Florida 33157 ("Voyager").

WHEREAS, Dealer and Voyager entered into a "Dealer Agreement" stated as effective January 1, 1998 (the "Agreement") concerning the sale by Dealer of Service Contracts covering certain specified merchandise sold by Dealer, under which Service Contracts Voyager was the obligor, and which Service Contracts were administered by Dealer; and

WHEREAS, "Amendment #1" to the Agreement substituted Federal in place of Voyager and CAILP in place of Conn as parties to the Agreement, "Amendment #2" amended the term and termination provisions of the Agreement and Amendment #3 amended the Agreement's pricing provisions and provided for the transfer and release of specified reserves held by Voyager under the Agreement; and

WHEREAS, The parties desire to provide for additional amendments to the Agreement.

NOW THEREFORE, in consideration of the mutual covenants and promises set forth herein and in the Agreement, the parties do hereby agree as follows:

1. The parties agree to add to the Agreement a new category of Service Contract which shall provide as its primary benefit the replacement of the Covered Merchandise to which such Service Contracts pertain (the "Replacement Program"). The Replacement Program shall be implemented in accordance with Paragraphs 2 and 3 below.

2. The parties recognize that Dealer is currently under contractual obligation to offer a third party's equivalent of the Replacement Program. Dealer agrees to nonrenew its contractual agreement with such third party and implement Federal's Replacement Program on a going forward basis at the later of the following: a) one hundred ----- twenty (120) days after the effective date of this Amendment #4, or b) the earliest time at which Dealer may lawfully non-renew its contractual agreement under the terms of its contract. Dealer shall not notify the third party sooner than necessary to legally effect the termination or nonrenewal. Dealer shall advise Federal within thirty (30) days after the effective date of this Amendment #4 when it will notify the third party and when the termination of its contract will be effective and when intends to begin selling Federal's Replacement Program.

3. Concurrent with Dealer's nonrenewal of the third party agreement as set forth in paragraph 2 of this Amendment, Dealer and Federal shall enter into an additional amendment to the Agreement to provide for special aspects of the Replacement Program. At a minimum, the special aspects of the Replacement Program will include an income or retention for Federal equal to: a) 8% of the Contract Price of Replacement Program Service Contracts, applicable to the first $3,750,000 of such retail sales during any contract year; and b) 4% of the Contract Price of Replacement Service Contracts, applicable to retail sales in excess of $3,750,000 during any contract year. The parties shall agree on Contract Prices, Federal Fees and Dealer Administrative Compensation for the Service Contracts that incorporate the retention for Federal described in this paragraph.

4. Federal shall, within ninety days after the effective date of this Amendment #4, assign a full time employee or independent contractor of Federal or any of Federal's affiliates (herein the "Sales Manager"), whose primary responsibility shall be the training of Dealer's managers and employees, the monitoring of business results, and the coordination of marketing efforts to maximize Dealer's sales of Service Contracts and other

products and services pursuant to the Agreement and other agreements between Dealer and Federal or Federal's affiliates. The Sales Manager shall live within the State Territory of Dealer, unless otherwise agreed by the parties. Federal shall be responsible for day-to-day expenses related to the assignment of the Sales Manager, including but not limited to salary, statutorily-required insurance, payroll taxes, office space or office allowances, training and travel expenses.

5. Dealer shall cooperate with the Sales Manager to maximize his or her effect on Service Contract sales. Such cooperation shall include, but not be limited to, making available officers, managers and employees of Dealer for training and consultation with the Sales Manager, providing information related to the performance of Dealer's Service Contract program as

reasonably requested by the Sales Manager, and permitting the Sales Manager appropriate access to Dealer's facilities in furtherance of the objectives of this Amendment #4.

6. Federal agrees to work with Dealer to reduce the current amount of the Federal Fee, with a mutual goal of reducing the Federal Fee for Service Contracts, other than Replacement Program Service Contracts, by eight (8) percentage points through a combination of measures, which may include but not be limited to: a) reducing the amount of future Claim Related Expenses, b) reducing Dealer's costs of administering the Service Contract program, c) improved actuarial forecasting, and/or d) changes to benefits provided under future Service Contracts. The parties agree that any future reduction of the Federal Fee shall not reduce Federal's current retention of four percent (4%) of the Contract Prices (10% of current 40% Federal Fee = 4%).

IN WITNESS HEREOF, the parties have signed this Amendment effective as of the date first above written.

Voyager Service Programs, Inc.	Conn Appliances, Inc.
By: /s/ Joe Erderman	By: /s/ David Atnip 7/21/05
Title: Vice President	Title: Treasurer
Federal Warranty Service Corporation	CAI, L.P.
By: /s/ Joe Erderman	By: /s/ David Atnip 7/21/05
Title: Vice President	Title: Treasurer

SERVICE EXPENSE REIMBURSEMENT AGREEMENT

BY THIS AGREEMENT, the insurance companies, managers and agencies named in the Schedule A(s) attached to and forming a part of this Agreement, hereinafter referred to as "Company," and Affiliates Insurance Agency, Inc., its subsidiaries and affiliates hereinafter referred to as "Customer," agree as follows effective July 1, 1998.

1. Company has offered to provide insurance coverage, service and facilities through its agents for insurance programs, as described in the Schedule A(s) attached, for insuring Credit Life, Credit Accident & Health, Credit Property, Leased Property, and Involuntary Unemployment Insurance. The borrowers, members, customers, lessees or any other person having an interest in a policy of certificate subject to this Agreement shall be referred to as "Participant(s)."

2. The development and implementation of such insurance program will result in additional administrative costs and expenses for Customer.

3. Customer and Company have agreed upon their respective duties and responsibilities in the matter of providing services, coverages and facilities in connection with such insurance program and upon a formula for reimbursement to Customer of sums necessary to compensate Customer for its costs and expense therein incurred.

4. Because it is impossible to determine precisely the cost and expense which will be incurred by Customer in carrying out its duties and responsibilities as herein specified, Company agrees to reimburse Customer for its costs and expenses in the service and administration of insurance furnished under said programs as follows:

   Company shall pay to Customer an Expense Reimbursement:

      equal to the percentage of net premiums written or the fixed fee shown in the column headed Reimbursement Rate in the Schedule A(s) attached hereto.

   It is a condition of this Agreement that Customer refund ratably to Company on canceled coverages and on reductions in premiums at the same rate at which such Expense Reimbursement was originally paid.

5. Customer agrees to cooperate with Company in all reasonable particulars contemplated by this Agreement and understands that its duties and responsibilities in the matter of providing services, coverages and facilities and for which it is to be reimbursed hereunder are:

   (A) Distribute to Participants, Company's forms, supplies and instructions for use as well as material covering the administration and distribution of policies or certificates of insurance;

   (B) Permit the use of its credit card, or such other method as it authorized by law, for the collection of premium contributions by Participants. Maintain an insurance escrow account, receive, and account for all premiums and remit to Company premiums on insurance written less cancellation refunds with respect to insurance programs contemplated by this Agreement;

   (C) Perform clerical functions, typing and mailing of insurance policies or certificates, endorsements, cancellations and periodic statements covering premium due, net of refunds and other allowances;

   (D) Furnish Company with reports of all transactions of Participants pursuant to insurance programs of Company, contemplated under this Agreement;

   (E) Perform such other similar administrative actions as may be required by Company.

   All premiums held by Customer pursuant to (B) above shall be held as trustee for Company until delivered to it. Company reserves the right to require Customer to deposit all premiums, less Customer's Expense Reimbursement as set forth in Paragraph 4 hereof, in a premium trust or escrow account.

   The reports and remittances provided for in (B) and (D) above shall be on forms provided by or acceptable to Company, and shall be transmitted in time to be received by Company not later than twenty (20) days after the end of each calendar month. Premium payments not made by the due date above shall bear interest from the due date at the rate of one percent (1%) per month, or the applicable legal maximum rate, whichever is less.

6. Periodically, Company may require evidence that expense incurred by Customer was approximately equal to reimbursement calculated hereunder.

   Customer shall upon request by Company's authorized representative, during normal business hours, make available for inspection all books and records pertaining to business covered by this Agreement and the Schedules and Addenda attached hereto.

7. Company reserves the right to offset any amounts due to or from Customer

under this Agreement and its Schedules and Addenda (if any) Credit Life, Credit Accident & Health, Credit Property, Involuntary Unemployment, and Leased Property Insurance, against any amounts due to or from Customer under this or any agreements Customer may have from time to time with Company and/or any other subsidiaries or affiliates of American Bankers Insurance Group, Inc. Customer will have thirty (30) days to challenge any amounts due Company prior to such offset being made and, if challenged, no offsets will be made. The issue will be referred to arbitration, as in Paragraph 10.

8. Company may authorize Customer to offer new products and may establish rates of Expense Reimbursement on such new products. Company also reserves the right to cease offering any product listed on Schedule A at any time. Company may also prospectively change the rates of Expense Reimbursement for products on Schedule A upon thirty (30) days advance notice if required by state regulatory authority, or with the written consent of Customer if one or more product lines is in deficit. This written consent shall not be made unreasonably withheld. In all other respects, this Agreement may be altered or amended only in writing signed by both of the parties.

9. This Agreement may be terminated by Company at any time by giving Customer thirty (30) days notice, in writing, of its intention to terminate.

This Agreement may be terminated at any time by the mutual consent of both Customer and Company.

This Agreement may be terminated by Customer with cause at any time, upon thirty (30) days written notice provided to Company. Cause shall be defined as a material breach of the Agreement which is not cured by Company within thirty (30) days of written notice thereof.

10. (A) Any and all disputed or disagreements arising between the parties pertaining to or relating in any manner to this Agreement, including but not limited to any disputes or disagreements as to the meaning or interpretation of this Agreement, or any portion thereof, or the relationship of the parties created under this Agreement, upon which an amicable understanding cannot be reached, including any breach of this Agreement, are to be decided by arbitration in accordance with the rules of the American Arbitration Association, and subject to applicable provisions of the statutes of the state of Texas. The parties agree to be bound by the majority decision of the arbitrators. The arbitration proceeding shall take place in Fort Worth, Texas, unless another location is mutually agreed to by the parties. Each party shall be responsible for its own costs and expenses in arbitrating the dispute.

(B) The arbitrators shall state in their decision the basis upon which their decision may be made. An appeal may be made from the arbitrators' decision to a court of general jurisdiction in Fort Worth, Texas, on the grounds set forth in the Texas code. All parties to this Agreement, by signing this Agreement, consent to the personal jurisdiction of the Texas courts.

(C) Three arbitrators shall be selected for the arbitration panel. One arbitrator shall be selected by each party. The third arbitrator shall be selected by the arbitrators names by each party. In the event an agreement cannot be reached as to the third arbitrator, either party may petition a court of competent jurisdiction to appoint a neutral arbitrator as the third arbitrator. The Federal Rules of Civil Procedure and the Federal Rules of Evidence shall govern all procedural issues; however, upon order of the arbitrators or by agreement of the parties, time limits contained therein may be shortened or lengthened. The provision shall survive the termination of this Agreement.

11. (A) Upon termination of this Agreement, Customer shall promptly account or and pay over to Company all premiums due Company upon risk(s) placed by Customer.

(B) Customer further agrees, upon termination of this Agreement, to render the normal and usual customer services for Company during the remaining unexpired term of all policies placed by Customer.

(C) Company agrees, upon termination of this Agreement, to transfer 90% of the net cumulative premiums collected, less (1) the cumulative total losses paid by the Company, and (2) the cumulative total of all payments including, but not limited to: advance commissions, expense reimbursements, and group experience rating/contingent compensation previously paid to the Agent, to any insurer selected by Agent provided such insurer is approved by the appropriate regulatory authorities to write insurance in the State of Texas of the type(s) for which the net cumulative premiums have been collected and for which group experience ratings/contingent compensation payments may be or become due Customer. All liability for subsequent claims, refunds or any other policy/certificate obligations regardless of effective or incurred date, shall be transferred from Company to the approved assuming insurer on the effective date of such assumption.

12. In performing its obligations pursuant to this Agreement, Company may have access to and receive disclosure of certain confidential information about or belonging to Customer, including but not limited to: Customer's marketing philosophy, techniques, and objectives, advertising and promotional copy, competitive advantages and disadvantages, financial results, technological developments, Participant and cardholder lists and a variety of other information and materials which Customer considers confidential or proprietary (hereinafter "Confidential Information").

Company agrees that during the term of this Agreement and thereafter, Confidential Information is to be used solely in connection with satisfying its obligations pursuant to this Agreement, and that it shall neither disclose Confidential Information to any third party nor use Confidential Information for its own benefit, except as may be necessary to perform its obligations pursuant to this Agreement.

All Confidential Information furnished to Company in connection with this Agreement is the exclusive property of Customer and, at the request of Customer or upon termination of this Agreement, Company shall promptly return to Customer all Confidential Information without copying such information.

Company shall take measures to prevent its agents, employees and subcontractors from using or disclosing any Confidential Information, except as may be necessary for Company to perform its obligations pursuant to this Agreement. Company agrees that it may not use, rent, sell or authorize the use of the names and addresses supplied by Customer.

This provision shall survive the termination of this Agreement.

13. Company hereby agrees to indemnify Customer, its directors, officers, employees, and corporate affiliates (the "indemnified parties"), and hold them harmless against and pay on their behalf any sums which any of them shall become legally obligated to pay as damages, fines, interest, and judgments which directly or indirectly arise from or are caused by the wrongful or negligent acts or omissions of Company or its directors, officers, employees and corporate affiliates, as well as any reasonable attorney's fees, costs and expenses incurred. It is a condition precedent to the obligations of Company under this Paragraph that any indemnified party who is being indemnified hereunder shall cooperate in such defense. Notwithstanding the indemnification provided herein, it is specifically agreed that Customer shall participate on a pro rata basis with regard to any premium refunds or rebates made by Company which may be occasioned by any claim, controversy, dispute, lawsuit, or administrative proceeding.

14. It is a condition precedent to payment of any amounts under this Agreement by Company that Customer shall certify in writing to Company that all known claims have been reported to Company. It is understood and agreed, however, that no waiver of this condition precedent shall result should Company fail to require such certification of claims.

15. This Agreement together with any insurance programs designated by the parties shall constitute the entire contract between the parties and there are no other agreements, oral or written, prior to or contemporaneous with this Agreement, other than that stated herein.

16. This Agreement has been executed in a number of Counterparts, any of which may be taken as an original.

17. This Agreement is executed on behalf of Company and Customer by the authorized signatures on the Schedule A(s) attached hereto.

18. Customer may assign its right to receive any monies due or to become due from Company under this Agreement or any of its addenda, including but not limited to Expense Reimbursement, to any affiliate of Customer, including any affiliated insurance agent or agency, or any other individual or entity authorized to sell or receive compensation for the sale of any of the insurance products covered by this Service Expense Reimbursement Agreement. An affiliate shall be a parent, a wholly owned or controlled subsidiary of Customer or any affiliate which is under the same common control or ownership as Customer. Notice of assignment shall be given to Company, in writing. Such assignment shall not be binding on Company and shall be of no effect until and unless Company acknowledges, in writing, such assignment. Payment by Company of any amount due by Company under this Agreement or any of its addenda to the assignee shall release Company of any obligation to Customer for the amount paid. No subsequent revocation of an assignment shall be binding on Company until and unless Company acknowledges such revocation in writing.

In addition, simultaneous with such assignment, Customer may delegate to any such affiliate any administrative duties of Customer that can be performed under this Agreement by such affiliate. Written notice of such delegation shall be given to Company. Neither the giving of such notice or Company's acknowledgment or consent to such delegation shall release Customer from any responsibility for performance of any duties or obligations under this Agreement or any of its addenda.

19. In consideration of the mutual promises and covenants contained in this Service Expense Reimbursement Agreement, American Bankers Insurance Company hereby guarantees to Customer, its affiliates and subsidiaries the performance by Company of all of Company's obligations contained in the Service Expense Reimbursement Agreement and any and all future amendments or schedules thereto.

20. The following Schedules and/or Addendas are attached to and made a part of this Agreement at its inception:

Name of Schedule or Addenda:	Form Number
Service Expense Reimbursement Agreement- Schedule A	SERA/SCH.A/9-10-94
Service Expense Reimbursement Agreement- Group Experience Rating/Contingent Compensation Addendum	S:\ASSIST\MICHELLE\AFFCONT.SAM

VLIC Voyager Life Insurance Company

VPCIC Voyager Property & Casualty Insurance Company

ABLAC American Bankers Life Assurance Company of Florida

R&F Ranchers & Farmers County Mutual Insurance Company

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SERVICE EXPENSE REIMBURSEMENT AGREEMENT
SCHEDULE A

This Schedule is attached to and by `reference made a part of the Service Expense Reimbursement Agreement indicated above between the insurance companies, managers and agencies named below, hereinafter referred to as "Company", and Affiliates Insurance Agency, Inc., hereinafter referred to as "customer", dated July 1, 1998. This Schedule is effective July 1, 1998.

NOW THEREFORE, IT IS MUTUALLY UNDERSTOOD AND AGREED AS FOLLOWS:

1. Customer has agreed to offer, on Company's behalf, types of insurance as shown in Paragraph 2 to Participants, borrowers, members, customers or lessees of:

AFFILIATES INSURANCE AGENCY, INC.

2. Customer has agreed to provide services in connection with the types of insurance shown in the states listed with maximums as shown and for the Expense Reimbursement rate shown, which may be either a fixed amount or a percent of net premiums written. (gross premiums less cancellations):

Company*	Insurance Type	State	Expense Reimbursement Rate	Coverage	Monthly Benefits	Term
VLIC	Credit Life-SP	TX	35%	$20,000	N/A	60 Mos.
ABLAC	Credit Life - MOB	TX	35%	$20,000	N/A	1 Mo.
VLIC	Credit Accident & Health - SP	TX	35%	N/A	$800	60 Mos.
ABLAC	Credit Accident & Health -MOB	TX	35%	N/A	$800	1 Mo.
R&F	Credit Property - SP	TX	35%	$20,000	N/A	60 Mos.
R&F	Credit Property - MOB	TX	35%	$20,000	N/A	1 Mo.
R&F	Lease Property	TX	35%	$10,000	N/A	1 Mo.
R&F	Involuntary Unemployment	TX	35%	N/A	$500	1 Mo.

Execution of this Schedule A also constitutes execution of all of the schedules and/or addendas listed in Paragraph 19 of this Agreement of which this Schedule A becomes a part.

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Executed on behalf of the Company at Fort Worth, Texas, this 21st day of July ____, 1998.	Executed by or on behalf of the Agent at Beaumont, Texas, this 21st day of July ____, 1998.
AMERICAN BANKERS LIFE ASSURANCE COMPANY OF FLORIDA RANCHERS & FARMERS COUNTY MUTUAL INSURANCE COMPANY VOYAGER LIFE INSURANCE COMPANY VOYAGER PROPERTY AND CASUALTY INSURANCE COMPANY	AFFILIATES INSURANCE AGENCY INC.
By: /s/ Mark Cooper	By: /s/ Thomas J. Frank
Title: Authorized Representative	Title: Chief Executive Officer
Witness:	

AMERICAN BANKERS
INSURANCE COMPANY

By: /s/ Mark Cooper

Title: Authorized Representative

Witness:

*Initials designate the following companies:

ABLAC American Bankers Life Assurance Company of Florida
R&F Ranchers & Farmers County Mutual Insurance Company
VLIC Voyager Life Insurance Company
VPCIC Voyager Property & Casualty Insurance Company

SERVICE EXPENSE REIMBURSEMENT AGREEMENT
GROUP EXPERIENCE RATING/CONTINGENT COMPENSATION ADDENDUM

THIS ADDENDUM is attached to and by reference made a part of the Service Expense Reimbursement Agreement indicated above between the insurance companies, managers and agencies named below, hereinafter referred to as "Company", and Affiliates Insurance Agency, Inc., hereinafter referred to as "Customer", dated July 1, 1998. This Addendum is effective July 1, 1998.

NOW THEREFORE, IT IS MUTUALLY UNDERSTOOD AND AGREED AS FOLLOWS:

A. Within 10 days after August 1, 1998 (such date hereinafter deemed the "accounting date"), and within 10 days after each month thereafter while said Service Expense Reimbursement Agreement is in force, Company agrees to return a Group Experience Rating/Contingent Compensation Credit on the coverages written under said Agreement as follows:

(1) The cumulative earned premiums written in the State of Texas for each type of insurance shown in Paragraph H of this Addendum will be multiplied by the percent shown in Paragraph H for each type of insurance and from the product of this multiplication there shall be deducted the sum of the following items for each type of insurance:

a) The cumulative total of all losses and loss expenses, including all allocated loss adjustment expenses incurred, and

b) All reserves, and

c) The cumulative total of all earned expense reimbursements, paid or allowed Customer by Company, and

d) The cumulative total of all amounts previously paid to Customer in accordance with this Addendum.

(2) "Losses" include, but are not limited to, any amounts Company becomes obligated to pay to any third party arising out of or related to claims made under coverages under this Agreement, including, but not limited to, damages, court awards or judgments or any kind or nature assessed against Company.

For purposes of this Addendum, any amounts accumulated under that certain Group Experience Rating/Contingent Compensation Credit Addendum, made effective December 30, 1994, from the sale of the above described insurance in Texas shall be included in the calculations of the Group Experience Rating/Contingent Compensation Credit in this Paragraph A.

B. If the combined remainder computed in Paragraph A for all types of insurance shown in Paragraph H is a positive figure, Company shall pay to Customer the amount of such remainder provided that all premiums then due Company shall have been received by Company. If the combined remainder computed in Paragraph A for all types of insurance shown in Paragraph H is a negative figure, the negative figure shall be carried over to subsequent accountings against any amounts that otherwise become payable to Customer under aforesaid formula. Company reserves the right to require Customer to repay any Group Experience Rating/Contingent Compensation Credit received because of errors in calculations or in the event of retroactive reductions in premium rates mandated by state regulatory authorities.

C. The Group Experience Rating/Contingent Compensation Credit to be paid under this Addendum shall not exceed the maximum amount promulgated by the insurance statutes and regulations of the state wherein the business is written.

D. Payments made under the provisions of this Addendum by Company to Customer shall discharge Company's obligation hereunder for the amounts so paid.

E. Company reserves the right to offset any amounts due to or from Customer under this Agreement and its Schedules and Addenda (if any) for Credit Life, Credit Accident & Health, Credit Property, and Leased Property insurance against any amounts due to or from Customer under this or any agreements Customer may have from time to time with Company and/or any other subsidiaries or affiliates of American Bankers Insurance Group, Inc. The Customer will have thirty (30 days) to challenge any amounts due Company prior to such offset being made and, if challenged, no offsets will be made. The issue will be referred to arbitration as in Paragraph 10 of the S.E.R.A. agreement.

F. It is a condition precedent to payment of any amounts under this Addendum by Company that Customer shall certify in writing to Company that all known claims have been reported to Company. It is understood and agreed, however, that no waiver of this condition precedent shall result should Company fail to require such certification of claims.

G. In the event of termination of the Service Expense Reimbursement Agreement, Company shall continue to pay expense reimbursement payments as outlined in Section A of this Addendum. However, in the event of a "deficit", which is deemed to exist any time the result of the calculation under the provision of paragraph A of this Addendum is a negative number, Customer shall pay the amount of said deficit to the Company within 10 days of receiving the respective monthly statement.

When all policy and/or certificate liabilities, including losses and loss adjustment expenses have been terminated by expiration, cancellation or prepayment, Company shall render a final accounting to Customer, Company may withhold payment for this final accounting until customer has certified in writing to Company that all known claims against company shall have been duly reported to Company.

H. It is hereby understood that Paragraph A pertains to only the following types of insurance, at the indicated percent rates as shown for each type of insurance.

Type of Insurance	Percent Rate
Credit Life	90%
Credit Accident & Health	90%
Credit Property	90%
Involuntary Unemployment Ins.	90%
Leased Property	90%

I. Until such time as this Agreement is terminated, Company agrees to pay Customer investment income on the cash held by the Company, at the interest rate of a one year CD, at Chase Bank Texas National Association's main Fort Worth, Texas branch. The cash held by the Company shall be calculated according to the following formula:

	90% of the cumulative net written premium
Less:	the cumulative losses and loss expenses paid;
	the cumulative advance commissions paid or retained; and
	the cumulative contingent commissions paid or due.
Equals	cash held by Company.

Such investment income will be paid within thirty (30) days of the end of each calendar quarter based on the average of the cash held by Company at the beginning and end of the prior quarter.

Executed on behalf of the Company at Fort Worth, Texas, this 21st day of July ____, 1998.	Executed by or on behalf of the Agent at Beaumont, Texas, this 21st day of July ____, 1998.
AMERICAN BANKERS LIFE ASSURANCE COMPANY OF FLORIDA RANCHERS & FARMERS COUNTY MUTUAL INSURANCE COMPANY VOYAGER LIFE INSURANCE COMPANY VOYAGER PROPERTY AND CASUALTY INSURANCE COMPANY	AFFILIATES INSURANCE AGENCY INC.
By: /s/ Mark Cooper	By: /s/ Thomas J. Frank
Title: Authorized Representative	Title: Chief Executive Officer
Witness:	

*Initials designate the following companies:

ABLAC American Bankers Life Assurance Company of Florida
R&F Ranchers & Farmers County Mutual Insurance Company
VLIC Voyager Life Insurance Company
VPCIC Voyager Property & Casualty Insurance Company

FIRST AMENDMENT TO
SERVICE EXPENSE REIMBURSEMENT AGREEMENT
(Texas)

This Amendment is entered into as of July 1, 2005 (the "First Amendment Effective Date") by and among American Bankers Life Assurance Company of Florida, as successor in interest to Voyager Life Insurance Company, Voyager Property & Casualty Insurance Company, American Bankers Life Assurance Company of Florida, American Bankers Insurance Company of Florida and American Bankers General Agency, Inc. on behalf of Ranchers & Farmers Mutual Insurance Company (collectively "Company") and CAI, L.P., successor in interest to Affiliates Insurance Agency, Inc. ("Customer") and amends that certain Service Expense Reimbursement Agreement entered into between Company and Customer effective July 1, 1998 (the "Agreement").

In consideration of the mutual promises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. The Agreement shall be amended so as to delete Voyager Life Insurance Company and Voyager Property & Casualty Insurance Company as signatories, and to add American Bankers Insurance Company of Florida as a signatory.

2. Section 8 of the Agreement shall be amended to read as follows:

   8. Company may prospectively change the rates of Expense Reimbursement for products on Schedule A upon thirty (30) days advance notice if required by state regulatory authority, or in the event of a premium rate decrease. Company may decrease the rates of Expense Reimbursement upon thirty (30) days advance notice in the event of a projected deficit under the Group Experience Rating/ Contingent Compensation Addendum, in which event such decrease shall be only in an amount which Company deems necessary to prevent or cure such deficit, and such decreased rates shall continue in effect only for the period of time necessary to prevent or cure such deficit. In all other respects, this Agreement may be altered or amended only in writing signed by both of the parties.

3. Section 9 of the Agreement shall be amended to read as follows:

   9. (a) Term.
   This Agreement shall be for a term of four years from the First Amendment Effective Date, and shall automatically renew for successive one (1) year terms (each a "Renewal Term") unless written notice is given at least ninety (90) days prior to the effective date of any term. In the event, as of any renewal date, any deficit exists under the

Contingent Compensation Addendum, then Customer shall not have the right to terminate this Agreement or any group master policy until such time as the deficit is cured.

(b) Termination by mutual consent. This Agreement may be terminated at any time by the mutual consent of both Customer and Company.

(c) Termination with cause by Company.
Subject to the cure provisions contained herein, Company may immediately terminate this agreement by written notice to Customer in the event of (i) Customer's violation of any applicable law relating to the offer, sale or administration of the insurance or debt protection programs and the violation continues for fifteen (15) days after Customer has received notice of the violation; (ii) material breach of this Agreement by Customer, which material breach continues for thirty (30) days after Customer has received notice of the breach; (iii) gross neglect of duty, fraud, misappropriation, or embezzlement by Customer or its affiliates of funds owed to Company or any of its affiliates under this Agreement or any other agreement with Customer or any of its affiliates; (iv) Customer or any of its affiliates shall become the subject of any order or injunction of any court or governmental body relating to the offer, sale or administration of the insurance or debt protection programs and such order or injunction is not dismissed within thirty (30) days; or (v) Customer's voluntary bankruptcy, insolvency or assignment for the benefit of creditors. For purposes of this Agreement, an "affiliate" of Company is defined as any entity that is a member company of Assurant Solutions/Assurant Specialty Property or any entity under common ownership with such entity, and an "affiliate" of Customer shall mean any subsidiary, parent or successor corporation of Customer.

(d) Termination with cause by Customer.
Subject to the cure provisions contained herein, Customer may immediately terminate this Agreement by written notice to Company in the event of (i) Company's violation of any applicable law relating to the offer, sale or administration of the insurance or debt protection programs and the violation continues for fifteen (15) days after Company has received notice of the violation; (ii) material breach of this Agreement by Company, which material breach continues for thirty (30) days after Company has received notice of the breach; (iii) gross neglect of duty, fraud, misappropriation, or embezzlement by Company of funds owed Customer under this Agreement or any other agreement with Company or any of its affiliates; (iv) Company or its affiliates

shall become the subject of any order or injunction of any court or governmental body relating to the offer, sale or administration of the insurance or debt protection programs and such order or injunction is not dismissed within thirty (30) days; or (v) Company's voluntary bankruptcy, insolvency or assignment for the benefit of creditors.

(e) Right to cure.
Both parties shall have the right to cure any event that would provide either party the right to terminate this Agreement for cause within thirty (30) days after written notice is received of the occurrence of such event unless a shorter period of time to cure such occurrence is provided by this Agreement. Such notice shall include a specific reference to the provision or provisions of this Agreement which are alleged to have been breached, a description of the event giving rise to the alleged violation, and the action to be taken by the party alleged to have violated the Agreement. During the cure period, neither party shall terminate the Agreement. Paragraphs 9(c)(iii) and 9(d)(iii) are hereby expressly excluded from this right to cure.

4. Section 21. shall be added to the Agreement as follows:

21. As soon as practicable, Company agrees to retain a program management/training resource who will reside in Texas and who will have daily interaction with Customer's representatives in an effort to increase sales volume. One resource shall be hired with respect to all products underwritten or issued by Company and its affiliates under this and any other agreement between Company and Customer.

5. Section 22 shall be added to the Agreement as follows:

22. Exclusivity.
During the term of this Agreement, as extended from time to time, Customer shall utilize Company exclusively for the insurance written hereunder, or any product which provides similar coverage.

Notwithstanding the foregoing, in the event a product offered by Company hereunder is discontinued in any state and Company is unable to offer a substantially similar replacement product immediately, Customer may obtain such discontinued product for its customers in the affected state from another carrier. Company will provide Customer notice of plans to discontinue a product ninety (90) days prior to discontinuation, unless a regulatory mandate does not allow for as much as ninety (90) days advance notice.

Further, in the event of a proposed rate decrease in any state which results in a rate for any product or group of products which would produce a decrease in annual premium production or debt protection fees greater than $100,000, then Company shall have sixty (60) days from and after the scheduled implementation date of the rate decrease to attempt to obtain approval of a different rate. If Company is unable within said sixty (60) days to obtain approval of a rate which is within one percent (1%) of the rate for a similar product available through another carrier in said state, then at the end of said sixty (60) day period Customer may offer such product through another carrier in the affected state until such time as Company can offer a rate for a substantially similar product that is within one percent (1%) of the alternative carriers' rate.

Customer shall not terminate or aid, directly or indirectly, in the termination of any insurance written hereunder unless such termination is initiated by an insured, without encouragement by Customer. Nothing herein shall prohibit individual customer cancellations handled in the normal course of business.

Further, in the event Customer implements a debt protection program, Company shall administer said debt protection program at a fee equal to 9.25% of net fees charged to participants under such program, which shall decrease to 9% at such time as the cumulative total of (i) net fees for the debt protection program and (ii) net premiums written since the First Amendment Effective Date for the business written under this Agreement and the Louisiana SERA (as defined in Section A.(1)(b)(ii) of the Group Experience Rating/Contingent Compensation Addendum), reaches $125,000,000.

6. The amounts to be used for future inception-to-date calculations under the Group Experience Rating/Contingent Compensation Addendum as of the First Amendment Effective Date are set forth on Schedule C attached hereto and made a part hereof.

7. The first paragraph of Section A and paragraph (1) of Section A of the Group Experience Rating/Contingent Compensation Addendum shall be amended to read as follows:

A. Within 10 days after each calendar quarter commencing with the First Amendment Effective Date and continuing while said Service Expense Reimbursement Agreement is in force, Company agrees to return Group Experience Rating/Contingent Compensation Credit on the coverages written under said Agreement as follows:

(1) Premium amounts will be calculated as follows and added together.

(a) The cumulative net earned premiums written in the State of Texas prior to the First Amendment Effective Date, which shall be based upon the agreed-upon cumulative figures set forth in paragraph 5 of the First Amendment, for each type of insurance shown in Paragraph H of this Addendum, multiplied by 90%.

(b) The cumulative net earned premiums in the State of Texas commencing with the First Amendment Effective Date and continuing for all months (each month being considered as a full month rather than day-by-day) in which some time during such month the total combined net fees and insurance premiums written since the First Amendment Effective Date under the following agreements amount to $125,000,000 or less:

(i) this Agreement, and

(ii) the Service Expense Reimbursement Agreement effective July 1, 1998 covering Louisiana business entered into between Voyager Life Insurance Company, Voyager Property & Casualty Insurance Company, American Bankers Life Assurance Company of Florida, Ranchers & Farmers Mutual Insurance Company and CAI, L.P., successor in interest to Affiliates Insurance Agency, Inc., as amended from time to time (in which American Bankers Insurance Company of Florida and American Reliable Insurance Company were subsequently added and Voyager Life Insurance Company and Ranchers & Farmers Mutual Insurance Company were subsequently deleted as signatories) (the "Louisiana SERA"), and

(iii) net fees for the debt protection program

multiplied by 89.75%; and

(c) The cumulative net earned premiums in the State of Texas commencing with the first full month (each month being considered as a full month rather than day-by-day) written since the First Amendment Effective Date, in which the total combined net fees and insurance premiums under the agreements set forth in paragraphs (i) through (iii) immediately above, exceed $125,000,000, multiplied by 90%

and from the total there shall be deducted the sum of the following items for each type of insurance:

(d) The cumulative total of all losses and loss expenses, including all allocated loss adjustment expenses incurred, and
(e) All reserves, and
(f) The cumulative total of all earned expense reimbursements, paid or allowed Customer by Company, and
(g) The cumulative total of all amounts previously paid to Customer in accordance with this Addendum.

8. The last paragraph of Section A of the Group Experience Rating/Contingent Compensation Addendum, which is set forth below, shall be deleted in its entirety:

For purposes of this Addendum, any amounts accumulated under that certain Group Experience Rating/Contingent Compensation Credit Addendum, made effective December 30, 1994, from the sale of the above described Insurance in Texas shall be included in the calculations of the Group Experience Rating/Contingent Compensation Credit under this Paragraph A.

9. Section G of the Group Experience Rating/Contingent Compensation Addendum shall be amended to read as follows:

G. In the event of termination of the Service Expense Reimbursement Agreement, Company shall continue to pay expense reimbursement payments as outlined in Section A of this Addendum. However, in the event a "deficit" exists or is projected at any time as a result of the calculation under Section A of this Addendum, Company may decrease the rate of Expense Reimbursement as provided in Section 8 of the Agreement.

10. Section H of the Group Experience Rating/Contingent Compensation Addendum shall be amended to read as follows:

H. It is hereby understood that Paragraph A pertains to only the following types of insurance, at the indicated percent rates as shown for each type of insurance:

Type of Insurance	Percent Rate
Credit Life	(*)
Credit Accident & Health	(*)
Credit Property	(*)
Involuntary Unemployment Ins.	(*)
Leased Property	(*)

(*)

(i) The Percent Rate shall be 90% prior to the First Amendment Effective Date.

(ii) After the First Amendment Effective Date, the portion of insurance under this Agreement to which the Percent Rate applies shall be 89.75% as to any month (each month being considered as a full month rather than day-by-day) in which the total combined net fees and insurance premiums written since the First Amendment Effective Date under the following agreements amount to $125,000,000 or less: (a) this Agreement, and (b) the Louisiana SERA, and (c) net fees for the debt protection program.

(iii) After the First Amendment Effective Date, the portion of insurance under this Agreement to which the Percent Rate applies shall be 90% commencing with any month (each month being considered as a full month rather than day-by-day) in which the total combined net fees and insurance premiums written since the First Amendment Effective Date under the agreements listed in paragraphs (a) through (c) immediately preceding exceed $125,000,000.

The attached Schedule B sets forth an illustration of the calculation of the Group Experience Rating/Contingent Compensation Credit using the above rates.

11. Section I of the Group Experience Rating/Contingent Compensation Addendum shall be amended to read as follows:

Until such time as this Agreement is terminated, Company agrees to pay Customer investment income on the cash held by the Company, at the interest rate of an 18 month CD, as posted on the Bank One/Chase website. The cash held by the Company shall be calculated according to the following formula:

	[*]% of the cumulative net written premium
Less:	the cumulative losses and loss expenses paid;
	the cumulative advance commissions paid or retained; and
	the cumulative contingent commissions paid or due.
Equals:	cash held by Company.

Each month the average cash held for the month will be calculated based on current and prior month balances of total cash held. The average cash held for the month shall be multiplied by the 18 month CD rate posted in the Bank One/Chase website at the end of the month divided by 12, to determine the interest accrued for the month. The product of this calculation for each of the three months in a quarter shall be added to determine the investment income to be paid on cash withheld for the quarter.

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[*] This percentage rate shall be the same as that applied under Section H of this Addendum, as amended by the First Amendment, based on the blended rate that results from the sliding scale contained therein.

12. Schedule A of the Agreement shall be deleted in its entirety and restated as attached to this First Amendment.

13. Section J. shall be added to the Group Experience Rating/Contingent Compensation Addendum and shall read as follows:

    J. In the event Company has exercised its right to change the rate of Expense Reimbursement as provided in Section 8 of the Service Expense Reimbursement Agreement, as amended, Company and Customer shall thereafter conduct a review of the Group Experience Rating/Contingent Compensation Addendum to determine whether any adjustments under said Addendum are appropriate in order to avoid a future deficit or to maintain equity as to the Company and/or Customer in the calculation under the Group Experience Rating/Contingent Compensation Addendum. Any adjustment to the Group Experience Rating/Contingent Compensation Addendum shall be made only upon mutual written agreement, and any dispute relating thereto shall be resolved in accordance with the arbitration provisions of Section 10 of this Agreement.

14. All other provisions of the Agreement shall remain in full force and effect, unaffected hereby.

IN WITNESS WHEREOF, this Amendment is executed as of the date set forth above by the duly authorized representative of each party.

CAI, L.P., by its General Partner
Conn Appliances, Inc.

By: /s/ David R. Atnip

Print Name: David R. Atnip

Title: Treasurer

Date: 7/21/2005

AMERICAN BANKERS LIFE ASSURANCE COMPANY OF FLORIDA as successor in Interest to VOYAGER LIFE INSURANCE COMPANY

By: /s/ Valerie Seasholtz

Print Name: Valerie Seasholtz

Title: Senior Vice President

Date: 7/21/2005

VOYAGER PROPERTY & CASUALTY INSURANCE COMPANY

By: /s/ Valerie Seasholtz

Print Name: Valerie Seasholtz

Title: Senior Vice President

Date: 7/21/2005

AMERICAN BANKERS LIFE ASSURANCE COMPANY OF FLORIDA

By: /s/ Valerie Seasholtz

Print Name: Valerie Seasholtz

Title: Senior Vice President

Date: 7/21/2005

AMERICAN BANKERS INSURANCE COMPANY OF FLORIDA

By: /s/ Valerie Seasholtz

Print Name: Valerie Seasholtz

Title: Senior Vice President

Date: 7/21/2005

AMERICAN BANKERS GENERAL
AGENCY, INC. on behalf of
RANCHERS & FARMERS MUTUAL
INSURANCE COMPANY

By: /s/ Charles D Helton

Print Name: Charles D Helton

Title: President

Date: 7/21/2005

SCHEDULE A

This Schedule A is attached to and by reference made a part of the Service Expense Reimbursement Agreement indicated above (the "Agreement") between the insurance companies named below ("Company") and CAI, L.P. ("Customer"). This Schedule A is effective June 30, 2005.

				Maximums Allowed		
Company*	Insurance Type	State	Expense Reimbursement Rate	Coverage	Benefits	Term
ABLAC	Credit Life - SP	TX	35%	$20,000	N/A	60 mos.
ABLAC	Credit Life - MOB	TX	35%	$20,000	N/A	1 mo.
ABLAC	Credit Accident & Health - SP	TX	35%	N/A	$800	60 mos.
ABLAC	Credit Accident & Health - MOB	TX	35%	N/A	$800	1 mo.
R&F	Credit Property - SP	TX	35%	$20,000	N/A	60 mos.
R&F	Credit Property - MOB	TX	35%	$20,000	N/A	1 mo.
R&F	Leased Property	TX	35%	$10,000	N/A	1 mo.
ABIC	Involuntary Unemployment - SP	TX	35%	N/A	$500	60 mos.
ABIC	Involuntary Unemployment - MOB	TX	35%	N/A	$500	60 mos.

*Initials designate the following companies:
ABIC - American Bankers Insurance Company of Florida
ABLAC - American Bankers Life Assurance Company of Florida
R&F - Ranchers & Farmers Mutual Insurance Company

SCHEDULE B

If, as of the end of any month, total combined net fees and insurance premiums written since the First Amendment Effective Date under the specified agreements total $125,000,000 or less, the Percent Rate under Section H of the Group Experience Rating/Contingent Compensation Addendum, based upon which a payment shall be made at the end of the respective quarter, shall be 89.75% as to each such month (each month being considered as a full month rather than day-by-day).

If, as of the end of any month, total combined net fees and insurance premiums written since the First Amendment Effective Date under the specified agreements exceed $125,000,000, the Percent Rate under Section H of the Group Experience Rating/Contingent Compensation Addendum, based upon which a payment shall be made at the end of the respective quarter, shall be 90% for that month (each month being considered as a full month rather than day-by-day) and thereafter.

SERVICE EXPENSE REIMBURSEMENT AGREEMENT

BY THIS AGREEMENT, the insurance companies, managers and agencies named in the Schedule A(s) attached to and forming a part of this Agreement, hereinafter referred to as "Company," and CAI Credit Insurance Agency, Inc., its subsidiaries and affiliates hereinafter referred to as "Customer," agree as follows effective July 1, 1998.

1. Company has offered to provide insurance coverage, service and facilities through its agents for insurance programs, as described in the Schedule A(s) attached, for insuring Credit Life, Credit Accident & Health, Credit Property, Leased Property, and Involuntary Unemployment Insurance. The borrowers, members, customers, lessees or any other person having an interest in a policy of certificate subject to this Agreement shall be referred to as "Participant(s)."

2. The development and implementation of such insurance program will result in additional administrative costs and expenses for Customer.

3. Customer and Company have agreed upon their respective duties and responsibilities in the matter of providing services, coverages and facilities in connection with such insurance program and upon a formula for reimbursement to Customer of sums necessary to compensate Customer for its costs and expense therein incurred.

4. Because it is impossible to determine precisely the cost and expense which will be incurred by Customer in carrying out its duties and responsibilities as herein specified, Company agrees to reimburse Customer for its costs and expenses in the service and administration of insurance furnished under said programs as follows:

   Company shall pay to Customer an Expense Reimbursement:

   > equal to the percentage of net premiums written or the fixed fee shown in the column headed Reimbursement Rate in the Schedule A(s) attached hereto.

   It is a condition of this Agreement that Customer refund ratably to Company on canceled coverages and on reductions in premiums at the same rate at which such Expense Reimbursement was originally paid.

5. Customer agrees to cooperate with Company in all reasonable particulars contemplated by this Agreement and understands that its duties and responsibilities in the matter of providing services, coverages and facilities and for which it is to be reimbursed hereunder are:

   (A) Distribute to Participants, Company's forms, supplies and instructions for use as well as material covering the administration and distribution of policies or certificates of insurance;

   (B) Permit the use of its credit card, or such other method as it authorized by law, for the collection of premium contributions by Participants. Maintain an insurance escrow account, receive, and account for all premiums and remit to Company premiums on insurance written less cancellation refunds with respect to insurance programs contemplated by this Agreement;

   (C) Perform clerical functions, typing and mailing of insurance policies or certificates, endorsements, cancellations and periodic statements covering premium due, net of refunds and other allowances;

   (D) Furnish Company with reports of all transactions of Participants pursuant to insurance programs of Company, contemplated under this Agreement;

   (E) Perform such other similar administrative actions as may be required by Company.

   All premiums held by Customer pursuant to (B) above shall be held as trustee for Company until delivered to it. Company reserves the right to require Customer to deposit all premiums, less Customer's Expense Reimbursement as set forth in Paragraph 4 hereof, in a premium trust or escrow account.

   The reports and remittances provided for in (B) and (D) above shall be on forms provided by or acceptable to Company, and shall be transmitted in time to be received by Company not later than twenty (20) days after the end of each calendar month. Premium payments not made by the due date above shall bear interest from the due date at the rate of one percent (1%) per month, or the applicable legal maximum rate, whichever is less.

6. Periodically, Company may require evidence that expense incurred by Customer was approximately equal to reimbursement calculated hereunder.

   Customer shall upon request by Company's authorized representative, during normal business hours, make available for inspection all books and records pertaining to business covered by this Agreement and the Schedules and Addenda attached hereto.

7. Company reserves the right to offset any amounts due to or from Customer under this Agreement and its Schedules and Addenda (if any) Credit Life,

Credit Accident & Health, Credit Property, Involuntary Unemployment, and Leased Property Insurance, against any amounts due to or from Customer under this or any agreements Customer may have from time to time with Company and/or any other subsidiaries or affiliates of American Bankers Insurance Group, Inc. Customer will have thirty (30) days to challenge any amounts due Company prior to such offset being made and, if challenged, no offsets will be made. The issue will be referred to arbitration, as in Paragraph 10.

8. Company may authorize Customer to offer new products and may establish rates of Expense Reimbursement on such new products. Company also reserves the right to cease offering any product listed on Schedule A at any time. Company may also prospectively change the rates of Expense Reimbursement for products on Schedule A upon thirty (30) days advance notice if required by state regulatory authority, or with the written consent of Customer if one or more product lines is in deficit. This written consent shall not be made unreasonably withheld. In all other respects, this Agreement may be altered or amended only in writing signed by both of the parties.

9. This Agreement may be terminated by Company at any time by giving Customer thirty (30) days notice, in writing, of its intention to terminate.

This Agreement may be terminated at any time by the mutual consent of both Customer and Company.

This Agreement may be terminated by Customer with cause at any time, upon thirty (30) days written notice provided to Company. Cause shall be defined as a material breach of the Agreement which is not cured by Company within thirty (30) days of written notice thereof.

10. (A) Any and all disputed or disagreements arising between the parties pertaining to or relating in any manner to this Agreement, including but not limited to any disputes or disagreements as to the meaning or interpretation of this Agreement, or any portion thereof, or the relationship of the parties created under this Agreement, upon which an amicable understanding cannot be reached, including any breach of this Agreement, are to be decided by arbitration in accordance with the rules of the American Arbitration Association, and subject to applicable provisions of the statutes of the state of Texas. The parties agree to be bound by the majority decision of the arbitrators. The arbitration proceeding shall take place in Fort Worth, Texas, unless another location is mutually agreed to by the parties. Each party shall be responsible for its own costs and expenses in arbitrating the dispute.

(B) The arbitrators shall state in their decision the basis upon which their decision may be made. An appeal may be made from the arbitrators' decision to a court of general jurisdiction in Fort Worth, Texas, on the grounds set forth in the Texas code. All parties to this Agreement, by signing this Agreement, consent to the personal jurisdiction of the Texas courts.

(C) Three arbitrators shall be selected for the arbitration panel. One arbitrator shall be selected by each party. The third arbitrator shall be selected by the arbitrators names by each party. In the event an agreement cannot be reached as to the third arbitrator, either party may petition a court of competent jurisdiction to appoint a neutral arbitrator as the third arbitrator. The Federal Rules of Civil Procedure and the Federal Rules of Evidence shall govern all procedural issues; however, upon order of the arbitrators or by agreement of the parties, time limits contained therein may be shortened or lengthened. The provision shall survive the termination of this Agreement.

11. (A) Upon termination of this Agreement, Customer shall promptly account or and pay over to Company all premiums due Company upon risk(s) placed by Customer.

(B) Customer further agrees, upon termination of this Agreement, to render the normal and usual customer services for Company during the remaining unexpired term of all policies placed by Customer.

(C) Company agrees, upon termination of this Agreement, to transfer 90% of the net cumulative premiums collected, less (1) the cumulative total losses paid by the Company, and (2) the cumulative total of all payments including, but not limited to: advance commissions, expense reimbursements, and group experience rating/contingent compensation previously paid to the Agent, to any insurer selected by Agent provided such insurer is approved by the appropriate regulatory authorities to write insurance in the State of Texas of the type(s) for which the net cumulative premiums have been collected and for which group experience ratings/contingent compensation payments may be or become due Customer. All liability for subsequent claims, refunds or any other policy/certificate obligations regardless of effective or incurred date, shall be transferred from Company to the approved assuming insurer on the effective date of such assumption.

12. In performing its obligations pursuant to this Agreement, Company may have access to and receive disclosure of certain confidential information about or belonging to Customer, including but not limited to: Customer's marketing philosophy, techniques, and objectives, advertising and promotional copy, competitive advantages and disadvantages, financial results, technological developments, Participant and cardholder lists and a variety of other information and materials which Customer considers confidential or proprietary (hereinafter "Confidential Information").

Company agrees that during the term of this Agreement and thereafter, Confidential Information is to be used solely in connection with satisfying its obligations pursuant to this Agreement, and that it shall neither disclose Confidential Information to any third party nor use Confidential Information for its own benefit, except as may be necessary to perform its obligations pursuant to this Agreement.

All Confidential Information furnished to Company in connection with this Agreement is the exclusive property of Customer and, at the request of Customer or upon termination of this Agreement, Company shall promptly return to Customer all Confidential Information without copying such information.

Company shall take measures to prevent its agents, employees and subcontractors from using or disclosing any Confidential Information, except as may be necessary for Company to perform its obligations pursuant to this Agreement. Company agrees that it may not use, rent, sell or authorize the use of the names and addresses supplied by Customer.

This provision shall survive the termination of this Agreement.

13. Company hereby agrees to indemnify Customer, its directors, officers, employees, and corporate affiliates (the "indemnified parties"), and hold them harmless against and pay on their behalf any sums which any of them shall become legally obligated to pay as damages, fines, interest, and judgments which directly or indirectly arise from or are caused by the wrongful or negligent acts or omissions of Company or its directors, officers, employees and corporate affiliates, as well as any reasonable attorney's fees, costs and expenses incurred. It is a condition precedent to the obligations of Company under this Paragraph that any indemnified party who is being indemnified hereunder shall cooperate in such defense. Notwithstanding the indemnification provided herein, it is specifically agreed that Customer shall participate on a pro rata basis with regard to any premium refunds or rebates made by Company which may be occasioned by any claim, controversy, dispute, lawsuit, or administrative proceeding.

14. It is a condition precedent to payment of any amounts under this Agreement by Company that Customer shall certify in writing to Company that all known claims have been reported to Company. It is understood and agreed, however, that no waiver of this condition precedent shall result should Company fail to require such certification of claims.

15. This Agreement together with any insurance programs designated by the parties shall constitute the entire contract between the parties and there are no other agreements, oral or written, prior to or contemporaneous with this Agreement, other than that stated herein.

16. This Agreement has been executed in a number of Counterparts, any of which may be taken as an original.

17. This Agreement is executed on behalf of Company and Customer by the authorized signatures on the Schedule A(s) attached hereto.

18. Customer may assign its right to receive any monies due or to become due from Company under this Agreement or any of its addenda, including but not limited to Expense Reimbursement, to any affiliate of Customer, including any affiliated insurance agent or agency, or any other individual or entity authorized to sell or receive compensation for the sale of any of the insurance products covered by this Service Expense Reimbursement Agreement. An affiliate shall be a parent, a wholly owned or controlled subsidiary of Customer or any affiliate which is under the same common control or ownership as Customer. Notice of assignment shall be given to Company, in writing. Such assignment shall not be binding on Company and shall be of no effect until and unless Company acknowledges, in writing, such assignment. Payment by Company of any amount due by Company under this Agreement or any of its addenda to the assignee shall release Company of any obligation to Customer for the amount paid. No subsequent revocation of an assignment shall be binding on Company until and unless Company acknowledges such revocation in writing.

In addition, simultaneous with such assignment, Customer may delegate to any such affiliate any administrative duties of Customer that can be performed under this Agreement by such affiliate. Written notice of such delegation shall be given to Company. Neither the giving of such notice or Company's acknowledgment or consent to such delegation shall release Customer from any responsibility for performance of any duties or obligations under this Agreement or any of its addenda.

19. In consideration of the mutual promises and covenants contained in this Service Expense Reimbursement Agreement, American Bankers Insurance Company hereby guarantees to Customer, its affiliates and subsidiaries the performance by Company of all of Company's obligations contained in the Service Expense Reimbursement Agreement and any and all future amendments or schedules thereto.

20. The following Schedules and/or Addendas are attached to and made a part of this Agreement at its inception:

Name of Schedule or Addenda:	Form Number
Service Expense Reimbursement Agreement- Schedule A	SERA/SCH.A/9-10-94
Service Expense Reimbursement Agreement- Group Experience Rating/Contingent Compensation Addendum	S:\ASSIST\MICHELLE\CAICONT.SAM

VLIC Voyager Life Insurance Company
VPCIC Voyager Property & Casualty Insurance Company
ABLAC American Bankers Life Assurance Company of Florida
R&F Ranchers & Farmers County Mutual Insurance Company

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SERVICE EXPENSE REIMBURSEMENT AGREEMENT
SCHEDULE A

This Schedule is attached to and by `reference made a part of the Service Expense Reimbursement Agreement indicated above between the insurance companies, managers and agencies named below, hereinafter referred to as "Company", and CAl Credit Insurance Agency, Inc., hereinafter referred to as "customer", dated July 1, 1998. This Schedule is effective July 1, 1998.

NOW THEREFORE, IT IS MUTUALLY UNDERSTOOD AND AGREED AS FOLLOWS:

1. Customer has agreed to offer, on Company's behalf, types of insurance as shown in Paragraph 2 to Participants, borrowers, members, customers or lessees of:

CAI CREDIT INSURANCE AGENCY, INC.

2. Customer has agreed to provide services in connection with the types of insurance shown in the states listed with maximums as shown and for the Expense Reimbursement rate shown, which may be either a fixed amount or a percent of net premiums written. (gross premiums less cancellations):

Company*	Insurance Type	State	Expense Reimbursement Rate	Coverage	Monthly Benefits	Term
VLIC	Credit Life-SP	LA	35%	$20,000	N/A	60 Mos.
VLIC	Credit Life - MOB	LA	35%	$20,000	N/A	1 Mo.
VLIC	Credit Accident & Health - SP	LA	35%	N/A	$800	60 Mos.
VLIC	Credit Accident & Health - MOB	LA	35%	N/A	$800	1 Mo.
VPCIC	Credit Property - SP	LA	35%	$20,000	N/A	60 Mos.
VPCIC	Credit Property - MOB	LA	35%	$20,000	N/A	1 Mo.
VPCIC	Lease Property	LA	35%	$10,000	N/A	1 Mo.
VPCIC	Involuntary Unemployment	LA	35%	N/A	$500	1 Mo.

Execution of this Schedule A also constitutes execution of all of the schedules and/or addendas listed in Paragraph 19 of this Agreement of which this Schedule A becomes a part.

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Executed on behalf of the Company at Fort Worth, Texas, this 21st day of July ____, 1998.	Executed by or on behalf of the Agent at Beaumont, Texas, this 21st day of July ____, 1998.
AMERICAN BANKERS LIFE ASSURANCE COMPANY OF FLORIDA RANCHERS & FARMERS COUNTY MUTUAL INSURANCE COMPANY VOYAGER LIFE INSURANCE COMPANY VOYAGER PROPERTY AND CASUALTY INSURANCE COMPANY	CAI CREDIT INSURANCE AGENCY INC.
By: /s/ Mark Cooper	By: /s/ Thomas J. Frank
Title: Authorized Representative	Title: President
Witness:	

AMERICAN BANKERS
INSURANCE COMPANY

By: /s/ Mark Cooper

Title: Authorized Representative

Witness:

*Initials designate the following companies:

ABLAC	American Bankers Life Assurance Company of Florida
R&F	Ranchers & Farmers County Mutual Insurance Company
VLIC	Voyager Life Insurance Company
VPCIC	Voyager Property & Casualty Insurance Company

SERVICE EXPENSE REIMBURSEMENT A GREEMENT
GROUP EXPERIENCE RATING/CONTINGENT COMPENSATION ADDENDUM

THIS ADDENDUM is attached to and by reference made a part of the Service Expense Reimbursement Agreement indicated above between the insurance companies, managers and agencies named below, hereinafter referred to as "Company", and CAI Credit Insurance Agency, Inc., hereinafter referred to as "Customer", dated July 1, 1998. This Addendum is effective July 1, 1998.

NOW THEREFORE, IT IS MUTUALLY UNDERSTOOD AND AGREED AS FOLLOWS:

A. Within 10 days after August 1, 1998 (such date hereinafter deemed the "accounting date"), and within 10 days after each month thereafter while said Service Expense Reimbursement Agreement is in force, Company agrees to return a Group Experience Rating/Contingent Compensation Credit on the coverages written under said Agreement as follows:

(1) The cumulative earned premiums written in the State of Louisiana for each type of insurance shown in Paragraph H of this Addendum will be multiplied by the percent shown in Paragraph H for each type of insurance and from the product of this multiplication there shall be deducted the sum of the following items for each type of insurance:

a) The cumulative total of all losses and loss expenses, including all allocated loss adjustment expenses incurred, and

b) All reserves, and

c) The cumulative total of all earned expense reimbursements, paid or allowed Customer by Company, and

d) The cumulative total of all amounts previously paid to Customer in accordance with this Addendum.

(2) "Losses" include, but are not limited to, any amounts Company becomes obligated to pay to any third party arising out of or related to claims made under coverages under this Agreement, including, but not limited to, damages, court awards or judgments or any kind or nature assessed against Company.

For purposes of this Addendum, any amounts accumulated under that certain Group Experience Rating/Contingent Compensation Credit Addendum, made effective December 30, 1994, from the sale of the above described insurance in Louisiana shall be included in the calculations of the Group Experience Rating/Contingent Compensation Credit in this Paragraph A.

B. If the combined remainder computed in Paragraph A for all types of insurance shown in Paragraph H is a positive figure, Company shall pay to Customer the amount of such remainder provided that all premiums then due Company shall have been received by Company. If the combined remainder computed in Paragraph A for all types of insurance shown in Paragraph H is a negative figure, the negative figure shall be carried over to subsequent accountings against any amounts that otherwise become payable to Customer under aforesaid formula. Company reserves the right to require Customer to repay any Group Experience Rating/Contingent Compensation Credit received because of errors in calculations or in the event of retroactive reductions in premium rates mandated by state regulatory authorities.

C. The Group Experience Rating/Contingent Compensation Credit to be paid under this Addendum shall not exceed the maximum amount promulgated by the insurance statutes and regulations of the state wherein the business is written.

D. Payments made under the provisions of this Addendum by Company to Customer shall discharge Company's obligation hereunder for the amounts so paid.

E. Company reserves the right to offset any amounts due to or from Customer under this Agreement and its Schedules and Addenda (if any) for Credit Life, Credit Accident & Health, Credit Property, and Leased Property insurance against any amounts due to or from Customer under this or any agreements Customer may have from time to time with Company and/or any other subsidiaries or affiliates of American Bankers Insurance Group, Inc. The Customer will have thirty (30 days) to challenge any amounts due Company prior to such offset being made and, if challenged, no offsets will be made. The issue will be referred to arbitration as in Paragraph 10 of the S.E.R.A. agreement.

F. It is a condition precedent to payment of any amounts under this Addendum by Company that Customer shall certify in writing to Company that all known claims have been reported to Company. It is understood and agreed, however, that no waiver of this condition precedent shall result should Company fail to require such certification of claims.

G. In the event of termination of the Service Expense Reimbursement Agreement, Company shall continue to pay expense reimbursement payments as outlined in Section A of this Addendum. However, in the event of a "deficit", which is deemed to exist any time the result of the calculation under the provision of paragraph A of this Addendum is a negative number, Customer shall pay the amount of said deficit to the Company within 10 days of receiving the respective monthly statement.

When all policy and/or certificate liabilities, including losses and loss adjustment expenses have been terminated by expiration, cancellation or prepayment, Company shall render a final accounting to Customer, Company may withhold payment for this final accounting until customer has certified in writing to Company that all known claims against company shall have been duly reported to Company.

H. It is hereby understood that Paragraph A pertains to only the following types of insurance, at the indicated percent rates as shown for each type of insurance.

Type of Insurance	Percent Rate
Credit Life	90%
Credit Accident & Health	90%
Credit Property	90%
Involuntary Unemployment Ins.	90%
Leased Property	90%

I. Until such time as this Agreement is terminated, Company agrees to pay Customer investment income on the cash held by the Company, at the interest rate of a one year CD, at Chase Bank Texas National Association's main Fort Worth, Texas branch. The cash held by the Company shall be calculated according to the following formula:

	90% of the cumulative net written premium
Less:	the cumulative losses and loss expenses paid;
	the cumulative advance commissions paid or retained;
	and the cumulative contingent commissions paid or due.
Equals	cash held by Company.

Such investment income will be paid within thirty (30) days of the end of each calendar quarter based on the average of the cash held by Company at the beginning and end of the prior quarter.

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Executed on behalf of the Company at Fort Worth, Texas, this 21st day of July ____, 1998.	Executed by or on behalf of the Agent at Beaumont, Texas, this 21st day of July ____, 1998.
AMERICAN BANKERS LIFE ASSURANCE COMPANY OF FLORIDA RANCHERS & FARMERS COUNTY MUTUAL INSURANCE COMPANY VOYAGER LIFE INSURANCE COMPANY VOYAGER PROPERTY AND CASUALTY INSURANCE COMPANY	CAI CREDIT INSURANCE AGENCY INC.
By: /s/ Mark Cooper	By: /s/ Thomas J. Frank
Title: Authorized Representative	Title: President
Witness:	

*Initials designate the following companies:

ABLAC American Bankers Life Assurance Company of Florida
R&F Ranchers & Farmers County Mutual Insurance Company
VLIC Voyager Life Insurance Company
VPCIC Voyager Property & Casualty Insurance Company

FIRST AMENDMENT TO
SERVICE EXPENSE REIMBURSEMENT AGREEMENT
(Louisiana)

This Amendment is entered into as of July 1, 2005 (the "First Amendment Effective Date") by and among American Bankers Life Assurance Company of Florida, as successor in interest to Voyager Life Insurance Company, Voyager Property & Casualty Insurance Company, American Bankers Life Assurance Company of Florida, American Bankers Insurance Company of Florida, American Reliable Insurance Company and American Bankers General Agency, Inc. on behalf of Ranchers & Farmers Mutual Insurance Company (collectively "Company") and CAI Credit Insurance Agency, Inc. ("Customer") and amends that certain Service Expense Reimbursement Agreement entered into between Company and Customer effective July 1, 1998 (the "Agreement").

In consideration of the mutual promises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. The Agreement shall be amended so as to delete Ranchers & Farmers Mutual Insurance Company and Voyager Life Insurance Company as signatories, and to add American Bankers Insurance Company of Florida and American Reliable Insurance Company as signatories.

2. Section 8 of the Agreement shall be amended to read as follows:

   8. Company may prospectively change the rates of Expense Reimbursement for products on Schedule A upon thirty (30) days advance notice if required by state regulatory authority, or in the event of a premium rate decrease. Company may decrease the rates of Expense Reimbursement upon thirty (30) days advance notice in the event of a projected deficit under the Group Experience Rating/ Contingent Compensation Addendum, in which event such decrease shall be only in an amount which Company deems necessary to prevent or cure such deficit, and such decreased rates shall continue in effect only for the period of time necessary to prevent or cure such deficit. In all other respects, this Agreement may be altered or amended only in writing signed by both of the parties.

3. Section 9 of the Agreement shall be amended to read as follows:

   9. (a) Term.
   This Agreement shall be for a term of four years from the First Amendment Effective Date, and shall automatically renew for successive one (1) year terms (each a "Renewal Term") unless written notice is given at least ninety (90) days prior to the effective date of any term. In the event, as of any renewal date, any deficit exists under the Contingent Compensation Addendum, then Customer shall not have the right to terminate this Agreement or any group master policy until such time as the deficit is cured.

   (b) Termination by mutual consent.
   This Agreement may be terminated at any time by the mutual consent of both Customer and Company.

   (c) Termination with cause by Company.
   Subject to the cure provisions contained herein, Company may immediately terminate this agreement by written notice to Customer in the event of (i) Customer's violation of any applicable law relating to the offer, sale or administration of the insurance or debt protection programs and the violation continues for fifteen (15) days after Customer has received notice of the violation; (ii) material breach of this Agreement by Customer, which material breach continues for thirty (30) days after Customer has received notice of the breach; (iii) gross neglect of duty, fraud, misappropriation, or embezzlement by Customer or its affiliates of funds owed to Company or any of its affiliates under this Agreement or any other agreement with Customer or any of its affiliates; (iv) Customer or any of its affiliates shall become the subject of any order or injunction of any court or governmental body relating to the offer, sale or administration of the insurance or debt protection programs and such order or injunction is not dismissed within thirty (30) days; or (v) Customer's voluntary bankruptcy, insolvency or assignment for the benefit of creditors. For purposes of this Agreement, an "affiliate" of Company is defined as any entity that is a member company of Assurant Solutions/Assurant Specialty Property or any entity under common ownership with such entity, and an "affiliate" of Customer shall mean any subsidiary, parent or successor corporation of Customer.

   (d) Termination with cause by Customer.
   Subject to the cure provisions contained herein, Customer may immediately terminate this Agreement by written notice to Company in the event of (i) Company's violation of any applicable law relating to the offer, sale or administration of the insurance or debt protection programs and the violation continues for fifteen (15) days after Company has received notice of the violation; (ii) material breach of this Agreement by Company, which material breach continues for thirty (30) days after Company has received notice of the breach; (iii) gross neglect of duty, fraud, misappropriation, or embezzlement by Company of funds owed Customer under this Agreement

or any other agreement with Company or any of its affiliates; (iv) Company or its affiliates shall become the subject of any order or injunction of any court or governmental body relating to the offer, sale or administration of the insurance or debt protection programs and such order or injunction is not dismissed within thirty (30) days; or (v) Company's voluntary bankruptcy, insolvency or assignment for the benefit of creditors.

(e) Right to cure.
Both parties shall have the right to cure any event that would provide either party the right to terminate this Agreement for cause within thirty (30) days after written notice is received of the occurrence of such event unless a shorter period of time to cure such occurrence is provided by this Agreement. Such notice shall include a specific reference to the provision or provisions of this Agreement which are alleged to have been breached, a description of the event giving rise to the alleged violation, and the action to be taken by the party alleged to have violated the Agreement. During the cure period, neither party shall terminate the Agreement. Paragraphs 9(c)(iii) and 9(d)(iii) are hereby expressly excluded from this right to cure.

4. Section 21 shall be added to the Agreement as follows:

21. As soon as practicable, Company agrees to retain a program management/training resource who will reside in Texas and who will have daily interaction with Customer's representatives in an effort to increase sales volume. One resource shall be hired with respect to all products underwritten or issued by Company and its affiliates under this and any other agreement between Company and Customer.

5. Section 22 shall be added to the Agreement as follows:

22. Exclusivity.
During the term of this Agreement, as extended from time to time, Customer shall utilize Company exclusively for the insurance written hereunder, or any product which provides similar coverage.

Notwithstanding the foregoing, in the event a product offered by Company hereunder is discontinued in any state and Company is unable to offer a substantially similar replacement product immediately, Customer may obtain such discontinued product for its customers in the affected state from another carrier. Company will provide Customer notice of plans to discontinue a product ninety (90) days prior to discontinuation, unless a regulatory mandate does not allow for as much as ninety (90) days advance notice.

Further, in the event of a proposed rate decrease in any state which results in a rate for any product or group of products which would produce a decrease in annual premium production or debt protection fees greater than $100,000, then Company shall have sixty (60) days from and after the scheduled implementation date of the rate decrease to attempt to obtain approval of a different rate. If Company is unable within said sixty (60) days to obtain approval of a rate which is within one percent (1%) of the rate for a similar product available through another carrier in said state, then at the end of said sixty (60) day period Customer may offer such product through another carrier in the affected state until such time as Company can offer a rate for a substantially similar product that is within one percent (1%) of the alternative carriers' rate.

Customer shall not terminate or aid, directly or indirectly, in the termination of any insurance written hereunder unless such termination is initiated by an insured, without encouragement by Customer. Nothing herein shall prohibit individual customer cancellations handled in the normal course of business.

Further, in the event Customer implements a debt protection program, Company shall administer said debt protection program at a fee equal to 9.25% of net fees charged to participants under such program, which shall decrease to 9% at such time as the cumulative total of (i) net fees for the debt protection program and (ii) net premiums written since the First Amendment Effective Date for the business written under this Agreement and the Texas SERA (as defined in Section A.(1)(b)(ii) of the Group Experience Rating/Contingent Compensation Addendum), reaches $125,000,000.

6. The amounts to be used for future inception-to-date calculations under the Group Experience Rating/Contingent Compensation Addendum as of the First Amendment Effective Date are set forth on Schedule C attached hereto and made a part hereof.

7. The first paragraph of Section A and paragraph (1) of Section A of the Group Experience Rating/Contingent Compensation Addendum shall be amended to read as follows:

A. Within 10 days after each calendar quarter commencing with the First Amendment Effective Date and continuing while said Service Expense Reimbursement Agreement is in force, Company agrees to return Group Experience Rating/Contingent Compensation Credit on the coverages written under said Agreement as follows:

(1) Premium amounts will be calculated as follows and added together.

(a) The cumulative net earned premiums written in the State of Louisiana prior to the First Amendment Effective Date, which shall be based upon the agreed-upon cumulative figures set forth in paragraph 5 of the First Amendment, for each type of insurance shown in Paragraph H of this Addendum, multiplied by 90%.

(b) The cumulative net earned premiums in the State of Louisiana commencing with the First Amendment Effective Date and continuing for all months (each month being considered as a full month rather than day-by-day) in which some time during such month the total combined net fees and insurance premiums written since the First Amendment Effective Date under the following agreements amount to $125,000,000 or less:

(i) this Agreement, and

(ii) the Service Expense Reimbursement Agreement effective July 1, 1998 covering Texas business entered into between Voyager Life Insurance Company, Voyager Property & Casualty Insurance Company, American Bankers Life Assurance Company of Florida, Ranchers & Farmers Mutual Insurance Company and CAI, L.P., successor in interest to Affiliates Insurance Agency, Inc., as amended from time to time (in which American Bankers Insurance Company of Florida was subsequently added and Voyager Life Insurance Company and Voyager Property and Casualty Insurance Company were subsequently deleted as signatories) (the "Texas SERA"), and

(iii) net fees for the debt protection program

multiplied by 89.75%; and

(c) The cumulative net earned premiums in the State of Louisiana commencing with the first full month (each month being considered as a full month rather than day-by-day) written since the First Amendment Effective Date, in which the total combined net fees and insurance premiums under the agreements set forth in paragraphs (i) through (iii) immediately above, exceed $125,000,000, multiplied by 90%

and from the total there shall be deducted the sum of the following items for each type of insurance:

(d) The cumulative total of all losses and loss expenses, including all allocated loss adjustment expenses incurred, and
(e) All reserves, and
(f) The cumulative total of all earned expense reimbursements, paid or allowed Customer by Company, and
(g) The cumulative total of all amounts previously paid to Customer in accordance with this Addendum.

8. The last paragraph of Section A of the Group Experience Rating/Contingent Compensation Addendum, which is set forth below, shall be deleted in its entirety:

For purposes of this Addendum, any amounts accumulated under that certain Group Experience Rating/Contingent Compensation Credit Addendum, made effective December 30, 1994, from the sale of the above described Insurance in Louisiana shall be included in the calculations of the Group Experience Rating/Contingent Compensation Credit under this Paragraph A.

9. Section G of the Group Experience Rating/Contingent Compensation Addendum shall be amended to read as follows:

G. In the event of termination of the Service Expense Reimbursement Agreement, Company shall continue to pay expense reimbursement payments as outlined in Section A of this Addendum. However, in the event a "deficit" exists or is projected at any time as a result of the calculation under Section A of this Addendum, Company may decrease the rate of Expense Reimbursement as provided in Section 8 of the Agreement.

10. Section H of the Group Experience Rating/Contingent Compensation Addendum shall be amended to read as follows:

H. It is hereby understood that Paragraph A pertains to only the following types of insurance, at the indicated percent rates as shown for each type of insurance:

Type of Insurance	Percent Rate
Credit Life	(*)
Credit Accident & Health	(*)
Credit Property	(*)
Involuntary Unemployment Ins.	(*)
Leased Property	(*)

(*)

(i) The Percent Rate shall be 90% prior to the First Amendment Effective Date.

(ii) After the First Amendment Effective Date, the portion of insurance under this Agreement to which the Percent Rate applies shall be 89.75% as to any month (each month being considered as a full month rather than day-by-day) in which the total combined net fees and insurance premiums written since the First Amendment Effective Date under the following agreements amount to $125,000,000 or less:
   (a) this Agreement, and
   (b) the Texas SERA, and
   (c) net fees for the debt protection program.

(iii) After the First Amendment Effective Date, the portion of insurance under this Agreement to which the Percent Rate applies shall be 90% commencing with any month (each month being considered as a full month rather than day-by-day) in which the total combined net fees and insurance premiums written since the First Amendment Effective Date under the agreements listed in paragraphs (a) through (c) immediately preceding exceed $125,000,000.

The attached Schedule B sets forth an illustration of the calculation of the Group Experience Rating/Contingent Compensation Credit using the above rates.

11. Section I of the Group Experience Rating/Contingent Compensation Addendum shall be amended to read as follows:

Until such time as this Agreement is terminated, Company agrees to pay Customer investment income on the cash held by the Company, at the interest rate of an 18 month CD, as posted on the Bank One/Chase website. The cash held by the Company shall be calculated according to the following formula:

	[*]% of the cumulative net written premium
Less:	the cumulative losses and loss expenses paid;
	the cumulative advance commissions paid or retained; and
	the cumulative contingent commissions paid or due.
Equals:	cash held by Company.

Each month the average cash held for the month will be calculated based on current and prior month balances of total cash held. The average cash held for the month shall be multiplied by the 18 month CD rate posted in the Bank One/Chase website at the end of the month divided by 12, to determine the interest accrued for the month. The product of this calculation for each of the three months in a quarter shall be added to determine the investment income to be paid on cash withheld for the quarter.

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[*] This percentage rate shall be the same as that applied under Section H of this Addendum, as amended by the First Amendment, based on the blended rate that results from the sliding scale contained therein.

12. Schedule A of the Agreement shall be deleted in its entirety and restated as attached to this First Amendment.

13. Section J. shall be added to the Group Experience Rating/Contingent Compensation Addendum and shall read as follows:

J. In the event Company has exercised its right to change the rate of Expense Reimbursement as provided in Section 8 of the Service Expense Reimbursement Agreement, as amended, Company and Customer shall thereafter conduct a review of the Group Experience Rating/Contingent Compensation Addendum to determine whether any adjustments under said Addendum are appropriate in order to avoid a future deficit or to maintain equity as to the Company and/or Customer in the calculation under the Group Experience Rating/Contingent Compensation Addendum. Any adjustment to the Group Experience Rating/Contingent Compensation Addendum shall be made only upon mutual written agreement, and any dispute relating thereto shall be resolved in accordance with the arbitration provisions of Section 10 of this Agreement.

14. All other provisions of the Agreement shall remain in full force and effect, unaffected hereby.

IN WITNESS WHEREOF, this Amendment is executed as of the date set forth above by the duly authorized representative of each party.

CAI CREDIT INSURANCE AGENCY, INC.

By: /s/ David Atnip

Print Name: David Atnip

Title: President

Date: 7/21/2005

AMERICAN BANKERS LIFE ASSURANCE COMPANY OF FLORIDA, as successor in interest to VOYAGER LIFE INSURANCE COMPANY

By: /s/ Valerie Seasholtz

Print Name: Valerie Seasholtz

Title: Senior Vice President

Date: 7/21/2005

VOYAGER PROPERTY & CASUALTY INSURANCE COMPANY

By: /s/ Valerie Seasholtz

Print Name: Valerie Seasholtz

Title: Senior Vice President

Date: 7/21/2005

AMERICAN BANKERS LIFE ASSURANCE
COMPANY OF FLORIDA

By: /s/ Valerie Seasholtz

Print Name: Valerie Seasholtz

Title: Senior Vice President

Date: 7/21/2005

AMERICAN BANKERS INSURANCE COMPANY
OF FLORIDA

By: /s/ Valerie Seasholtz

Print Name: Valerie Seasholtz

Title: Senior Vice President

Date: 7/21/2005

AMERICAN RELIABLE INSURANCE COMPANY

By: /s/ Authur W. Heggen

Print Name: Authur W. Heggen

Title: Assistant Secretary

Date: 7/21/2005

AMERICAN BANKERS GENERAL AGENCY, INC.
On behalf of
RANCHERS & FARMERS MUTUAL INSURANCE
COMPANY

By: /s/ Charles D Helton

Print Name: Charles D Helton

Title: President

Date: 7/21/2005

SCHEDULE A

This Schedule A is attached to and by reference made a part of the Service Expense Reimbursement Agreement indicated above (the "Agreement") between the insurance companies named below ("Company") and CAI Credit Insurance Agency, Inc. ("Customer"). This Schedule A is effective June 30, 2005.

				Maximums Allowed		
Company*	Insurance Type	State	Expense Reimbursement Rate	Coverage	Benefits	Term
ABLAC	Credit Life - SP	LA	35%	$20,000	N/A	60 mos.
ABLAC	Credit Life - MOB	LA	35%	$20,000	N/A	1 mo.
ABLAC	Credit Accident & Health - SP	LA	35%	N/A	$800	60 mos.
ABLAC	Credit Accident & Health - MOB	LA	35%	N/A	$800	1 mo.
ARIC	Credit Property - SP	LA	35%	$20,000	N/A	60 mos.
VPCIC	Credit Property - MOB	LA	35%	$20,000	N/A	1 mo.
VPCIC	Leased Property	LA	35%	$10,000	N/A	1 mo.
ABIC	Involuntary Unemployment - SP	LA	35%	N/A	$500	60 mos.
VPCIC	Involuntary Unemployment - MOB	LA	35%	N/A	$500	60 mos.

*Initials designate the following companies:
ABIC - American Bankers Insurance Company of Florida
ABLAC - American Bankers Life Assurance Company of Florida
ARIC - American Reliable Insurance Company
VPCIC - Voyager Property and Casualty Insurance Company

SCHEDULE B

If, as of the end of any month, total combined net fees and insurance premiums written since the First Amendment Effective Date under the specified agreements total $125,000,000 or less, the Percent Rate under Section H of the Group Experience Rating/Contingent Compensation Addendum, based upon which a payment shall be made at the end of the respective quarter, shall be 89.75% as to each such month (each month being considered as a full month rather than day-by-day).

If, as of the end of any month, total combined net fees and insurance premiums written since the First Amendment Effective Date under the specified agreements exceed $125,000,000, the Percent Rate under Section H of the Group Experience Rating/Contingent Compensation Addendum, based upon which a payment shall be made at the end of the respective quarter, shall be 90% for that month (each month being considered as a full month rather than day-by-day) and thereafter.

Consolidated Addendum and Amendment to Service Expense Reimbursement Agreements by and among Certain Member Companies of Assurant Solutions, CAI Credit Insurance Agency, Inc., and Affiliates Insurance Agency, Inc.

This Consolidated Addendum and Amendment ("Amendment") is entered into by and among certain member companies of Assurant Solutions, as set forth below (collectively "Company"), and their affiliates and assigns, and CAI Credit Insurance Agency, Inc., and Affiliates Insurance Agency, Inc., (collectively "Customer"), and their affiliates and assigns, and amends the Service Expense Reimbursement Agreements and the related Group Experience Rating /Contingent Compensation Addendums between the parties dated July 1, 1998 (respectively "CAI Agreement" and "Affiliates Agreement" and collectively "Agreements").

Whereas, the parties desire to modify certain agreements they have related to investment income;

Now therefore, it is agreed by and between Company and Customer the following:

1. The effective date of this Amendment is April 1, 2004.

2. The parties agree to amend Paragraph I of the Group Experience Rating/Contingent Compensation under both the CAI Agreement and the Affiliates Agreement to change the term of "one year" to "eighteen months" for the CD term for establishment of the interest rate for calculation of investment income in Paragraph I.

3. This Amendment shall not be construed to modify or amend any other terms or provisions of the Agreements unless set forth herein.

In Witness Whereof, the parties hereto have executed this Amendment on _______4/1_______________, 2004.

AMERICAN BANKERS LIFE ASSURANCE COMPANY OF FLORIDA

Signature: /s/ Gary Bursevich

Printed Name: Gary Bursevich

Witness:

Date: 2/22/2005

CAI CREDIT INSURANCE AGENCY, INC.

Signature: /s/ David R. Atnip

Printed Name: David R. Atnip

Witness:

Date: 4/1/2004

VOYAGER PROPERTY & CASUALTY INSURANCE COMPANY

Signature: /s/ Gary Bursevich

Printed Name: Gary Bursevich

Witness:

Date: 2/22/2005

CONN APPLIANCES, INC.

Signature: /s/ David R. Atnip

Printed Name: David R. Atnip

Witness:

Date: 4/1/2004

RANCHERS & FARMERS COUNTY MUTUAL

Signature: /s/ Charles D. Helton

Printed Name: Charles D. Helton

Witness:

Date:

AMERICAN BANKERS INSURANCE COMPANY OF FLORIDA

Signature: /s/ Gary Bursevich

Printed Name: Gary Bursevich

Witness:

Date: 2/22/2005

AMERICAN RELIABLE INSURANCE COMPANY

Signature: /s/ Arthur W. Heggen

Printed Name: Arthur W. Heggen, Assist. Secretary

Witness:

Date: 3/15/2005

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements on Forms S-8 (Nos. 333-111280, 333-111281, and 333-111282) of our reports dated March 29, 2006, with respect to the consolidated financial statements and schedule of Conn's, Inc., Conn's, Inc. management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting of Conn's, Inc., included in this Annual Report (Form 10-K) for the year ended January 31, 2006.

Ernst & Young LLP

Exhibit 31.1

RULE 13a-14(a)/15d-14(a) CERTIFICATION
(CHIEF EXECUTIVE OFFICER)

I, Thomas J. Frank, Sr., certify that:

1. I have reviewed this annual report on Form 10-K of Conn's, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Thomas J. Frank, Sr.

Thomas J. Frank, Sr.
Chairman of the Board and Chief Executive Officer

Date: March 30, 2006

Exhibit 31.2

RULE 13a-14(a)/15d-14(a) CERTIFICATION
(CHIEF FINANCIAL OFFICER)

I, David L. Rogers, certify that:

1. I have reviewed this annual report on Form 10-K of Conn's, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ David L. Rogers

David L. Rogers
Chief Financial Officer

Date: March 30, 2006

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Conn's, Inc. (the "Company") on Form 10-K for the period ended January 31, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Thomas J. Frank, Sr., Chairman of the Board and Chief Executive Officer of the Company and David L. Rogers, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Thomas J. Frank Sr.

Thomas J. Frank, Sr.
Chairman of the Board and
Chief Executive Officer

/s/ David L. Rogers

David L. Rogers
Chief Financial Officer

Dated: March 30, 2006

A signed original of this written statement required by Section 906 has been provided to Conn's, Inc. and will be retained by Conn's, Inc. and furnished to the Securities and Exchange Commission or its staff upon request. The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

Exhibit 99.1

SUBCERTIFICATION OF CHIEF OPERATING OFFICER IN SUPPORT OF RULE 13a-14(a)/15d-14(a) CERTIFICATION (CHIEF EXECUTIVE OFFICER)

I, William C. Nylin Jr., certify that:

1. I have reviewed this annual report on Form 10-K of Conn's, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ William C. Nylin, Jr.

William C. Nylin, Jr.
President and Chief Operating Officer

Date: March 30, 2006

Exhibit 99.2

SUBCERTIFICATION OF TREASURER IN SUPPORT OF RULE
13a-14(a)/15d-14(a) CERTIFICATION (CHIEF FINANCIAL OFFICER)

I, David R. Atnip, certify that:

1. I have reviewed this annual report on Form 10-K of Conn's, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ David R. Atnip

David R. Atnip
Senior Vice President and Treasurer

Date: March 30, 2006

Exhibit 99.3

SUBCERTIFICATION OF SECRETARY IN SUPPORT OF RULE
13a-14(a)/15d-14(a) CERTIFICATION (CHIEF EXECUTIVE OFFICER)

I, Sydney K. Boone, Jr., certify that:

1. I have reviewed this annual report on Form 10-K of Conn's, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Sydney K. Boone, Jr.

Sydney K. Boone, Jr.
Corporate General Counsel and Secretary

Date: March 30, 2006

Exhibit 99.4

SUBCERTIFICATION OF CHIEF OPERATING OFFICER, TREASURER AND SECRETARY IN SUPPORT OF 18 U.S.C. SECTION 1350 CERTIFICATION, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Conn's, Inc. (the "Company") on Form 10-K for the period ended January 31, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, William C. Nylin, Jr., President and Chief Operating Officer of the Company, David R. Atnip, Senior Vice President and Treasurer of the Company, and Sydney K. Boone, Jr., Corporate General Counsel and Secretary of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ William C. Nylin, Jr.

William C. Nylin, Jr.
President and Chief Operating Officer

/s/ David R. Atnip

David R. Atnip
Senior Vice President and Treasurer

/s/ Sydney K. Boone, Jr.

Sydney K. Boone, Jr.
Corporate General Counsel and Secretary

Dated: March 30, 2006

A signed original of this written statement has been provided to Conn's, Inc. and will be retained by Conn's, Inc. The foregoing certification is being furnished solely to support certifications pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.