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As filed with the Securities and Exchange Commission on September 23, 2003

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

CONN'S, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**5731**	**06-1672840**
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

3295 College Street
Beaumont, Texas 77701
(409) 832-1696
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Thomas J. Frank, Sr.
Chairman of the Board and Chief Executive Officer
Conn's, Inc.
3295 College Street
Beaumont, Texas 77701
(409) 832-1696
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

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Approximate date of commencement of proposed sale of securities to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended, check the following box: ☐

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. ☐

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	**Proposed Maximum Aggregate Offering Price(1)**	**Amount of Registration Fee**
Common Stock, $0.01 par value per share	$68,425,000	$5,536.00

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities At of 1933, as amended.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. We and the selling stockholder may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not a solicitation of an offer to buy these securities in any jurisdiction where such an offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED SEPTEMBER 23, 2003

Shares

Common Stock

This is the initial public offering of common stock by Conn's, Inc. We are selling shares of our common stock. The selling stockholder identified in this prospectus is selling an additional shares. We will not receive any of the proceeds from the sale of shares by the selling stockholder. Prior to this offering, there has been no public market for our common stock. We currently expect the initial public offering price of our common stock to be between $ and $ per share. We have applied to list our common stock on the Nasdaq National Market under the symbol "CONN."

You should consider the risks we have described in " Risk Factors" beginning on page 7 before buying shares of our common stock.

	Per Share	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds to us, before expenses	$	$
Proceeds to selling stockholder	$	$

The underwriters have an option to purchase up to an additional shares from us at the initial public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover over-allotments of shares.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of our common stock to purchasers on or about , 2003.

Stephens Inc. **SunTrust Robinson Humphrey**

The date of this prospectus is , 2003

**[Map of Texas and Louisiana
indicating existing store locations
and new store locations under development]**

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You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized any person to provide you with different information. You should not rely on any information provided by anyone that is different or inconsistent. Information on our website is not incorporated into this prospectus by reference and should not be considered part of this prospectus. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus or other date stated in this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. Because it is a summary, it may not contain all of the information that is important to you. You should read carefully this entire prospectus, especially "Risk Factors" and our consolidated financial statements and related notes, before making a decision to invest in our common stock.

Effective August 1, 2001, we changed our fiscal year end from July 31 to January 31. As a result, we have a six month transitional fiscal period ended January 31, 2002. We sometimes refer to our twelve month fiscal years ended July 31, 1999, 2000 and 2001 and January 31, 2003, 2004 and 2005 as "fiscal 1999," "fiscal 2000," "fiscal 2001," "fiscal 2003," "fiscal 2004" and "fiscal 2005," respectively.

Unless we indicate otherwise, the information set forth in this prospectus includes reference to our subsidiary prior to our reincorporation immediately prior to the closing of this offering and reflects a 70-for-1 stock split effected as a stock dividend in July 2002.

Conn's, Inc.

Our Business

We are a specialty retailer of home appliances and consumer electronics operating 42 stores in the southwestern United States. 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, VCRs, DVD players and home theater products. We also sell home office equipment, lawn and garden products and bedding, and we continue to introduce additional product categories for the home 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, Mitsubishi, Sony, Panasonic, Thomson Consumer Electronics, Simmons, Hewlett Packard and Compaq. Based on revenue in 2002, we were the 12th largest retailer of home appliances in the United States, and we are either the first or second leading retailer of home appliances in terms of market share in the majority of our existing markets.

We are known for providing excellent customer service, and 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 believe these strategies drive repeat purchases and enable us to generate substantial brand name recognition and customer loyalty. During fiscal 2003, approximately 54% of our credit customers, based upon 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 increased our number of stores by more than 60% from 26 to 42 and have grown our revenues and pre-tax operating income at compounded annual growth rates of 20.1% and 25.4%, respectively. We have achieved average annual same store sales growth of 10.9% over the three fiscal year period ended July 31, 2001, and 8.4% over the two year period ended January 31, 2003. We plan to continue growing by expanding into the Dallas/Fort Worth market with at least three new stores in the second half of fiscal 2004.

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 the execution of the following strategies:

- ***Providing a high level of customer service***. Emphasizing customer service as a key component of our culture has allowed us to achieve customer satisfaction levels at rates between 90% and 95%. We measure customer satisfaction in our customer service on the sales floor, in our delivery operation and in our service department by sending survey cards to all customers for 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, which include computers, camcorders, DVD players, cameras and telephones that are sold within the interior of a large colorful track that circles the interior floor of our stores. All new sales personnel must complete an intensive two-week classroom training program followed by an additional week of on-the-job training riding in a delivery and 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. To facilitate our responsiveness to customer demand, 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.
- ***Offering flexible financing alternatives through our proprietary credit programs***. Historically, we have financed approximately 60% 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. Approximately 60% of customers who have active credit accounts with us take advantage of our monthly in-store payment option, which we believe results in additional sales to these customers.
- ***Maintaining same day and next day distribution capabilities***. We maintain four regional distribution centers and two related facilities that cover all of our major markets. Using our fleet of transfer and delivery vehicles, we are able to deliver products from these facilities 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, ensuring that our customers will receive our service technicians' exclusive attention for their product repair needs.

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 increase our same store sales by remerchandising our product offerings in response to changes in consumer demands, training our sales personnel to increase sales closing rates, updating stores every three years on average and continuing to emphasize a high level of customer service. As an example, we have recently developed a new strategy for the merchandising of our track products, including separate merchandising plans and displays, separate sales and managerial personnel, convenient check-out procedures and diversified inventory.

- ***Opening new stores***. We plan to continue the pace of our new store openings in our five existing major markets, in adjacent markets and in new markets by opening three to five new stores in fiscal 2004 and an additional four to six new stores in fiscal 2005. Our prototype store for future expansion, which has from 20,000 to 24,000 square feet of retail selling space, is approximately 15% larger than our average existing store.
  - *Existing and adjacent markets*. We intend to increase our market presence by opening new stores in our existing markets and in markets adjacent to our five existing major markets. New store openings in these locations will allow us to leverage our existing distribution and advertising and capitalize on our brand name recognition and reputation.
  - *New markets*. We have executed leases to open three stores in the Dallas/Fort Worth metroplex during fiscal 2004. We also have identified several additional markets that meet our criteria for site selection, including the Rio Grande Valley in southwest Texas, New Orleans and central Louisiana around Shreveport, Monroe and Alexandria. We intend to enter these new markets, along with others in neighboring states, over the next several years.
- ***Updating, expanding or relocating stores***. Over the last three years, we have updated, expanded or relocated all of our stores. We have implemented our larger prototype store model at all locations at which the physical space would accommodate the required design changes. After updating, expanding or relocating a store, we expect to increase sales significantly at those stores.

About Us

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 42 stores, selling home appliances, consumer electronics, home office equipment, lawn and garden products and bedding.

We were formed as a Delaware corporation in January 2003 with an initial capitalization of $1,000 to become the holding company for Conn Appliances, Inc., a Texas corporation. We have had no operations to date. Immediately before the closing of the initial public offering of our common stock described in this prospectus, Conn Appliances, Inc., our current parent company, will become our operating subsidiary, and the common and preferred shareholders of Conn Appliances, Inc. will become common and preferred stockholders of Conn's, Inc. on a share-for-share basis. As used in this prospectus, "Conn's," "we," "us" and "our" refer to Conn's, Inc. and its consolidated subsidiaries, including Conn Appliances, Inc. and its subsidiaries, and "Conn Texas" refers to Conn Appliances, Inc. and its subsidiaries.

Our principal executive offices are located at 3295 College Street, Beaumont, Texas 77701. Our telephone number at that address is (409) 832-1696. Our website address is www.conns.com. Information contained on our website is not part of this prospectus.

The Offering

Common stock offered by us	shares
Common stock offered by the selling stockholder	shares
Common stock to be outstanding after the offering	shares
Use of proceeds	To reduce a portion of our existing debt, to redeem a portion of our outstanding preferred stock and for general corporate purposes, including continued growth and expansion of our business.
Proposed Nasdaq National Market symbol	"CONN"

The number of shares of common stock to be outstanding after this offering excludes:

- 2,859,767 shares available for future issuance under our director and employee stock option plans, of which 1,223,890 shares are issuable upon the exercise of outstanding stock options at July 31, 2003, at a weighted average exercise price of $8.31 per share; and
- 1,267,085 shares available for future issuance under our employee stock purchase plan.

Except as otherwise noted, all information in this prospectus assumes:

- the completion of the Delaware reorganization whereby Conn Texas will become our wholly-owned subsidiary immediately prior to the closing of this offering;
- that all of the preferred stockholders of Conn Texas who will become our preferred stockholders as a result of the Delaware reorganization will elect to redeem their Conn's preferred stock for cash in response to the call for redemption that we will make immediately after the closing of this offering, except for Thomas J. Frank, Sr., our Chairman of the Board and Chief Executive Officer, Stephens Group, Inc., Stephens Inc. and affiliates of Stephens Group, Inc. (the "SGI Affiliates") who own shares of our preferred stock, all of whom we expect will elect to redeem their preferred stock for shares of our common stock; and
- that the underwriters do not exercise their over-allotment option.

Summary Consolidated Financial Data

The following summary consolidated financial data for the fiscal years ended July 31, 1999, 2000, and 2001, the six month period ended January 31, 2002, and the fiscal year ended January 31, 2003, are derived from our consolidated financial statements which have been audited by Ernst & Young LLP, independent auditors. The data should be read in conjunction with the consolidated financial statements, related notes and other financial information included herein. The summary consolidated financial data for the twelve month period ended January 31, 2002 and for the six month periods ended July 31, 2002 and 2003 are derived from unaudited financial statements. The unaudited financial statements include all adjustments, consisting of normal recurring accruals, which we consider necessary for a fair presentation of the financial position and the results of operations for these periods. Operating results for the six months ended July 31, 2003 are not necessarily indicative of the results that may be expected for the entire year ending January 31, 2004.

	Twelve Months Ended July 31,			Six Months Ended January 31,	Twelve Months Ended January 31,		Six Months Ended July 31,	
	1999	2000	2001	2002	2002	2003	2002	2003
	(dollars and shares in thousands, except per share amounts)							
Statement of Operations Data (1):								
Total revenues	$ 236,748	$ 279,665	$ 330,267	$ 208,748	$ 382,083	$ 450,082	$ 220,003	$ 239,586
Earnings before interest and taxes	20,509	28,425	31,366	19,437	35,944	39,180	18,775	19,651
Interest expense, net	6,024	4,836	3,754	2,940	4,855	7,237	3,125	3,217
Net income from continuing operations	8,761	14,598	17,733	10,553	19,959	20,601	10,094	10,607
Discontinued operations, net of tax	224	30	(546)	—	—	—	—	—
Net income	8,985	14,628	17,187	10,553	19,959	20,601	10,094	10,607
Less preferred stock dividends (2)	(1,857)	(2,046)	(2,173)	(1,025)	(1,939)	(2,133)	(1,067)	(1,173)
Net income available for common stockholders	$ 7,128	$ 12,582	$ 15,014	$ 9,528	$ 18,020	$ 18,468	$ 9,027	$ 9,434
Earnings per common share:								
Basic	$ 0.41	$ 0.73	$ 0.87	$ 0.56	$ 1.06	$ 1.10	$ 0.54	$ 0.56
Diluted	$ 0.41	$ 0.72	$ 0.87	$ 0.55	$ 1.04	$ 1.10	$ 0.54	$ 0.56
Average common shares outstanding:								
Basic	17,489	17,350	17,169	17,025	17,060	16,724	16,728	16,720
Diluted	17,489	17,384	17,194	17,327	17,383	16,724	16,728	16,720
Other Financial Data:								
Stores open at end of period	26	28	32	36	36	42	39	42
Same store sales growth	13.6%	8.9%	10.3%	16.7%	15.6%	1.1%	6.8%	(0.9)%
Inventory turns (3)	5.5	5.6	5.9	7.5	6.8	6.1	7.6	7.3
Gross margin percentage (4)	37.9%	38.4%	37.9%	38.0%	38.0%	37.6%	38.3%	35.9%
Operating margin (5)	8.7%	10.2%	9.5%	9.3%	9.4%	8.7%	8.5%	8.2%
Return on average equity (6)	40.2%	42.8%	36.7%	35.9%	34.9%	28.3%	29.9%	23.9%
Capital expenditures	$ 6,781	$ 6,920	$ 14,833	$ 10,551	$ 13,954	$ 15,070	$ 9,319	$ 1,775

	As of July 31, 2003		
	Actual	Pro Forma(7)	Pro Forma As Adjusted(7)(8)
Balance Sheet Data:			
Working capital	$ 78,402		
Total assets	190,005		
Total debt	43,380		
Preferred stock	15,226		
Total stockholders' equity	94,667		

(1) Information excludes the operations of the rent-to-own division that we sold in February 2001.
(2) Dividends were not actually declared or paid but are presented for purposes of earnings per share calculations.
(3) Inventory turns are defined as the cost of goods sold, excluding warehousing and occupancy cost, divided by the average of beginning and ending inventory; information for the six months ended January 31, 2002 and July 31, 2002 and 2003 has been annualized for comparison purposes.
(4) Gross margin percentage is defined as total revenues less cost of goods sold, including warehousing and occupancy cost, divided by total revenues.
(5) Operating margin is defined as earnings before interest and taxes divided by total revenues.
(6) Return on average equity is calculated as current period net income from continuing operations divided by the average of beginning and ending equity; information for the six months ended January 31, 2002 and July 31, 2002 and 2003 has been annualized for comparison purposes.
(7) The pro forma and pro forma as adjusted balance sheet data assumes that all of our preferred stockholders, except Thomas J. Frank, Sr., Stephens Group, Inc., Stephens Inc. and the SGI Affiliates, elect to receive cash in response to the call for redemption of our preferred stock that we will make immediately after the closing of this offering.
(8) The pro forma as adjusted balance sheet data give effect to our sale of shares of common stock at an assumed initial public offering price of $ per share (the midpoint of the estimated price range set forth in the cover page of this prospectus) and the application of the estimated net proceeds as described in "Use of Proceeds."

RISK FACTORS

An investment in our common stock involves risks and uncertainties. You should consider carefully the following information about these risks and uncertainties, together with the other information contained in this prospectus, 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. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also harm our business.

Risks Related to our Business

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

We plan to open three to five new stores in fiscal 2004 and to continue our expansion by opening an additional four to six new stores in fiscal 2005. These new stores include three stores in the Dallas/Fort Worth metroplex, where we have not previously operated. We have not yet selected sites for all of the stores that we plan to open within the next 18 months. We may not be able to open all of these stores, and any new stores that we open may not be profitable. Either 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 master 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 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 $46 million was drawn as of July 31, 2003. The Series B program consists of $200 million in private bond placements that was fully drawn as of July 31, 2003.

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 financial instruments;
- 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. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Off-Balance Sheet Financing Arrangements.”

An increase in short-term 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 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 2004 will be approximately $10 million and that capital expenditures during future years will likely exceed this amount. We expect that cash provided by operating activities, available borrowings under our credit facility, access to the unfunded portion of our asset-backed securitization program and the net proceeds of this offering will be sufficient to fund our operations, store expansion and updating activities and capital expenditure programs through at least January 31, 2005. 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.

Historically, we have financed approximately 60% 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 60% 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 require us to increase the provision for bad debts on our statement of operations and result in an adverse effect on our earnings. See “Business—Finance Operations.”

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, 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 DVD players, digital television and digital radio, 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 sell 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, Mitsubishi, Sony, Hitachi, Panasonic, Thomson Consumer Electronics, Toshiba, 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 65.3% of our purchases for fiscal 2003, and the top two suppliers represented more than 29.2% of our total purchases. See “Business—Products and Merchandising—Purchasing.” 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 July 31, 2003, we had $31.9 million in accounts payable and $50.4 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 2003 and the two quarters included in the six month period ended July 31, 2003 were 14.7%, 0.1%, (3.3%), (3.7%), 1.1% and (2.5%), respectively. Even though we achieved double-digit same store sales growth in the past, we may not be able to increase same store sales in the future. This is reflected in the declining rate of increases or, in some cases, actual decreases, in same store sales that have occurred over the last several quarters. 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; 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 2003, we generated 27.1% and 25.1% of our net sales and 29.7% and 25.8% of our net income in the fiscal quarters ended January 31 (which include the holiday selling season) and July 31 (which include the effects of summer air conditioner sales), respectively. We also incur significant additional expenses during these fiscal quarters 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 quarters ending January 31 and July 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 these fiscal quarters, 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. Any adverse change in the regulation of consumer credit could adversely affect our sales and cost of goods sold. 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. See “Business—Regulation.”

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 are the defendant, could adversely affect our business.

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 credit; therefore, similar litigation could be brought against us. Additionally, we have been 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. While we believe we are in full compliance with applicable laws and regulations, if we are found liable in the class action lawsuit or 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. See “Business—Legal Proceedings.”

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, C. William Frank, our Executive Vice President and Chief Financial Officer, David R. Atnip, our Senior Vice President and Secretary/Treasurer, and other key personnel. We have entered into employment agreements with each of these named individuals, all of which include confidentiality and other customary provisions. 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 42 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.

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.

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 applied for registration of our trademark "Conn's" and our logo. We intend to protect vigorously our trademark against infringement or misappropriation by others. A third party, however, could 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.

We may incur costs from litigation or increased regulation relating to products that we sell.

We sell products manufactured by third parties, some of which may be defective. If any product that we sell causes physical injury or injury to property, the injured party or parties could bring claims against us as the retailer of the product. Our insurance coverage may not be adequate to cover every claim that could be asserted against us. If a successful claim is brought against us in excess of our insurance coverage, it could harm our business. Even unsuccessful claims could result in the expenditure of funds and diversion of management attention and could have a negative impact on our business.

Risks Related to our Common Stock and this Offering

Because of its significant stock ownership, a trust to be established by Stephens Group, Inc. will be able to exert significant control over our future direction.

Prior to the completion of this offering, Stephens Group, Inc., Stephens Inc. and the SGI Affiliates will have contributed all of the shares of our stock owned by them to a voting trust, which will contain approximately % of our outstanding common stock. The trustee of the voting trust will be appointed by Stephens Group, Inc. but will not be a director, officer or employee of Stephens Group, Inc., Stephens Inc. or any of their affiliates. The trustee will be required under the terms of the voting trust agreement to vote the shares in the voting trust "for" or "against" those proposals submitted to our stockholders (including proposals involving the election of directors) in the same proportion as votes cast "for" and "against" those proposals by all other stockholders. As long as these shares continue to be held in the voting trust, the voting power of all of our other stockholders will be magnified by the operation of the voting trust, and Stephens Group, Inc. and its affiliates will not be able to exercise voting control over our business. However, if the voting trust were terminated, depending upon the number of shares then outstanding and the number of shares voted on a particular matter, Stephens Group, Inc. and its affiliates might be able to exercise substantial influence over all matters requiring our stockholders' approval, including the election of our entire board of directors, amendment of our certificate of incorporation and approval of significant corporate transactions. Our board of directors has the authority to make decisions affecting our management policies, operations, affairs and capital structure, including decisions

to issue additional stock, implement stock repurchase programs and incur indebtedness. This concentration of ownership may delay, prevent or deter a change in control, deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of us or our assets and adversely affect the market price of our common stock. The trust expires in October 2013 and Stephens Group, Inc. has the right to terminate the trust prior to its expiration. See "Principal and Selling Stockholders." If the trust were terminated, Stephens Inc. might be prohibited from making a market in our common stock.

You will not have control over management's use of the proceeds from this offering.

We expect to use the net proceeds from this offering to reduce a portion of our existing debt, to redeem a portion of our outstanding preferred stock and for general corporate purposes. However, we will have broad discretion in how we use the net proceeds from this offering. We may ultimately decide to use the proceeds for purposes other than the purposes indicated in this prospectus. We may decide not to use proceeds for any one or more of the indicated purposes. You will not have the opportunity to evaluate the economic, financial or other information on which we base our decisions on how to use the net proceeds or to approve these decisions. See "Use of Proceeds."

The price of our common stock after this offering may be lower than the offering price you pay and may be volatile.

Our common stock has not been sold in a public market prior to this offering. An active trading market in our common stock may not develop after this offering. If an active trading market develops, it may not continue and the trading price of our common stock may fluctuate widely as a result of a number of factors that are beyond our control, including our perceived prospects, changes in analysts' recommendations or projections and changes in overall market valuation. The stock market has experienced extreme price and volume fluctuations that have affected the market prices of the stocks of many companies. These broad market fluctuations could adversely affect the market price of our common stock. A significant decline in our stock price could result in substantial losses for individual stockholders and could lead to costly and disruptive securities litigation. The selling price for shares of our common stock in this offering was not established in a competitive market but was negotiated with the representatives of the underwriters based on a number of factors. The price of our common stock that will prevail in the market after this offering may be higher or lower than the offering price.

You will incur immediate and substantial dilution in the book value of your investment.

The initial public offering price of our common stock will be substantially higher than the current net tangible book value per share of the outstanding common stock. If you purchase shares of our common stock in this offering, you will incur immediate and substantial dilution in the amount of $ per share, based on an assumed initial public offering price of $ per share. The exercise of outstanding options or the issuance of additional shares in the future may result in further dilution. See "Dilution."

Substantial amounts of our common stock could be sold in the near future, which could depress our stock price.

Prior to this offering, there has been no public market for our common stock. We cannot predict the effect, if any, that public sales of shares of common stock after this offering, or the perception that these sales could occur, and the availability of shares of common stock for sale will have on the market price of our common stock prevailing from time to time. All of our currently outstanding shares of common stock are "restricted securities" under the Securities Act of 1933, as amended. These shares are eligible for future sale in the public market at prescribed times pursuant to Rule 144 under the Securities Act or otherwise. Additionally, certain of our stockholders, owning shares, or %, of our common stock after this offering, have agreed not to sell or otherwise dispose of any of their shares for a period of 180 days after this date of this prospectus. Sales of a significant number of shares of our common stock in the public market could adversely affect the market price of the common stock. See "Shares Eligible for Future Sale" and "Underwriting."

Our anti-takeover provisions and Delaware law could prevent or delay a change in control of our company, even if such a change of control would be beneficial to our stockholders.

Provisions of our certificate of incorporation and bylaws, as well as provisions of Delaware law, could discourage, delay or prevent a merger, acquisition or other change in control of our company, even if such a change in control would be beneficial to our stockholders. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors and take other corporate actions. As a result, these provisions could limit the price that investors are willing to pay in the future for shares of our common stock. These provisions might also discourage a potential acquisition proposal or tender offer, even if the acquisition proposal or tender offer is at a price above the then current market price for our common stock. These provisions include:

- a board of directors that is classified such that only one-third of directors are elected each year;
- authorization of "blank check" preferred stock that our board of directors could issue to increase the number of outstanding shares and thwart a takeover attempt;
- limitations on the ability of stockholders to call special meetings of stockholders;
- a prohibition against stockholder action by written consent and a requirement that all stockholder actions be taken at a meeting of our stockholders; and
- advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings.

In addition, we are subject to Section 203 of the Delaware General Corporation Law, which limits business combination transactions with 15% or greater stockholders that our board of directors has not approved. These provisions and other similar provisions make it more difficult for a third party to acquire us without negotiation. These provisions may apply even if some stockholders may consider the transaction beneficial. See "Description of Capital Stock."

FORWARD-LOOKING STATEMENTS

This prospectus 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. Specifically, this prospectus contains forward-looking statements relating to, among other things:

- our growth strategy and plans regarding opening new stores and entering adjacent and new markets, including our plans to expand into the Dallas/Fort Worth metroplex;
- our intention to update or expand existing stores;
- estimated capital expenditures and costs related to the opening of new stores or the update or expansion of existing stores;
- the sufficiency of the proceeds from this offering, our cash flows from operations, borrowings from our revolving line of credit and proceeds from securitizations to fund our operations, debt repayment and expansion;
- 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;
- our relationships with key suppliers;
- the adequacy of our distribution and information systems and management experience to support our expansion plans;
- our expectations regarding competition and our competitive advantages;
- the outcome of litigation affecting our business; and
- nonpayment of dividends.

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 are described in “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not happen.

The forward-looking statements in this prospectus reflect our views and assumptions only as of the date of this prospectus. 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.

USE OF PROCEEDS

We estimate that the net proceeds to us from this offering, after deducting underwriting discounts and other estimated expenses, will be approximately $ million, or $ million if the underwriters exercise their over-allotment option in full, assuming an initial public offering price of $ per share (the midpoint of the estimated price range set forth on the cover page of this prospectus).

We intend to use approximately $34.9 million of the net proceeds from this offering to pay the following existing indebtedness:

- *Revolving and Term Notes*. As of July 31, 2003, we had approximately $20.5 million in outstanding revolving debt and $13.5 million in outstanding term debt under our bank credit facility. The revolving notes mature on September 13, 2005 and provide for quarterly interest payments at a variable rate, which was 4.5% as of July 31, 2003. The term notes mature on September 13, 2005, and provide for aggregate quarterly payments of $1.5 million plus interest at a variable rate, which was 4.0% as of July 31, 2003. We intend to pay the outstanding revolving debt in full and pay $5.0 million of the outstanding term debt.
- *Short-Term Notes*. As of July 31, 2003, we had approximately $1.8 million in outstanding notes payable to a bank and $3.5 million payable to an insurance company. These notes represent short-term borrowings under revolving agreements that bear interest as of July 31, 2003, at 3.75% (in the case of the bank debt which is prime less 0.50%) and 7.50% (in the case of the insurance company debt which is prime plus 1.0% with a floor of 7.50%). The bank debt matures in April 2004, and the insurance company debt matures in November 2003.
- *Promissory Notes Payable to Former Stockholders*. As of July 31, 2003, we had approximately $4.0 million in outstanding notes payable to two former stockholders. One of the notes, with a balance of $3.4 million, is subordinated to our senior debt, bears interest at 9% and matures in July 2005. The other note, with a balance of $0.6 million, is unsecured, bears interest at 6% and matures in January 2005.
- *Installment Obligations Payable to Financial Institutions*. As of July 31, 2003, we had approximately $0.1 million in outstanding notes payable to various financial institutions. These notes represent installment obligations that are due monthly and that had a weighted average interest rate of 4.12% as of July 31, 2003.

We expect to use up to approximately $1.7 million of the net proceeds from this offering to redeem outstanding shares of our preferred stock immediately after the closing of this offering. See “Certain Relationships and Related Transactions—Redemption of our Preferred Stock.”

We expect to use the remaining proceeds of approximately $ million for general corporate purposes, including the continued growth and expansion of our business.

The amount of funds we actually use for any particular purpose will depend on many factors, including changes in our business strategy, material changes in our revenues, expenses and cash flow, and other factors described in “Risk Factors.” For example, if our future revenues and cash flow are less than we currently anticipate, we may need to support our ongoing business operations with proceeds of this offering that we would otherwise use to support growth and expansion. Accordingly, except for the required repayment of the $5.0 million in outstanding term debt and the payment to effect the redemption of our preferred stock, our management will have significant discretion over the use and investment of the net proceeds of this offering and may spend such proceeds for any purpose, including purposes not presently contemplated.

Pending the uses described above, we intend to invest the net proceeds of this offering in interest-bearing accounts, short-term interest-bearing investment grade securities or both.

We will not receive any proceeds from the sale of common stock by the selling stockholder.

DIVIDEND POLICY

We have never paid cash dividends on our common stock. We currently intend to retain all of our earnings in the foreseeable future to finance the operation and expansion of our business. Additionally, our bank credit facility currently prohibits us from declaring or paying any dividends on our common stock. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources.” Our future dividend policy will also depend on the requirements of any future financing arrangements to which we may be a party and other factors considered relevant by our board of directors.

CAPITALIZATION

The following table sets forth our capitalization as of July 31, 2003, on:

- an actual basis;
- a pro forma basis reflecting the receipt of cash by all of our preferred stockholders except Thomas J. Frank, Sr., Stephens Group, Inc., Stephens Inc. and the SGI Affiliates upon the redemption of our preferred stock immediately following the closing of this offering; and
- a pro forma as adjusted basis (1) reflecting the receipt of cash by all of our preferred stockholders except Thomas J. Frank, Sr., Stephens Group, Inc., Stephens Inc. and the SGI Affiliates upon the redemption of our preferred stock immediately following the closing of this offering; (2) giving effect to our sale of shares of common stock in this offering at an assumed initial public offering price of $ per share after deducting underwriting discounts and estimated offering expenses; and (3) reflecting our application of the estimated net proceeds of the offering as described in "Use of Proceeds."

You should read the following table together with our consolidated financial statements and the related notes included elsewhere in this prospectus.

	As of July 31, 2003		
	Actual	Pro Forma	Pro Forma As Adjusted
	(dollars in thousands, except per share amounts)		
Long-term debt, including current portion	$ 38,105		
Stockholders' equity:			
Preferred stock, $0.01 par value: 300,000 shares authorized, actual; 1,000,000 shares authorized, pro forma and pro forma as adjusted; 174,648 shares issued and outstanding, actual; and no shares issued and outstanding, pro forma and pro forma as adjusted	15,226		
Common stock, $0.01 par value: 30,000,000 shares authorized, actual; 40,000,000 shares authorized pro forma and pro forma as adjusted; 16,719,990 shares issued and outstanding, actual; shares issued and outstanding, pro forma; and shares issued and outstanding, pro forma as adjusted	172		
Paid-in capital	—		
Retained earnings	78,739		
Accumulated other comprehensive income	4,141		
Treasury stock	(3,611)		
Total stockholders' equity	94,667		
Total capitalization	$ 132,772		

The amounts above reflect balances at July 31, 2003, except that the redemption price of the preferred stock is determined as of November 30, 2003, to reflect the accumulation of dividends through the estimated date of the closing of the offering.

The number of shares of common stock issued and outstanding on an actual basis, a pro forma basis and a pro forma as adjusted basis is based on the number of shares issued and outstanding as of July 31, 2003. It excludes:

- 2,859,767 shares available for future issuance under our director and employee stock option plans, of which 1,223,890 shares are issuable upon the exercise of stock options outstanding at July 31, 2003, at a weighted average exercise price of $8.31 per share; and
- 1,267,085 shares available for future issuance under our employee stock purchase plan.

DILUTION

If you invest in our common stock, your interest will be diluted to the extent of the difference between the initial public offering price per share of our common stock and the pro forma as adjusted net tangible book value per share of our common stock immediately after the offering.

The actual net tangible book value of Conn Texas common stock as of July 31, 2003, was $86.7 million, or approximately $3.65 per share. Net tangible book value per share represents the amount of our total tangible assets less our total liabilities and the liquidation value of the outstanding Conn Texas preferred stock, divided by the number of shares of Conn Texas common stock outstanding as of July 31, 2003. All of the Conn Texas preferred stock will be converted into an equal number of shares of our preferred stock in connection with the Delaware reorganization that will take place immediately prior to the closing of this offering, and we will redeem all of our preferred stock shortly after the closing of the offering. Assuming that Thomas J. Frank, Sr., Stephens Group, Inc., Stephens Inc. and the SGI Affiliates elect to receive shares of our common stock in the redemption of their shares of preferred stock and that all of our other preferred stockholders elect to receive cash, the pro forma net tangible book value of our common stock as of July 31, 2003, after giving effect to the redemption but not the issuance of shares of our common stock in this offering, would be $ million, or approximately $ per share. The pro forma net tangible book value of the common stock would be $ million, or approximately $ per share, if all of the holders of preferred stock elected to receive common stock in the redemption.

Dilution in pro forma as adjusted net tangible book value per share represents the difference between the amount per share paid by purchasers of shares of our common stock in this offering and the pro forma as adjusted net tangible book value per share of our common stock immediately afterwards. After giving effect to the sale by us of shares of our common stock at an assumed initial public offering price of $ per share and deduction of estimated underwriting discounts and offering expenses payable by us, our pro forma as adjusted net tangible book value as of July 31, 2003, would be approximately $ million, or $ per share. This represents an immediate increase in pro forma as adjusted net tangible book value of $ per share to existing stockholders and an immediate dilution in pro forma as adjusted net tangible book value of $ per share to new investors purchasing shares of common stock in this offering. The following table illustrates this dilution on a per share basis.[1]

Assumed initial public offering price		$
Actual net tangible book value as of July 31, 2003	$ 3.65	
Increase attributable to redemption of preferred stock		
Pro forma net tangible book value		
Increase attributable to new investors		
Pro forma as adjusted net tangible book value after giving effect to the offering		
Dilution to new investors		$

(1) If all preferred stockholders elect to receive common stock in the redemption, the increase attributable to redemption of preferred stock would be $ per share, the pro forma net tangible book value would be $ per share, the increase attributable to new investors would be $ per share, the pro forma as adjusted net tangible book value after giving effect to the offering would be $ per share and the dilution to new investors would be $ per share.

The following table summarizes, on a pro forma as adjusted basis as of July 31, 2003, the total number of shares of our common stock purchased, the total consideration paid for these shares and the average price per share paid by existing stockholders and by new investors in this offering, calculated after deducting estimated underwriting discounts and offering expenses.

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing stockholders		%	$	%	$
New investors					
Total		%	$	%	$

If the underwriters exercise their over-allotment option in full, sales in this offering will reduce the number of shares of common stock held by our existing stockholders to approximately % of the total shares of common stock outstanding after the offering and will increase the number of shares held by new investors to shares, or approximately % of the total shares of common stock outstanding after the offering.

The above tables exclude shares of common stock to be sold by the selling stockholder to new investors in this offering and assume no exercise of any outstanding stock options. As of July 31, 2003, there were options outstanding to purchase 1,223,890 shares of common stock at a weighted average exercise price of $8.31 per share. To the extent that any options that are outstanding or that will be issued in the future are exercised, purchasers of the common stock in this offering may incur further dilution. See “Capitalization” and “Management – Employee Equity Incentive Plans – Amended and Restated 2003 Incentive Stock Option Plan.”

SELECTED CONSOLIDATED FINANCIAL DATA

The following summary consolidated financial data for the fiscal years ended July 31, 1998, 1999, 2000 and 2001, the six month period ended January 31, 2002, and the fiscal year ended January 31, 2003, are derived from our consolidated financial statements which have been audited by Ernst & Young LLP, independent auditors. The data should be read in conjunction with the consolidated financial statements, related notes and other financial information included herein. The summary consolidated financial data for the twelve month period ended January 31, 2002 and for the six month periods ended July 31, 2002 and 2003 are derived from unaudited financial statements. The unaudited financial statements include all adjustments, consisting of normal recurring accruals, which we consider necessary for a fair presentation of the financial position and the results of operations for these periods. Operating results for the six months ended July 31, 2003 are not necessarily indicative of the results that may be expected for the entire year ending January 31, 2004.

	Twelve Months Ended July 31,				Six Months Ended January 31,	Twelve Months Ended January 31,		Six Months Ended July 31,	
	1998	1999	2000	2001	2002	2002	2003	2002	2003
	(dollars and shares in thousands, except per share amounts)								
Statement of Operations Data (1):									
Net sales	$ 194,412	$ 208,378	$ 249,077	$ 292,388	$ 182,611	$ 335,548	$ 389,496	$ 190,323	$ 209,441
Finance charges and other	13,071	28,370	30,588	37,879	26,137	46,535	60,586	29,680	30,145
Total revenues	207,483	236,748	279,665	330,267	208,748	382,083	450,082	220,003	239,586
Operating expense:									
Cost of goods sold, including warehousing and occupancy costs	138,007	147,098	172,143	204,973	129,395	236,784	281,065	135,828	153,593
Selling, general and administrative expense	50,085	69,141	78,304	92,194	58,630	106,949	125,712	63,913	64,154
Provision for bad debts	—	—	793	1,734	1,286	2,406	4,125	1,487	2,188
Total operating expense	188,092	216,239	251,240	298,901	189,311	346,139	410,902	201,228	219,935
Earnings before interest and taxes	19,391	20,509	28,425	31,366	19,437	35,944	39,180	18,775	19,651
Interest expense, net	2,622	6,024	4,836	3,754	2,940	4,855	7,237	3,125	3,216
Earnings before income taxes	16,769	14,485	23,589	27,612	16,497	31,089	31,943	15,650	16,434
Provision for income taxes	6,329	5,724	8,991	9,879	5,944	11,130	11,342	5,556	5,827
Net income from continuing operations	10,440	8,761	14,598	17,733	10,553	19,959	20,601	10,094	10,607
Discontinued operations, net of tax	17	224	30	(546)	—	—	—	—	—
Net income	10,457	8,985	14,628	17,187	10,553	19,959	20,601	10,094	10,607
Less preferred stock dividends (2)	(5)	(1,857)	(2,046)	(2,173)	(1,025)	(1,939)	(2,133)	(1,067)	(1,173)
Net income available for common stockholders	$ 10,452	$ 7,128	$ 12,582	$ 15,014	$ 9,528	$ 18,020	$ 18,468	$ 9,027	$ 9,434
Earnings from continuing operations per share (3):									
Basic	$ 0.60	$ 0.39	$ 0.73	$ 0.91	$ 0.56	$ 1.06	$ 1.10	$ 0.54	$ 0.56
Diluted	$ 0.60	$ 0.39	$ 0.72	$ 0.90	$ 0.55	$ 1.04	$ 1.10	$ 0.54	$ 0.56
Earnings per common share:									
Basic	$ 0.60	$ 0.41	$ 0.73	$ 0.87	$ 0.56	$ 1.06	$ 1.10	$ 0.54	$ 0.56
Diluted	$ 0.60	$ 0.41	$ 0.72	$ 0.87	$ 0.55	$ 1.04	$ 1.10	$ 0.54	$ 0.56
Average common shares outstanding:									
Basic	17,368	17,489	17,350	17,169	17,025	17,060	16,724	16,728	16,720
Diluted	17,368	17,489	17,384	17,194	17,327	17,383	16,724	16,728	16,720
Other Financial Data:									
Stores open at end of period	25	26	28	32	36	36	42	39	42
Same store sales growth	13.4%	13.6%	8.9%	10.3%	16.7%	15.6%	1.1%	6.8%	(0.9)%
Inventory turns (4)	5.4	5.5	5.6	5.9	7.5	6.8	6.1	7.6	7.3
Gross margin percentage (5)	33.5%	37.9%	38.4%	37.9%	38.0%	38.0%	37.6%	38.3%	35.9%
Operating margin (6)	9.3%	8.7%	10.2%	9.5%	9.3%	9.4%	8.7%	8.5%	8.2%
Return on average equity (7)	34.7%	40.2%	42.3%	36.7%	35.9%	34.9%	28.3%	29.9%	23.9%
Capital expenditures	$ 6,344	$ 6,781	$ 6,920	$ 14,833	$ 10,551	$ 13,954	$ 15,070	$ 9,319	$ 1,775
Balance Sheet Data:									
Working capital	$ 43,848	$ 46,100	$ 33,888	$ 40,752	$ 46,951	$ 46,951	$ 72,879	$ 50,570	$ 78,402
Total assets	109,113	122,940	114,987	134,425	145,644	145,644	181,558	171,778	190,005
Total debt	65,599	62,651	30,735	31,445	38,750	38,750	51,992	48,105	43,380
Preferred stock	18,632	18,632	18,520	15,400	15,226	15,226	15,226	15,226	15,226
Total stockholders' equity	17,089	26,452	41,785	54,879	62,860	62,860	82,669	72,129	94,667

(1) Information excludes the operations of the rent-to-own division that we sold in February 2001.
(2) Dividends were not actually declared or paid but are presented for purposes of earnings per common share calculations.
(3) After reduction for preferred stock dividends.
(4) Inventory turns are defined as the cost of goods sold, excluding warehousing and occupancy cost, divided by the average of beginning and ending inventory; information for the six months ended January 31, 2002 and the six months ended July 31, 2002 and 2003 has been annualized for comparison purposes.
(5) Gross margin percentage is defined as total revenues less cost of goods sold, including warehousing and occupancy cost, divided by total revenues.
(6) Operating margin is defined as earnings before interest and taxes divided by total revenues.
(7) Return on average equity is calculated as current period net income from continuing operations divided by the average of beginning and ending equity; information for the six months ended January 31, 2002 and the six months ended July 31, 2002 and 2003 has been annualized for comparison purposes.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis in conjunction with the consolidated financial statements and related notes included elsewhere in this prospectus. The information in this section contains forward-looking statements. Our actual results may differ significantly from the results suggested by these forward-looking statements. Some factors that may cause our results to differ from these statements are described below under "Application of Critical Accounting Policies" and in the "Risk Factors" section of this prospectus.

General

Our consolidated financial statements and related notes comprise over 30 pages. The following discussion and analysis is intended to provide you with a more insightful 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.

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, VCRs, DVD players and home theater products. We also sell home office equipment, lawn and garden products and bedding, and we continue to introduce additional product categories for the home to help increase same store sales and to respond to our customers' product needs. We currently operate 42 retail locations in Texas and Louisiana.

Unlike many of our competitors, we provide in-house credit options for our customers. Historically, we have financed approximately 60% of our retail sales. We finance substantially all of our customer receivables through an asset-backed securitization facility, and we derive servicing fee income and interest income from these assets. 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. We transfer receivables, consisting of retail installment contracts and revolving accounts extended to our customers, to the issuer in exchange for cash and subordinated securities. To finance its acquisition of these receivables, the issuer has issued notes to third parties.

We also derive revenues from repair services on the products we sell and from product delivery and installation services we provide to our customers. 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 property damage.

During fiscal 2001, we sold the operations of our rent-to-own business. As a result of this sale, we restated our statements of operations for fiscal 2000 to reflect results of the rent-to-own division as discontinued operations.

Outlook

An explanation of the changes in our operations for the six months ended July 31, 2003 as compared to the six months ended July 31, 2002 is included beginning on page 28. As explained in that section, our pretax income for the six months ended July 31, 2003 increased approximately $0.8 million as a result of higher revenues and lower selling, general and administrative expenses as a percentage of revenues. These improvements in our operations were offset by a decline in retail product gross margins, a decline in the percentage of credit financed transactions, the conversion of $200.0 million of our asset-backed securitization facility from variable interest rates to higher fixed interest rates and several unusual charges or adjustments that

negatively impacted our operations. After reviewing our performance for the six months ended July 31, 2003, we implemented several initiatives that we believe will help improve our future operating results, which include:

- using our direct mail marketing campaign as a single promotional activity rather than combining it with other promotional programs, which we believe will reduce the amount of the price discounts that are required in order to influence our customers' purchasing decisions;
- identifying specific demographic make-up within a given U.S. Postal Service carrier route for our direct mail campaigns, which we believe will allow us to obtain better penetration rates for our promotional campaigns;
- communicating to our sales personnel an authorized credit limit in excess of the credit needed to complete a specific transaction for qualified customers, which we believe allows our sales personnel to make "add-on" sales;
- developing a new strategy for the merchandising of our track products, including separate merchandising plans and displays, separate sales and managerial personnel, convenient check-out procedures and diversified inventory, which we believe will increase sales within the track area but which may decrease our gross product margin;
- reformatting our existing display space to provide additional footage to promote lawn and garden products since our stores are in a geographic area that is conducive to year-around use of these products; and
- implementing certain cost reduction measures that have reduced support, warehouse and delivery and service costs.

In addition, we believe our results for the second half of fiscal 2004 and fiscal 2005 will be positively impacted by the following:

- a modification of our sales commission plan, which we believe has further aligned our sales personnel compensation with our overall sales objectives;
- an increase in same store sales from the new stores opened in late 2002;
- an increase in overall retail sales from our expansion into the Dallas/Fort Worth market in October and November of fiscal 2004 and a higher penetration of credit sales at these new stores based on our strategic site-selection process and our planned direct marketing program in this market;
- a significant reduction in our total interest expense due to the use of proceeds from this offering to repay debt and the expiration of $50.0 million in interest rate swap contracts, assuming interest rates do not increase significantly prior to such expiration; and
- the introduction of a replacement service maintenance agreement, which we believe will encourage customers to purchase replacement coverage on smaller ticket items.

The consumer electronics industry depends on new products to drive same store sales increases. Typically, these new products, such as digital televisions and DVD players, are introduced at relatively high price points which are then gradually reduced as the product becomes more mainstream. To maintain 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 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 expect this trend to continue.

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

negatively impacted our operations. After 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 July 31, 2003.

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. 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 $2.8 million, 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. This income is recorded as "Finance Charges and Other" in our statement of operations.

Deferred Tax Assets. We have significant net deferred tax assets (approximately $8.3 million), 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 future earnings would have been negative rather than positive, we would have adjusted the net deferred tax asset account downward to zero, which would have reduced net income by the amount of the deferred tax asset.

Intangible Assets. We have significant intangible assets related primarily to goodwill and the costs of obtaining various loans and funding sources. The determination of related estimated useful lives and whether or not these assets are impaired involves significant judgments. Effective August 1, 2002, we adopted the provisions of SFAS No. 142, *Goodwill and Other Intangible Assets*. Prior to adoption of SFAS 142, we amortized goodwill over an estimated life of fifteen years on a straight-line basis. 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 July 31, 2003 was $7.9 million.

Revenue Recognition. We recognize revenue from the sale of retail products at the time the product is delivered to the customer. When we sell service maintenance agreements in which we are deemed to be the obligor on the contract at the time of sale, we recognize revenue ratably over the term of the service maintenance agreement. We recognize commissions as revenue at the time of sale in the case of service maintenance agreements where a third party is the obligor on the contract and in the case of credit insurance contracts, and at

the time they are earned in the case of service maintenance agreements where we are deemed to be the obligor on the contract. The recognition of revenue associated with the servicing of transferred accounts under our asset-backed securitizaton program is discussed above.

Vendor Allowances. We receive funds from vendors for price protection, product rebates, marketing, training and promotion programs which are generally recorded, net of direct costs, as adjustments to product costs or selling, general and administrative expenses according to the nature of the program. We accrue rebates based on the terms of the program and sales of qualifying products.

Results of Operations

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

	Twelve Months Ended July 31,		Six Months Ended January 31,		Twelve Months Ended January 31,		Six Months Ended July 31,	
	2000	2001	2001	2002	2002	2003	2002	2003
			(unaudited)		(unaudited)		(unaudited)	(unaudited)
Revenues:								
Net sales	89.1%	88.5%	89.0%	87.5%	87.8%	86.5%	86.5%	87.4%
Finance charges and other	10.9	11.5	11.0	12.5	12.2	13.5	13.5	12.6
Total revenues	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Cost and expenses:								
Cost of goods sold, including warehousing and occupancy	61.6	62.1	62.1	62.0	62.0	62.4	61.7	64.1
Selling, general and administrative	28.0	27.9	28.0	28.1	28.0	27.9	29.1	26.8
Interest expense, net	1.7	1.1	1.2	1.4	1.3	1.6	1.4	1.3
Provision for bad debts	.3	.5	.4	.6	.6	.9	.7	.9
Total costs and expenses	91.6	91.6	91.7	92.1	91.9	92.8	92.9	93.1
Earnings from continuing operations before income taxes	8.4	8.4	8.3	7.9	8.1	7.1	7.1	6.9
Provision for income taxes	3.2	3.0	2.9	2.8	2.9	2.5	2.5	2.4
Net income from continuing operations	5.2%	5.4%	5.4%	5.1%	5.2%	4.6%	4.6%	4.5%

Six Months Ended July 31, 2002 (Unaudited), Compared to the Six Months Ended July 31, 2003 (Unaudited)

Revenues. Total revenues increased by $19.6 million, or 8.9%, from $220.0 million for the six months ended July 31, 2002, to $239.6 million for the six months ended July 31, 2003. The increase was attributable to increases of $19.1 million, or 10.0%, in net sales and $0.5 million, or 1.6%, in finance charges and other revenues. Of the $19.1 million increase in net sales, $20.7 million was generated by six retail locations that were not open for six consecutive months in both periods. However, same store sales decreased $1.6 million, or 0.9%, for those stores that were open all six months in both periods. The change in net sales was primarily due to increased unit volume of sales offset by deteriorating price points. The addition of a second line of computers, increased sales of our bedding and lawn and garden product lines and a significant increase in projection television sales accounted for much of the increased unit volume of sales.

We believe that at least a portion of the decrease in same store sales was the result of a temporary negative impact on our existing stores caused by opening new stores in existing markets. For example, after opening our Sugarland store in the Houston market in January 2003, retail sales in the market increased by 3.3% during the six months ended July 31, 2003 compared to the 2002 period, but our same store sales for the existing 16 stores in this market that were open for a full six months in both periods decreased by 1.8%. Likewise, our San Antonio/Austin market experienced a 23.6% total increase in retail sales as we opened four new stores in the area while our same store sales for our nine existing stores in this market were flat compared to the 2002 period. In addition, in an effort to reduce our delinquency rates, we increased down payment and verification requirements on certain of our credit accounts, which led to lower approval rates, and we modified the selection criteria for our direct mail program, which resulted in fewer credit applications being processed as a percentage of sales. We have since modified our down payment requirements and the selection criteria for our direct mail program to previous levels, which we believe will increase our credit penetration while maintaining our historical delinquency and charge-off rates.

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 percentage of total net sales.

	Six Months Ended July 31,				
	2002		2003		Percent Increase (Decrease)
	Amount	%	Amount	%	
	(dollars in thousands)				
Major home appliances	$ 75,734	39.8%	$ 81,803	39.1%	8.0%
Consumer electronics	66,954	35.2	75,152	35.9	12.2
Home office equipment	12,257	6.4	12,082	5.8	(1.4)
Delivery and installation	3,110	1.6	3,867	1.8	24.3
Other (including lawn and garden and bedding)	10,981	5.8	15,573	7.4	41.8
Total product sales	169,036	88.8	188,477	90.0	11.5%
Service maintenance agreement commissions	11,937	6.3	11,588	5.5	(2.9)
Service revenues	9,350	4.9	9,376	4.5	0.3
Total net sales	$ 190,323	100.0%	$ 209,441	100.0%	10.0%

Our revenue from service maintenance agreements decreased by $0.3 million during the six months ended July 31, 2003, as compared to the 2002 period. This decrease primarily resulted from lower retail price points of electronics products (since consumers are willing to risk service issues with smaller investments) and the modifications that were made to our sales compensation program to further align our sales compensation with our overall sales objectives.

Revenue from finance charges and other increased approximately $0.5 million, or 1.6%, from $29.6 million for the six months ended July 31, 2002, to $30.1 million for the six months ended July 31, 2003. This increase in revenue resulted primarily from increases in net insurance commissions of $0.9 million, which were offset by a $0.4 million decrease in income from sales of receivables to the QSPE as a result of higher interest costs associated with the fixing of the interest rate on $200.0 million of the notes issued by the QSPE. During the 2003 period, we replaced a number of manual functions associated with the processing of non-cash revenue adjustments in our credit control group with an auto-post function. While we were able to reduce personnel costs associated with this function, we experienced a one-time revenue decrease of approximately $0.6 million as we converted estimates to actual adjustments. Had we not incurred this revenue adjustment, our percentage increase in finance charges and other would have been 3.7%.

Cost of Goods Sold. Cost of goods sold, including warehousing and occupancy cost, increased by $17.8 million, or 13.1%, from $135.8 million for the six months ended July 31, 2002, to $153.6 million for the six months ended July 31, 2003. This increase primarily resulted from the 10.0% net sales increase as well as an

increase in cost of retail products sold as a percentage of net product sales from 75.8% in the 2002 period to 78.0% in the 2003 period. The overall increase in cost of goods sold as a percentage of net sales was primarily caused by the continued deterioration of retail price points and margins for consumer electronics products, over-discounting in connection with the promotion of products for store grand openings in February and March 2003, and sales of relatively lower margin lawn and garden and computer products growing at a more rapid rate than higher margin home appliance products.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by $0.3 million, or 0.4%, from $63.9 million for the six months ended July 31, 2002, to $64.2 million for the six months ended July 31, 2003. This increase was considerably less than the 8.9% increase in total revenues as we began to focus on cost reductions, including salaries and payroll related costs, advertising and telephone expenses. These cost reductions were partially offset by one-time expenditures of approximately $0.6 million associated with a change in methodology of calculating commissions for sales personnel and $0.3 million for the settlement of a dispute with a former shareholder.

Provision for Bad Debts. The provision for bad debts increased by $0.7 million, or 47.1%, from $1.5 million for the six months ended July 31, 2002, to $2.2 million for the six months ended July 31, 2003. The increase in the bad debt provision resulted from a change in eligibility requirements under the new asset securitization program that we implemented in September 2002, which resulted in our retaining a larger amount of receivables that had become ineligible for transfer to the QSPE, as well as an increase in charge-offs associated with our credit insurance and service programs.

Interest Expense. Interest expense increased by $0.1 million, or 2.9%, from $3.1 million for the six months ended July 31, 2002, to $3.2 million for the six months ended July 31, 2003. The increase was attributable to the following:

- the expiration of $30.0 million in our interest rate hedges resulted in a decrease of $0.1 million over the 2002 period;
- average outstanding debt increased from $45.0 million in the 2002 period to $48.7 million in the 2003 period, which resulted in an increase in interest expense of $0.1 million; and
- increasing interest rates accounted for an increase of approximately $0.2 million in our interest expense.

Provision for Income Taxes. The provision for income taxes increased by $0.3 million, or 4.9%, from $5.6 million for the six months ended July 31, 2002, to $5.9 million for the six months ended July 31, 2003. The increase in the tax provision was directly related to the increase in pretax profits of $0.8 million, or 5.0%. The effective tax rate for the two periods was consistent at 35.5%.

Net Income. As a result of the above factors, net income increased by $0.5 million, or 5.1%, from $10.1 million for the six months ended July 31, 2002, to $10.6 million for the six months ended July 31, 2003.

Twelve Months Ended January 31, 2002 (Unaudited), Compared to Fiscal Year Ended January 31, 2003

Revenues. Total revenues increased by $68.0 million, or 17.8%, from $382.1 million for the twelve months ended January 31, 2002, to $450.1 million for the fiscal year ended January 31, 2003. The increase was attributable to increases of $53.9 million, or 16.1%, in net sales and $14.1 million, or 30.2%, in finance charges and other revenues. Of the $53.9 million increase in net sales, $46.2 million was generated by seven retail locations that were not open for 12 consecutive months in both periods, $3.9 million resulted from a same store sales increase of 1.1% and $3.8 million resulted from increases in service maintenance agreement commissions and service revenues. The increase in net sales was due to increased unit volume of sales rather than higher sales prices. The addition of a second line of computers, increased sales of our bedding and lawn and garden product lines and a significant increase in projection television sales accounted for much of the increased unit volume of sales and the same store sales increase.

We believe that at least a portion of the relatively small same store sales increase during fiscal 2003 resulted from our opening of four new stores in the San Antonio/Austin market. While net sales in this market increased by 40.2% during fiscal 2003 compared to the 2002 period, same store sales for the five existing stores in this market that were open for a full twelve months in both periods decreased by 1.1%. We have experienced a temporary negative impact on our existing stores when we have opened new stores in existing markets. Other factors that contributed to the relatively small increase in same store sales in fiscal 2003 included higher than normal sales in the 2002 period due to the increase in product sales during the three months following the September 11th attacks and the major replacement of products following major flooding in the Houston market in June 2001. These events that increased sales in fiscal 2002 did not occur in fiscal 2003.

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 percentage of total net sales.

	Twelve Months Ended January 31, 2002		Fiscal Year Ended January 31, 2003		
	Amount	%	Amount	%	Percent Increase
	(dollars in thousands)				
Major home appliances	$ 127,757	38.1%	$ 147,217	37.8%	15.2%
Consumer electronics	131,692	39.3	155,213	39.9	17.9
Home office equipment	24,811	7.4	25,797	6.6	4.0
Delivery and installation	7,118	2.1	8,231	2.1	15.6
Other (including lawn and garden and bedding)	9,118	2.7	14,130	3.6	55.0
Total product sales	300,496	89.6	350,588	90.0	16.7
Service maintenance agreement commissions	19,530	5.8	20,488	5.3	4.9
Service revenues	15,522	4.6	18,420	4.7	18.7
Total net sales	$ 335,548	100.0%	$ 389,496	100.0%	16.1%

Revenue from finance charges and other increased approximately $14.1 million, or 30.2%, from $46.5 million for the twelve months ended January 31, 2002, to $60.6 million for the twelve months ended January 31, 2003. This increase in revenue resulted from increases in net insurance commissions and cash discounts of $5.3 million, or 31.3%. Income from sales of receivables to the QSPE increased approximately $8.8 million, or 29.7%, resulting primarily from a 15.9% growth in the credit portfolio and lower credit losses as a percentage of the average outstanding portfolio balance.

Cost of Goods Sold. Cost of goods sold, including warehousing and occupancy cost, increased by $44.3 million, or 18.7%, from $236.8 million for the twelve months ended January 31, 2002, to $281.1 million for fiscal 2003. This percentage increase was generally consistent with the 16.1% net sales increase, although cost of goods sold continued to increase as a percentage of net product sales from 74.5% in the 2002 period to 76.0% in fiscal 2003. The overall increase in cost of goods sold as a percentage of net sales was primarily caused by the continued deterioration of retail price points for consumer electronics products and sales of relatively lower margin lawn and garden and computer products growing at a more rapid rate than higher margin home appliance products. Labor and other cost increases added $0.7 million to cost of goods sold in fiscal 2003, and the expansion of our San Antonio distribution facility added approximately $0.5 million to occupancy costs in fiscal 2003.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by $18.8 million, or 17.5%, from $106.9 million for the twelve months ended January 31, 2002, to $125.7 million for fiscal 2003. This percentage increase was generally consistent with the 17.8% increase in total revenues.

Provision for Bad Debts. The provision for bad debts increased by $1.7 million, or 71.4%, from $2.4 million for the twelve months ended January 31, 2002, to $4.1 million for fiscal 2003. The increase in the bad

debt provision resulted from a change in eligibility requirements under the new asset securitization program that we implemented in September 2002, which resulted in our retaining a larger amount of receivables that had become ineligible for transfer to the QSPE, as well as an increase in charge-offs associated with our credit insurance and service programs.

Interest Expense. Interest expense increased by $2.4 million, or 49.1%, from $4.9 million for the twelve months ended January 31, 2002, to $7.3 million for fiscal 2003. The increase was attributable to the following:

- declining interest rates caused the net payments on our interest rate hedges to increase by $1.9 million over the 2002 period;
- imperfect matching of interest rate hedges and hedged obligations resulted in an increase in interest expense of $0.5 million;
- average outstanding debt increased from $33.5 million in the 2002 period to $49.0 million in fiscal 2003, which resulted in an increase in interest expense of $1.0 million; and
- declining interest rates accounted for a decrease of approximately $1.0 million in our interest expense.

Provision for Income Taxes. The provision for income taxes increased by $0.2 million, or 1.9%, from $11.1 million for the twelve months ended January 31, 2002, to $11.3 million for fiscal 2003. The increase was directly related to the increase in pretax profits of $0.8 million, or 2.7%, and a decrease in state taxes paid. The effective tax rates for the two periods, which were 35.8% in the 2002 period and 35.5% in fiscal 2003, were relatively consistent, except for the decrease in the state tax rate.

Net Income. As a result of the above factors, net income increased by $0.6 million, or 3.2%, from $20.0 million for the twelve months ended January 31, 2002, to $20.6 million for fiscal 2003.

Six Months Ended January 31, 2001 (Unaudited), Compared to Six Month Fiscal Period Ended January 31, 2002

Revenues. Total revenues increased by $52.1 million, or 33.3%, from $156.6 million for the six months ended January 31, 2001, to $208.7 million for the six months ended January 31, 2002. The increase was attributable to increases of $43.2 million, or 30.9%, in net sales and $9.0 million, or 52.6%, in finance charges and other revenues. Of the $43.2 million increase in net sales, $22.4 million resulted from a same store sales increase of 16.7%, $17.2 million was generated by eight retail locations that were not open for six consecutive months in both periods and $3.6 million resulted from increases in service maintenance agreement commissions and service revenues. As in fiscal 2003, the increase in net sales was due to increased unit volume of sales rather than higher sales prices as we continued to experience relatively short product life cycles and significant price erosion in the consumer electronics category. The addition of a second line of computers, increased sales of our bedding and lawn and garden products lines and a significant increase in projection television sales, combined with the higher than normal sales during the three months following the September 11th attacks and the major replacement of products following major flooding in the Houston market in June 2001, accounted for much of the increase in same store sales.

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 percentage of total net sales.

	Six Months Ended January 31,				
	2001		2002		
	Amount	%	Amount	%	Percent Increase
	(dollars in thousands)				
Major home appliances	$ 49,694	35.6%	$ 63,822	34.9%	28.4%
Consumer electronics	56,138	40.3	75,254	41.2	34.1
Home office equipment	13,624	9.8	16,501	9.0	21.1
Delivery and installation	2,860	2.1	3,606	2.0	26.1
Other (including lawn and garden and bedding)	2,069	1.5	4,708	2.6	127.5
Total product sales	124,385	89.2	163,891	89.7	31.8
Service maintenance agreement commissions	7,945	5.7	10,443	5.7	31.4
Service revenues	7,121	5.1	8,277	4.5	16.2
Total net sales	$ 139,451	100.0%	$ 182,611	100.0%	31.0%

Revenue from finance charges and other increased approximately $9.0 million, or 52.6%, from $17.1 million for the six months ended January 31, 2001, to $26.1 million for the six months ended January 31, 2002. This increase in revenue resulted primarily from increases in net insurance commissions and cash discounts of $2.3 million, or 32.7%. Income from sales of receivables to the QSPE increased approximately $6.7 million, or 66.0%, resulting primarily from a 21.9% growth in the credit portfolio and lower interest costs of securities issued by the QSPE.

Cost of Goods Sold. Cost of goods sold, including warehousing and occupancy cost, increased by $32.2 million, or 33.1%, from $97.2 million for the six months ended January 31, 2001, to $129.4 million for the six months ended January 31, 2002. The 33.1% increase was generally consistent with the 30.9% net sales increase, although costs of retail products sold continued to increase as a percentage of net product sales from 76.3% in the 2001 period to 77.4% in the 2002 period. Sales of relatively lower margin consumer electronics and computer products continuing to grow at a more rapid rate than sales of relatively higher margin home appliance products was the primary reason for the increase in cost of goods sold as a percentage of net sales. Labor and other cost increases added $0.8 million to cost of goods sold in the 2002 period, and the expansion of our San Antonio distribution facility added approximately $0.2 million to occupancy costs in the 2002 period.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by $14.7 million, or 33.5%, from $43.9 million for the six months ended January 31, 2001, to $58.6 million for the six months ended January 31, 2002. This increase was generally consistent with the 33.3% increase in total revenues.

Provision for Bad Debts. The provision for bad debts increased by $0.7 million, or 116.7%, from $0.6 million for the six months ended January 31, 2001, to $1.3 million for the six months ended January 31, 2002. The increase resulted from an increase in the charge-offs associated with our credit insurance and service programs.

Interest Expense. Interest expense increased by $1.1 million, or 61.1%, from $1.8 million for the six months ended January 31, 2001, to $2.9 million for the six months ended January 31, 2002. The increase was attributable to the following:

- declining interest rates caused the net payments on our interest rate hedges to increase by $1.9 million over the 2001 period;
- declining interest rates accounted for a reduction of approximately $0.5 million in interest expense; and

- our adoption of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, resulted in a decrease in interest expense of $0.3 million due to the recognition of the impact of imperfect matching of interest rate hedges and hedged obligations.

Provision for Income Taxes. The provision for income taxes increased by $1.3 million, or 28.3%, from $4.6 million for the six months ended January 31, 2001, to $5.9 million for the six months ended January 31, 2002. The increase was directly related to the increase in pretax profits of $3.5 million, or 26.4%. The effective tax rates for the two periods were 35.5% in the 2001 period and 36.0% in the 2002 period.

Net Income from Continuing Operations. As a result in the above factors, net income from continuing operations increased by $2.2 million, or 26.2%, from $8.4 million for the six months ended January 31, 2001, to $10.6 million for the six months ended January 31, 2002.

Fiscal Year Ended July 31, 2000, Compared to Fiscal Year Ended July 31, 2001

Revenues. Total revenues increased by $50.6 million, or 18.1%, from $279.7 million in fiscal 2000 to $330.3 million in fiscal 2001. The increase was attributable to increases of $43.3 million, or 17.4%, in net sales and $7.3 million, or 23.8%, in finance charges and other revenues. Of the $43.3 million increase in net sales, $22.7 million resulted from a same store sales increase of 10.3%, $18.0 million was generated by eight retail locations that were not open for 12 consecutive months in both fiscal years and $2.6 million resulted from increases in service maintenance agreement commissions and service revenues. As in prior periods, the increase in net sales was due to increased unit volume of sales rather than higher sales prices as we continued to experience relatively short product life cycles and significant price erosion in the consumer electronics category. Increased sales of the lawn and garden product line that we added in the second quarter of fiscal 2000 and increases in bedding sales and other new product categories accounted for much of the increase in same store sales.

The following table presents the makeup of net sales by product category in each fiscal year, including service maintenance agreement commissions and service revenues, expressed both in dollar amounts and as a percentage of total net sales.

	Fiscal Years Ended July 31,				
	2000		2001		Percent Increase (Decrease)
	Amount	%	Amount	%	
	(dollars in thousands)				
Major home appliances	$ 101,654	40.8%	$ 114,756	39.2%	12.9%
Consumer electronics	83,880	33.7	107,536	36.8	28.2
Home office equipment	24,235	9.7	22,569	7.7	(6.9)
Delivery and installation	5,429	2.2	6,366	2.2	17.3
Other (including lawn and garden and bedding)	4,734	1.9	9,394	3.2	98.4
Total product sales	219,932	88.3	260,621	89.1	18.5
Service maintenance agreement commissions	14,884	6.0	17,022	5.8	14.4
Service revenues	14,261	5.7	14,745	5.0	3.4
Total net sales	$ 249,077	100.0%	$ 292,388	100.0%	17.4%

Revenue from finance charges and other increased approximately $7.3 million, or 23.8%, from $30.6 million in fiscal 2000, to $37.9 million in fiscal 2001. This increase in revenue resulted primarily from increases in net insurance commissions and cash discounts of $3.7 million, or 32.7%. Income from sales of receivables to the QSPE increased approximately $3.6 million, or 18.6%, resulting primarily from an 18.0% growth in the credit portfolio and a reduction in interest costs of securities issued by the QSPE.

Cost of Goods Sold. Cost of goods sold, including warehousing and occupancy cost, increased by $32.9 million, or 19.1%, from $172.1 million in fiscal 2000 to $205.0 million in fiscal 2001. The 19.1% increase was generally consistent with the 17.4% increase in net sales, although cost of retail products sold increased from 76.5% of net product sales in fiscal 2000 to 76.9% in fiscal 2001. We attribute this margin decrease to a shift in product mix from relatively higher margin home appliances to relatively lower margin consumer electronics. The increase in warehousing and occupancy cost of $0.7 million, or 27.0%, resulted from the opening of our new warehouse facilities in Houston and San Antonio in August 2000 and June 2001, respectively.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by $13.9 million, or 17.7%, from $78.3 million in fiscal 2000 to $92.2 million in fiscal 2001. The increase was generally consistent with the 18.1% increase in total revenues.

Provision for Bad Debts. The provision for bad debts increased by $0.9 million, or 118.7%, from $0.8 million in fiscal 2000 to $1.7 million in fiscal 2001. The increase resulted from an increase in the charge-offs associated with our insurance and service programs.

Interest Expense. Interest expense decreased by $1.0 million, or 22.4%, from $4.8 million in fiscal 2000 to $3.8 million in fiscal 2001. The decrease was attributable to the following:

- average outstanding debt decreased from $57.1 million in fiscal 2000 to $33.3 million in fiscal 2001. This decrease in debt resulted in a decrease of approximately $1.4 million in interest expense. Debt decreases were attributable primarily to a decrease of available credit under our asset-backed securitization program and increased cash flow generated from operations;
- declining interest rates accounted for approximately $0.5 million of the decrease;
- our adoption of SFAS 133 resulted in an increase in interest expense of $0.4 million due to recognition of the effects of imperfect matching of hedges and hedged obligations; and
- declining interest rates caused the net payments on our interest rate hedges to increase by $0.5 million over the prior fiscal year.

Provision for Income Taxes. The provision for income taxes increased by $0.9 million, or 9.9%, from $9.0 million in fiscal 2000 to $9.9 million in fiscal 2001. The increase was directly related to the increase in pretax profits of $4.0 million, or 17.1%. However, we experienced an effective tax rate decrease from 38.1% in fiscal 2000 to 35.8% in fiscal 2001 as a result of an organizational restructuring in fiscal 2000 that reduced our Texas franchise taxes.

Net Income from Continuing Operations. As a result of the above factors, net income from continuing operations increased by $3.1 million, or 21.5%, from $14.6 million in fiscal 2000 to $17.7 million in fiscal 2001.

Impact of Inflation

We do not believe that inflation has a material effect on our net sales or results of operations.

Seasonality and Quarterly Results of Operations

Our business is seasonal, with a higher portion of sales and operating profit realized during the quarters that end January 31 and July 31. These fiscal quarters reflect the holiday selling season and the impact that hot weather has on our sales of air conditioners and lawn and garden equipment. Over the four quarters of fiscal 2003, gross margins were 37.9%, 38.1%, 38.4% and 35.9%. During the same period, operating margins were 8.3%, 8.7%, 8.5% and 9.2%. 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 fiscal year.

The following table sets forth certain unaudited quarterly statement of operations information, excluding discontinued operations, for the ten quarters ended July 31, 2003. 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.

	Twelve Months Ended January 31, 2002				Twelve Months Ended January 31, 2003				Six Months Ended July 31, 2003	
	Quarter Ended Apr. 30	Quarter Ended July 31	Quarter Ended Oct. 31	Quarter Ended Jan. 31	Quarter Ended Apr. 30	Quarter Ended July 31	Quarter Ended Oct. 31	Quarter Ended Jan. 31	Quarter Ended Apr. 30	Quarter Ended July 31
Total revenues	$ 80,943	$ 92,389	$ 95,432	$ 113,319	$ 106,689	$ 113,315	$ 108,250	$ 121,828	$ 121,600	$ 117,986
Percent of total revenues (1)	21.2%	24.2%	25.0%	29.6%	23.7%	25.1%	24.1%	27.1%	25.9%	25.1%
Gross profit	$ 31,435	$ 34,507	$ 36,716	$ 42,641	$ 40,476	$ 43,211	$ 41,617	$ 43,713	$ 42,555	$ 43,438
Gross profit as a percentage of total revenues	38.8%	37.3%	38.5%	37.6%	37.9%	38.1%	38.4%	35.9%	35.0%	36.8%
Operating profit	$ 7,501	$ 8,987	$ 8,448	$ 11,008	$ 8,874	$ 9,900	$ 9,162	$ 11,244	$ 9,433	$ 10,218
Operating profit as a percentage of total revenues	9.3%	9.7%	8.9%	9.7%	8.3%	8.7%	8.5%	9.2%	7.8%	8.7%

(1) The percentage for the six months ended July 31, 2003 is based on the last 12 months.

Liquidity and Capital Resources

We have historically financed our operations through a combination of cash flow generated from operations and external borrowings, including primarily bank debt and asset-backed securitization facilities. We have a bank credit facility under which we had outstanding term and revolving debt of $34.0 million as of July 31, 2003. Additionally, we were indebted to a bank, various insurance companies and two former stockholders in the approximate amount of $9.4 million as of July 31, 2003. We expect to use approximately $34.9 million of the offering proceeds to reduce a portion of these debt obligations. See “Use of Proceeds.”

During the six months ended July 31, 2003, net cash provided by operating activities increased $7.6 million, or 248.7%, from $3.0 million for the six months ended July 31, 2002, to $10.6 million for the six months ended July 31, 2003. The net increase in cash provided from operations resulted primarily from an increase in non-cash depreciation expense, bad debt provision, and deferred tax provision of $0.9 million, $0.7 million, and $1.5 million, respectively, a decrease in cash required for inventories of $2.4 million, a decrease in cash required for prepaid expenses and other assets of $2.3 million, an increase in cash generated of $3.3 million due to the timing of payment of accounts payable and accrued expenses. These increases in cash were offset by an increase of $4.1 million in net cash required to fund our receivables and securitized assets, a $1.0 million change in payment of

income taxes and a decrease of $0.1 million due to imperfect matching of interest rate hedges and hedged obligations.

Net cash used by investing activities decreased $7.4 million, or 79.9%, from $9.3 million for the six months ended July 31, 2002, to $1.9 million for the six months ended July 31, 2003. The decrease in cash used resulted primarily from a reduction in purchases of property and equipment of $7.3 million for the six months ended July 31, 2003. The decrease in cash expended for property and equipment resulted from fewer new store openings and relatively fewer stores that were updated in the 2003 period. Based on current plans, we do expect to increase the expenditure for property and equipment in the next six months as we open at least three new stores and a small warehouse in the Dallas/Fort Worth market.

Net cash required by financing activities increased $14.5 million from $5.6 million in net cash provided during the six months ended July 31, 2002, to $8.9 million in net cash used during the six months ended July 31, 2003. This change resulted primarily from the net effect of repayments of borrowings of $14.5 million under our bank credit facility in 2003, a reduction in expenditures for debt placement costs of $0.1 million and a $0.2 million reduction of treasury stock repurchases made in 2002 that were not made in 2003.

In October 2002, we increased our bank credit facility from $35.0 million to $55.0 million to provide our ongoing working capital needs. In April 2003, we amended and restated our bank credit facility in anticipation of this offering. The facility consists of a term loan and a revolving credit facility. The revolver portion of the credit facility provides for up to $40.0 million subject to a borrowing base equal to the lesser of: (1) 85% of eligible receivables plus 65% of eligible inventory plus the lesser of 40% of deferred sales proceeds and eligible unpurchased receivables; and (2) $20.0 million, which decreases to $15.0 million upon the closing of this offering. The revolver portion of the bank credit facility had a balance of $20.5 million at July 31, 2003. The term loan, which had an original principal amount of $15.0 million, had a balance of $13.5 million at July 31, 2003, and provides for quarterly principal payments of $1.5 million plus interest beginning on May 1, 2003. Both the term note and the revolver mature on September 13, 2005. Loans under the new 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 LIBOR rate for the applicable interest period, in each case plus an applicable interest margin. The interest margin is between 0.50% and 1.75% for base rate loans and between 1.50% and 2.75% for LIBOR alternative rate loans. The applicable interest margin was 1.50% for base rate loans and 2.50% for LIBOR alternative rate loans as of July 31, 2003. The interest margin will vary depending on our debt coverage ratio. We expect to use a portion of the proceeds from this offering to pay the outstanding revolving debt under this facility and all accrued interest, and we expect to be able to utilize the full amount of the revolving facility in the future as cash is required.

Approximately $10.0 million of the additional amount available under our increased bank credit facility was used to implement our new asset-backed securitization program, including funding of transaction expenses and required additional credit enhancements. In addition, the portion of each future receivable advanced in cash under the securitization program has been reduced from approximately 85% to approximately 80% of the face amount of the receivable. Since this results in an increase in the retained balance of accounts receivable, we must finance this increase through sources other than the securitization program itself. We have used, and will continue to require, a portion of our increased bank credit facility to finance this increased level of accounts receivable.

We are subject to certain affirmative and negative covenants contained in the credit facility, 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; dividends; stock redemptions; capital expenditures; loan guarantees; and the use of proceeds of the credit facility. There are also covenants relating to compliance with certain laws, payment of taxes, maintenance of insurance and financial reporting. In addition, the credit facility requires us to maintain a minimum net worth and to

maintain compliance with certain specified financial ratios, including maximum total leverage ratio, minimum debt service coverage ratio, limitations on receivables delinquency percentages, loan extensions and loss ratios. In anticipation of this offering, we amended our bank credit facility in October 2002 to clarify certain definitions regarding covenant calculations. The new agreement provides for bank approval of this offering and repayment of certain debt and modifies certain covenant requirements in the event we successfully complete this offering.

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.

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 the net proceeds from this offering will be sufficient to fund our operations, store expansion and updating activities and capital expenditure programs through at least January 31, 2005. However, there are several factors that could decrease cash provided by operating activities, including:

- reduced demand for our products;
- more stringent vendor terms on our inventory purchases;
- increases in product cost that we may not be able to pass on to our customers;
- reductions in product pricing due to competitor promotional activities;
- increases in the retained portion of our receivables portfolio under our current asset-backed securitization program as a result of changes in performance;
- inability to expand our capacity for financing our receivables portfolio under new or replacement asset-backed securitization programs or a requirement that we retain a higher percentage of the credit portfolio under such programs;
- increases in the program costs (interest and administrative fees relative to our receivables portfolio) associated with the funding of our receivables; and
- increases in personnel costs required for us to stay competitive in our markets.

If cash provided by operating activities during this period is less than we expect or if we need additional financing after January 31, 2005, we may need to increase our revolving credit facility or to 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

Since we extend credit in connection with a large portion of our retail, service maintenance and credit insurance sales, we created a QSPE, which we also refer to as the issuer, to purchase customer receivables from us and to issue asset-backed and variable funding notes to third parties. 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. To finance its acquisition of these receivables, the issuer has issued the notes described below to third parties. The subordinated securities issued to us accrue interest based on prime rates and are subordinate to these third party notes.

At July 31, 2003, 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 Series A variable funding note is rated P1/A2 by Standard & Poors and Moody's. The Series B notes consist of: Class A notes in the amount of $120.0 million rated Aaa by Moody's; Class B notes in the amount of $57.8 million rated A2 by Moody's; and Class C notes in the amount of $22.2 million rated Baa2 by Moody's and BBB by Fitch. 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 from borrowings under our bank credit facility, to 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 .0025% 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 noteholders, 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. SunTrust Robinson Humphrey, a division of SunTrust Capital Markets, Inc., is one of the underwriters for this offering.

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 to 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 July 31, 2003, borrowings under the Series A variable funding note were $46.0 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.

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.

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 extensions, 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.

In an attempt to acquire retail lease space at more competitive rates, in 2001 we asked some members of our management team and the SGI Affiliates to form Specialized Realty Development Services, LP, or SRDS, a real estate development company that would acquire land and develop projects for our purposes. In order to encourage these members of management and the SGI Affiliates to invest in SRDS, we entered into an arrangement with SouthTrust Bank, NA under which we guaranteed the construction debt of SRDS during the construction of these projects. SRDS is owned by certain members of our management, including Thomas J. Frank, Sr., William C. Nylin, Jr., C. William Frank, David R. Atnip, David W. Trahan, Timothy L. Frank, Robert B. Lee, Jr., Larry W. Coker and Walter M. Broussard, and certain of the SGI Affiliates. We do not own SRDS, and its assets, liabilities, results of operations and cash flows are not recorded on our consolidated financial statements; however, as SRDS drew on the guaranteed construction line of credit, we recorded this construction work in process as an asset and the amount of the guaranteed draws as a liability on our financial statements. As of July 31, 2003, total assets of SRDS were $13.4 million and total liabilities of SRDS were $11.6 million, which are reflected on SRDS' balance sheet. As of July 31, 2003, four of the six projects SRDS is responsible for developing were operational and the amount of outstanding indebtedness we had guaranteed under this arrangement had been reduced to zero. We do not have any current obligation to guarantee additional SRDS construction debt, and we do not intend to guarantee any SRDS construction debt in the future.

We have leased each completed project from SRDS as a retail store location for an initial period of 15 years. At the time each lease was executed, our guarantee for the construction portion of the real estate loan was released and the related assets and guaranty obligations were removed from our financial statements. The lease then served as collateral for the loan. SRDS charges us annual lease rates of approximately 11.5% of the total cost of each project, which averages approximately $350,000 per year. In addition, we are responsible for the payment of all property taxes, insurance and common area maintenance expenses, which average approximately $70,000 per project per year. We are required to fund all leasehold improvements made to the buildings. Based on independent appraisals performed on each project, we believe that the terms of the leases that have replaced the guaranty obligations are generally more favorable than we could obtain in an arms' length transaction. SRDS pays us an annual management fee of $5,000 for administrative services that we provide to SRDS.

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 $6,200 monthly 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 2000 and fiscal 2001, $141,000 in the six month fiscal period ended January 31, 2002, $281,000 in fiscal 2003, and $141,000 during the six months ended July 31, 2003. 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.

Contractual Obligations

The following table presents a summary of all of our contractual obligations as of July 31, 2003, classified by payments due per period.

	Payments Due By Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	After 5 Years
	(in thousands)				
Construction guarantees	$ —	$ —	$ —	$ —	$ —
Notes payable	5,275	5,275	—	—	—
Long term debt	38,105	7,991	30,114	—	—
Operating leases:					
Real estate	90,418	11,748	21,606	19,004	38,060
Equipment	8,268	2,966	3,235	1,201	866
Total contractual cash obligations	$ 142,066	$ 27,980	$ 54,955	$ 20,205	$ 38,926

Quantitative and Qualitative Disclosure 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 0.50% to 1.75%, or LIBOR plus the LIBOR margin, which ranges from 1.50% to 2.75%. Accordingly, changes in the prime rate, the federal funds rate or 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 through our sales of receivables to the QSPE.

We held interest rate swaps and collars with notional amounts totaling $100.0 million as of January 31, 2002 and January 31, 2003, with terms extending through 2005. At January 31, 2002, these instruments were accounted for as cash flow hedges. Of these instruments, $80.0 million were designated as hedges against our variable interest rate risk related to the cash flows from our interest only strip. The remaining $20.0 million of these instruments were designated as hedges against our variable rate debt.

In September 2002, we entered into a new agreement to sell customer receivables. As a result of that new agreement, we discontinued hedge accounting for the $80.0 million of hedges previously designated to the interest only strip. In accordance with SFAS 133, we recognized changes in fair value for those derivatives after September 2002 as interest expense, and we are amortizing the amount of accumulated other comprehensive loss related to those derivatives into interest expense over the remaining term of the instruments, which expire ending in November 2003. This change had no effect on the $20.0 million of instruments designated as hedges against our variable rate debt.

Ineffectiveness, which arises from differences between the interest rate stated in the derivative instrument and the interest rate upon which the underlying hedged transaction is based, totaled $0.5 million for the year

ended July 31, 2001, $0.1 million for the six months ended January 31, 2002 and $0.4 million for the year ended January 31, 2003, and is reflected in “Interest Expense” in our consolidated statement of operations. Ineffectiveness for the year ended January 31, 2003 includes $0.4 million related to discontinued hedge accounting.

Recent Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board finalized SFAS No. 142, *Goodwill and Other Intangible Assets*. SFAS 142 requires, among other things, that companies no longer amortize goodwill but instead test goodwill for impairment at least annually. In addition, SFAS 142 requires that we identify reporting units for the purposes of assessing potential future impairments of goodwill, reassess the useful lives of other existing recognized intangible assets and cease amortization of intangible assets with indefinite useful lives. Intangible assets with indefinite useful lives must be tested for impairment in accordance with the guidance in SFAS 142. We adopted the provisions of SFAS 142 beginning as of February 1, 2002, relative to all goodwill and other intangible assets recognized as of that date, regardless of when we acquired the asset. SFAS 142 required us to complete a transitional goodwill impairment test prior to July 31, 2002, and to reassess the useful lives of other intangible assets within the first interim quarter after our adoption of the pronouncement. We completed the transitional goodwill impairment test in July 2002 and the first annual review in November 2002 and determined that no impairment of goodwill existed. Application of the non-amortization provisions of SFAS 142 to goodwill and other intangible assets, which had previously been amortized over 15 years, resulted in an increase to net income of approximately $0.2 million, or $0.01 per diluted common share, for fiscal 2003, and $0.1 million, or $0.005 per diluted common share, for the six months ended July 31, 2003. As of January 31, 2003, we had unamortized goodwill and other intangible assets of approximately $7.9 million.

In November 2002, the Emerging Issues Task Force of the Financial Accounting Standards Board reached a consensus on Issue 02-16, addressing the accounting for cash consideration received by a customer from a vendor, including vendor rebates and refunds. The consensus reached states that consideration received should be presumed to be a reduction of the prices of the vendor’s products or services and should therefore be shown as a reduction of cost of sales in the income statement of the customer. The presumption can be overcome if the vendor receives an identifiable benefit in exchange for the consideration or the consideration represents a reimbursement of a specific incremental identifiable cost incurred by the customer in selling the vendor’s product or service. If one of these conditions is met, the cash consideration should be characterized as a reduction of those costs in the income statement of the customer. The consensus reached also concludes that if rebates or refunds can be reasonably estimated, such rebates or refunds should be recognized as a reduction of the cost of sales based on a systematic and rational allocation of the consideration to be received relative to the transactions that mark the progress of the customer toward earning the rebate or refund. The provisions of this consensus are applied prospectively and are consistent with our existing accounting policy.

In November 2002, the Emerging Issues Task Force of the Financial Accounting Standards Board reached a consensus on Issue 00-21, addressing how to account for arrangements that involve the delivery or performance of multiple products, services and/or rights to use assets. Revenue arrangements with multiple deliverables are divided into separate units of accounting if the deliverables in the arrangement meet the following criteria: (1) the delivered item has value to the customer on a stand alone basis; (2) there is objective and reliable evidence of the fair value of undelivered items; and (3) delivery of any undelivered item is probable. Arrangement consideration should be allocated among the separate units of accounting based on their relative fair values, with the amount allocated to the delivered item being limited to the amount that is not contingent on the delivery of additional items or meeting other specified performance conditions. The final consensus will be applicable to agreements entered into in fiscal periods beginning after June 15, 2003, with early adoption permitted. The provisions of this consensus are not expected to have a significant effect on our financial position or operating results.

In December 2002, the Financial Accounting Standards Board issued SFAS No. 148, *Accounting for Stock-Based Compensation - Transition and Disclosure*. SFAS 148 amends SFAS No. 123, *Stock-Based Compensation*, to

provide alternative methods of transition for a voluntary change to the fair value-based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The disclosure provisions of SFAS 148 are effective for fiscal years ending after December 15, 2002, and have been incorporated into our consolidated financial statements and accompanying footnotes.

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 the consolidation of entities in which a company absorbs a majority of the entity's expected losses, receives a majority of the entity's expected residual returns, or both, as a result of ownership, contractual or other financial interests in the entity. Currently, entities are generally consolidated by a company when it has a controlling financial interest through ownership of a majority voting interest in the entity. We are currently evaluating the effects of the issuance of FIN 46 on the accounting for our leases with SRDS. We do not anticipate the adoption of FIN 46 will have a material impact on our consolidated financial statements.

BUSINESS

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, VCRs, DVD players and home theater products. We also sell home office equipment, lawn and garden products and bedding, and we continue to introduce additional product categories for the home to help increase same store sales and to respond to our customers' product needs. In the last three years, we have introduced several new product lines, including lawn and garden, bedding and generators. We offer over 1,100 product items, or SKUs, at good-better-best price points representing such national brands as General Electric, Whirlpool, Frigidaire, Mitsubishi, Sony, Panasonic, Thomson Consumer Electronics, Simmons, Hewlett Packard and Compaq. Based on revenue in 2002, we were the 12th largest retailer of home appliances in the United States, and we are either the first or second leading retailer of home appliances in terms of market share in the majority of our existing markets.

We currently operate 42 retail stores located in Texas and Louisiana. We opened 11 stores in the twelve months ended January 31, 2002, of which four were relocations of existing stores, and we opened twelve stores in fiscal 2003, of which five were relocations of existing stores. We also closed one store during fiscal 2003. We plan to continue our growth program by opening three to five new stores during fiscal 2004 and four to six new stores during fiscal 2005.

We have been known for providing excellent customer service for over 110 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 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 2003, approximately 54% 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 42 stores, an increase of more than 60%, with three more stores currently under development;
- total revenues have grown at a compound annual rate of 20.1% from $236.7 million in fiscal 1999, to $450.1 million in fiscal 2003;
- earnings from continuing operations before income taxes have grown at a compound annual rate of 25.4% from $14.5 million in fiscal 1999, to $31.9 million in fiscal 2003; and
- our average same store sales growth from fiscal 1999 to fiscal 2003 has been 10.1%.

Industry Overview

The home appliance and consumer electronics industry includes major home appliances, small appliances, home office equipment, televisions and audio, video and mobile 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 Electronic*s, a newspaper dedicated to the consumer electronics, computer and major appliances industries in the United States, the top 100 major appliance retailers reported sales of approximately $15.2 billion in 2002, up approximately 9.5% from reported sales in 2001 of approximately $13.9 billion. We estimate sales for the appliance industry for 2002, based upon total estimated shipments including builders' sales and those retailers not included in the top 100 retailers as compiled by the Association of Home Appliance Manufacturers, to be in excess of $24 billion. We estimate total sales in the major appliance industry will exceed $29 billion by 2005. 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 37% in 2002, down from approximately 40% in 2001.

As measured by *Twice*, the top 100 consumer electronics retailers in the United States reported sales of $101.5 billion in 2002, a 6.1% increase from the $95.7 billion reported in 2001. 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 one-third of the total electronics sales attributable to the 100 largest retailers in 2002. 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 speed ovens, custom refrigerators, appliances with stainless steel exteriors, personal garment dry cleaning appliances and energy-efficient 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 DVD players and digital camcorders, digital stereo receivers, satellite technology, cameras and 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 represent a significant potential market for us.

- *Digital Television (DTV and High Definition TV).* The Federal Communications Commission has set a target of 2006 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 an estimated 4.3 million units in 2003 to 16.2 million units in 2007, representing a compounded annual growth rate of 39.3%. We believe the recent introduction of high clarity digital flat panel televisions in both liquid crystal display, or LCD, and plasma formats has increased the quality and sophistication of these entertainment products and will be a key driver of digital television growth.

- *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 35% of U.S. homes and are projected to be in approximately 70% of U.S. homes by 2005. Sales of DVD players grew from 0.3 million units in 1997 to 17.1 million units in 2002 and are expected to further increase to 24.3 million units in 2004.
- *Digital Radio.* The conversion to digital radio is taking place through two independent platforms, satellite and terrestrial. Digital satellite radio is currently being provided by Sirius Satellite Radio and XM Satellite Radio. As of June 30, 2003, Sirius Satellite Radio and XM Satellite Radio had approximately 105,000 and approximately 692,000 subscribers, respectively. The Yankee Group estimates that the number of U.S. satellite radio subscribers will reach approximately 21 million by 2006. The well-established terrestrial AM/FM radio stations began upgrading to digital radio in 2003.

Home appliance and electronics retailers typically provide few or no in-house financing options. Consumers see home appliances and electronics as necessary or desirable, but many customers are unable to afford them without financing, which may be difficult to obtain. Moreover, once customers purchase an item, they typically have to wait several days for delivery and may be unable to receive product service from the seller.

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 execution of 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 customer satisfaction levels at rates between 90% and 95%. We measure customer satisfaction in our customer service on the sales floor, in our delivery operation and in our service department by sending survey cards to all customers for 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. We are working to expand this department to enable us to make customer satisfaction calls to every customer as soon as possible after a delivery is made or a service call is completed.
- ***Developing and retaining highly trained and knowledgeable sales personnel.*** We require all sales personnel to specialize in home appliances, consumer electronics or “track” products. This approach allows the sales person to focus on a specific product category and become an expert in selling and using products in that category. New sales personnel must complete an intensive two-week classroom training program conducted at our corporate office followed by an additional week of on-the-job training riding in a delivery and 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, Mitsubishi, Sony, Panasonic, Thomson Consumer Electronics, Simmons, Hewlett Packard and Compaq. To facilitate our responsiveness to customer demand, we use our prototype store, located hear 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.
- ***Offering flexible financing alternatives through our proprietary credit programs.*** Historically, we have financed approximately 60% 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 creditworthiness to determine down payment amounts and other credit terms. This facilitates product sales while keeping our credit risk within an acceptable range. Approximately 60% 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 daily calling program, we contact customers with past due accounts 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 2.7% net loss ratio in fiscal 2003 and a 2.8% annualized net loss ratio for the six months ended July 31, 2003 on the credit portfolio that we service for the QSPE.

- ***Maintaining same day and next day distribution capabilities.*** We maintain four regional distribution centers and two 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.

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;
  - remerchandising our product offerings in response to changes in consumer demand;
  - training our sales personnel to increase sales closing rates;
  - updating our stores on a three-year rotating basis;
  - focusing more specifically on 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;
  - increasing sales of our merchandise, finance products, service maintenance agreements and credit insurance through direct mail and in-store credit promotion programs; and
  - introducing a replacement service maintenance agreement that covers replacement of smaller ticket items.
- ***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. 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. New store openings in these locations will allow us to take advantage of our perceived market opportunity in those markets and leverage our existing distribution network, cluster advertising, brand name recognition and reputation.
- *New markets.* We have executed leases to open three new stores in the Dallas/Fort Worth metroplex. We have identified several additional markets that meet our criteria for site selection, including the Rio Grande Valley in southwest Texas, New Orleans and central Louisiana around Shreveport, Monroe and Alexandria. We intend to enter these new markets, as well as some in neighboring states, over the next several fiscal years. We will 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. During fiscal 2004, we expect to open three to five stores in new markets in Texas and Louisiana.

- ***Updating, expanding or relocating existing stores.*** Over the last three years, we have updated, expanded or relocated all of our stores. We have implemented our larger prototype store model at all locations at which the physical space would accommodate the required design changes. As we continue to add new stores or replace existing stores, we will modify our floor plan to include this new model. 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. This approach also conserves capital by avoiding large outlays for real estate purchases. After updating, expanding or relocating a store, we expect to increase sales significantly at those stores.

Products and Merchandising

Product Categories. Each of our stores sells five major categories of products: major home appliances, consumer electronics, home office equipment, delivery and installation services and other household products, including lawn and garden equipment and bedding. The following table presents a summary of net sales by major product category, service maintenance agreement commissions and service revenues, for fiscal 2000 and fiscal 2001, the six month fiscal period ended January 31, 2002, fiscal 2003 and the six months ended July 31, 2003.

	Twelve Months Ended July 31,									
	2000		2001		Six Months Ended January 31, 2002(1)		Twelve Months Ended January 31, 2003		Six Months Ended July 31, 2003(2)	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(dollars in thousands)									
Major home appliances	$ 101,654	40.8%	$ 114,756	39.2%	$ 63,822	34.9%	$ 147,217	37.8%	$ 81,803	39.1%
Consumer electronics	83,880	33.7	107,536	36.8	75,254	41.2	155,213	39.9	75,152	35.9
Home office equipment	24,235	9.7	22,569	7.7	16,501	9.0	25,797	6.6	12,082	5.8
Delivery and installation	5,429	2.2	6,366	2.2	3,606	2.0	8,231	2.1	3,867	1.8
Other (including lawn and garden and bedding)	4,734	1.9	9,394	3.2	4,708	2.6	14,130	3.6	15,573	7.4
Total product sales	219,932	88.3	260,621	89.1	163,891	89.7	350,588	90.0	188,477	90.0
Service maintenance agreement commissions	14,884	6.0	17,022	5.8	10,443	5.7	20,488	5.3	11,588	5.5
Service revenues	14,261	5.7	14,745	5.0	8,277	4.5	18,420	4.7	9,376	4.5
Total net sales	$ 249,077	100.0%	$ 292,388	100.0%	$ 182,611	100.0%	$ 389,496	100.0%	$ 209,441	100.0%

(1) Sales amounts and percentages for this period do not reflect the effect of summer air conditioner sales and lawn and garden product sales.
(2) Sales amounts and percentages for this period do not reflect the holiday sales season.

Within these major product categories (excluding service maintenance agreements 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, Mitsubishi, Sony, Panasonic, Thomson Consumer Electronics, Simmons, 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, KitchenAid, Sharp, Samsung, Friedrich, Roper, Hoover and Eureka
Consumer electronics	Projection, plasma and LCD televisions, home theater systems, VCRs, camcorders, digital cameras, DVD players, audio components, compact disc players, speakers and portable electronics	Mitsubishi, Thomson Consumer Electronics, Sony, Toshiba, Sanyo, JVC, Panasonic, Hitachi, Yamaha, Polk, Kenwood and JBL
Home office equipment	Computers, computer peripherals, personal digital assistants and telephones	Hewlett Packard, Compaq, Sony and Panasonic
Other	Lawn and garden, bedding and generators	Poulan, Toro, Weedeater, Simmons and Honda

Purchasing. We purchase products from approximately 50 manufacturers and distributors. Our agreements with these manufacturers and distributors typically cover a one or two year time period and are renewable at the option of the parties. We purchase a significant portion of our total inventory from a limited number of vendors. During fiscal 2003, we purchased 65.4% of our total inventory from six vendors, including 15.5%, 13.7% and 12.5% of our total inventory from Frigidaire, Whirlpool and Mitsubishi, respectively.

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 warrantied merchandise. Our established relationships with major appliance and electronic vendors 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 in our Houston and San Antonio markets to help sell scratched, used or discontinued merchandise. We have recently redesigned our approach to the merchandising of our "track" products, including computers and other small appliances and electronic products such as camcorders, DVD players, cameras and telephones, 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. We do, however, expect product margins to decrease because many of these products are sold at lower margins.

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. Store operations management and our corporate office

closely monitor the stores that do not have this price adjustment system. Personnel manning 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 30,000 customer satisfaction survey cards each month covering all deliveries and service calls. Based upon a response rate from our customers of approximately 20%, we consistently report customer satisfaction rates between 90% and 95%. We have already planned the physical facilities necessary to implement a proactive customer satisfaction call center, and once the center is fully operational, we expect to contact most customers within 48 hours of product delivery or completed service call to inquire about their satisfaction with their purchases or service call experience with us.

Store Operations

Stores. We currently operate 42 retail 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 year we opened our first store in each market.

	Number of Stores		
Market	Stand-Alone	Strip Mall	First Store Opened
Houston	8	10	1983
San Antonio/Austin	7	6	1994
Golden Triangle (1)	1	4	1937
Baton Rouge/Lafayette	1	4	1975
Corpus Christi	1	0	2002
	18	24	

(1) Beaumont, Nederland and Orange, Texas and Lake Charles, Louisiana

Our stores have an average selling space of approximately 19,000 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 and returns. Our clearance centers are located in the Houston and San Antonio markets and average 9,000 square feet of selling space. All stores and clearance centers 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.

Approximately 60% of our stores are in strip shopping centers and regional malls, with the balance being stand-alone buildings. All of our locations have parking available immediately adjacent to the store's front entrance. Our storefronts have a distinctive exterior tower 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, lawn and garden products and bedding 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 telephones. During the six month period ended July 31, 2003, we redesigned our approach to

merchandising of our track products to provide consumer-friendly point of sale transactions. The area inside the track now has its own manager, sales personnel and merchandising approach for its products, including a check-out area dedicated to the purchase of track products. The rear of the store contains a display for audio and stereo products, as well as cashier stations. To reach the cashiers at the rear of the store, our customers must walk past our products. We believe this increases sales to customers that 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 or relocated all of our stores in the last three years. We expect to continue to update stores on a three year cycle. 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 20,000 to 24,000 square feet of retail selling space, which is approximately 15% more than the average size of our existing stores and a rear storage area of between 5,000 and 7,000 square feet. We generally spend approximately $375,000 to $425,000 to update a store, and as a result of the updating, we expect to increase same store sales at those stores. Over the last three years, we have spent approximately $20 million updating, refurbishing or relocating our existing stores.

Site Selection. Our stores are typically located near freeways or major travel arteries and in the vicinity of major retail shopping areas. We prefer to locate our stores in an area 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 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 may, however, elect to experiment with opening smaller numbers of new stores in outlying areas where customer demand for products and services outweighs the extra cost of failing to achieve full economies of scale. Other factors we consider when evaluating potential markets include the distance from our distribution centers, store locations of our competitors and population, demographics and growth potential of the market.

Store Economics. We lease 38 of our 42 current store locations, with an average monthly rent of $21,000. Our average investment for the 13 stores we have opened in the last two years was approximately $1.1 million, including leasehold improvements, fixtures and equipment and inventory (net of accounts payable). For these same new stores, the net sales per store has averaged $0.7 million per month for the last 18 months or the actual time the store has been open, if less than 18 months.

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 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 allocations of overhead and advertising in the first full year of operation. Successful stores that have matured, which generally occurs after two to three years of operations, typically generate annual sales of approximately $12 million to $15 million and 5% to 9% in operating margins before allocations. Assuming that the store location is both visible and accessible from major thoroughfares and that major competition exists in the general area, we believe that there is a significant difference in sales volume between stores that are freestanding and stores that are located in strip malls. Most of our new and replacement stores, therefore, are stand-alone stores unless there is compelling demographic data to cause us to locate the store in a strip mall.

Personnel and Compensation. We staff a typical store with a store manager, an assistant manager, 10 to 20 sales personnel and other support staff including cashiers and/or porters. 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 four district managers that oversee from eight to 12 stores in each market. Our district managers generally have five to 15 years of sales experience and report to our senior vice president of store operations, who has over 20 years of sales experience. We treat the track area of our stores as a store within a store with a separate staff and cashier function.

We compensate home appliance and consumer electronics sales specialists on a straight commission arrangement, while we generally compensate store managers and cashiers on a salary basis plus incentives or at an hourly rate. Our store managers receive a base salary and monthly bonuses; in some instances, store managers receive earned commissions plus base salary. Our clearance centers are staffed with a manager and six to eight sales personnel who are paid on a straight commission arrangement. Sales personnel within the track area are compensated on an hourly basis plus a sales incentive. 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.

We attempt to identify store manager candidates early in their careers with us and place them in a defined program of training. They 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 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 or twelve 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 creditworthy 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. During fiscal 2003, customers representing approximately $158.2 million, or 41%, of retail sales at our stores, had recently received a direct mail offer prior to purchasing 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 these potential purchasers back into the original store location. This telephone program was responsible for an additional $15.3 million in revenue during fiscal 2003.

Our website, www.conns.com, offers a selection of products from our total product inventory and provides useful information to the consumer on pricing, features and benefits for each product. Our website also allows the customer to apply and be approved 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 3,140 visits per day from potential and existing customers. During fiscal 2003, our website was the initial source of approximately 54,000 credit applications that resulted in $25.8 million in sales completed in our stores. 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 cluster our stores around four regional distribution centers located in Houston, San Antonio and Beaumont, Texas and Lafayette, Louisiana and a smaller warehouse facility in Austin, 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. As part of our entry into the Dallas market, we have leased a warehouse facility of approximately 36,000 square feet.

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 18-wheeler transport trucks that allow us to move products from market to market and from distribution centers to stores. At each distribution center or warehouse facility, we also maintain a fleet of home delivery vehicles that allow us to deliver directly to the customer. Our customers pay a delivery charge based on their choice of same day or next day delivery, and we are able to deliver our products on the same day as, or the next day after, the sale to approximately 95% of our customers.

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. Historically, we have financed approximately 60% of our retail sales through one of our two proprietary 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 products sales, excluding returns and allowances and service revenues, by method of payment for the periods indicated.

	Twelve Months Ended July 31,				Six Months Ended January 31, 2002		Twelve Months Ended January 31, 2003		Six Months Ended July 31, 2003	
	2000		2001							
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(dollars in thousands)									
Cash and other credit cards	$ 94,722	38.5%	$ 112,350	38.6%	$ 72,168	39.5%	$ 154,305	39.8%	$ 95,442	45.6%
Primary credit portfolio:										
Installment	115,060	46.8	136,348	46.8	86,208	47.2	181,441	46.8	90,643	43.4%
Revolving	19,904	8.1	18,429	6.3	10,020	5.5	20,370	5.3	9,457	4.5%
Secondary credit portfolio	16,060	6.5	24,000	8.2	14,173	7.8	31,815	8.2	13,551	6.5%
Total	$ 245,745	100.0%	$ 291,127	100.0%	$ 182,569	100.0%	$ 387,931	100.0%	$ 209,093	100.0%

As of July 31, 2003, we employed approximately 250 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.

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. Although we rely on this program to approve automatically some credit applications from customers for whom we have previous credit experience, over 87% of our credit decisions are based on human evaluation of the customer's creditworthiness. We developed this model with the assistance of Equifax® to correlate the product category of a customer purchase with the default probability.

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. Consistent with industry practice, 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 2003 and the six months ended July 31, 2003, the average account was outstanding for approximately 13 to 15 months. Our revolving accounts were outstanding approximately 14 to 16 months for those accounts paid in full during fiscal 2003 and the six months ended July 31, 2003. During fiscal 2003 and the six months ended July 31, 2003, approximately 13% 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 terms, 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 2003 and the six months ended July 31, 2003, 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			
	Twelve Months Ended July 31, 2001	Six Months Ended January 31, 2002	Twelve Months Ended January 31, 2003	Six Months Ended July 31, 2003
	(dollars in thousands, except average outstanding balance)			
Total outstanding balance (period end)	$ 195,920	$ 220,268	$ 249,410	$ 257,981
Average outstanding customer balance	$ 1,019	$ 1,054	$ 1,063	$ 1,110
Number of active accounts (period end)	192,136	209,035	234,738	232,374
Total applications processed (1)	324,803	202,842	451,422	238,389
Percent of retail sales financed	53.1%	52.7%	52.1%	47.9%
Total applications approved	64.7%	63.3%	57.3%	59.3%
Average down payment	11.0%	10.8%	10.3%	10.0%
Average interest spread (2)	12.8%	14.4%	13.0%	12.6%

	Secondary Portfolio			
	Twelve Months Ended July 31, 2001	Six Months Ended January 31, 2002	Twelve Months Ended January 31, 2003	Six Months Ended July 31, 2003
	(dollars in thousands, except average outstanding balance)			
Total outstanding balance (period end)	$ 34,473	$ 41,925	$ 54,417	$ 53,586
Average outstanding customer balance	$ 1,074	$ 1,089	$ 1,077	$ 1,076
Number of active accounts (period end)	32,417	38,482	50,509	49,784
Total applications processed (1)	113,996	77,679	194,407	91,870
Percent of retail sales financed	8.2%	7.8%	8.2%	6.5%
Total applications approved	28.8%	33.4%	27.6%	26.9%
Average down payment	24.5%	25.0%	27.0%	28.8%
Average interest spread (2)	14.3%	15.6%	14.3%	13.1%

(1) Unapproved credit applications in the primary portfolio are automatically referred to the secondary portfolio.
(2) 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 QSPE. After the sale, we continue to service these receivables under 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 60% of our active credit accounts did so at some time during the last 24 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 approximately 19,000 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 past due and has not had a payment in the last seven months. We have historically recovered approximately 24% 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 two tables reflect the performance of our two credit portfolios, net of unearned interest.

	Primary Portfolio			
	Twelve Months Ended July 31, 2001	Six Months Ended January 31, 2002	Twelve Months Ended January 31, 2003	Six Months Ended July 31, 2003
	(dollars in thousands)			
Total outstanding balance (period end)	$ 195,920	$ 220,228	$ 249,410	$ 257,981
Average total outstanding balance	$ 184,184	$ 198,400	$ 234,819	$ 251,861
Account balances over 60 days old (period end)	$ 8,980	$ 10,800	$ 13,267	$ 12,856
Percent of balances over 60 days old to total outstanding (period end)	4.6%	4.9%	5.3%	5.0%
Allowance for doubtful accounts (period end)	$ 7,019	$ 7,602	$ 8,722	$ 9,024
Percent allowance for doubtful accounts to total outstanding (period end)	3.6%	3.5%	3.5%	3.5%
Bad debt write-offs (net of recoveries)	$ 4,886	$ 2,691	$ 6,135	$ 3,602
Percent of write-offs (net) to average outstanding	2.7%	2.7%	2.6%	2.9%

	Secondary Portfolio			
	Twelve Months Ended July 31, 2001	Six Months Ended January 31, 2002	Twelve Months Ended January 31, 2003	Six Months Ended July 31, 2003
	(dollars in thousands)			
Total outstanding balance (period end)	$ 34,473	$ 41,925	$ 54,417	$ 53,586
Average total outstanding balance	$ 28,401	$ 34,779	$ 48,171	$ 54,788
Account balances over 60 days old (period end)	$ 1,694	$ 2,583	$ 3,737	$ 4,033
Percent of balances over 60 days old to total outstanding (period end)	4.9%	6.2%	6.9%	7.5%
Allowance for doubtful accounts (period end)	$ 1,082	$ 1,333	$ 1,853	$ 2,393
Percent allowance for doubtful accounts to total outstanding (period end)	3.1%	3.2%	3.4%	4.5%
Bad debt write-offs (net of recoveries)	$ 778	$ 463	$ 1,425	$ 710
Percent of write-offs (net) to average outstanding	2.7%	2.7%	3.0%	2.6%

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

	Twelve Months Ended July 31,					
	1999	2000	2001	Six Months Ended January 31, 2002	Twelve Months Ended January 31, 2003	Six Months Ended July 31, 2003
	(dollars in thousands)					
Beginning balance	$ 159,647	$ 187,354	$ 228,547	$ 271,846	$ 311,032	$ 362,076
New receivables financed	162,947	196,151	232,550	147,539	302,494	145,458
Revolving finance charges	4,850	5,124	5,210	2,509	4,818	2,228
Returns on account	(2,198)	(2,696)	(3,220)	(2,222)	(5,508)	(2,761)
Collections on account	(133,573)	(152,018)	(185,576)	(105,486)	(243,200)	(131,436)
Accounts charged off	(5,793)	(6,812)	(7,476)	(4,347)	(10,528)	(6,058)
Recoveries of charge-offs	1,474	1,444	1,811	1,193	2,968	1,745
Ending balance	187,354	228,547	271,846	311,032	362,076	371,253
Less unearned interest at end of period	(26,064)	(33,389)	(41,455)	(48,879)	(58,249)	(59,685)
Total portfolio managed, net	$ 161,290	$ 195,158	$ 230,391	$ 262,153	$ 303,827	$ 311,568

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 credit purchases, although we do not require that customers purchase this insurance from us. Approximately 79% of our credit customers purchase one or more of the credit insurance products we offer, and approximately 46% purchase all of the insurance products we offer. Commission revenues from the sale of credit insurance contracts represented approximately 2% of total net sales for fiscal 2003 and for the six months ended July 31, 2003.

Warranty Service. We provide warranty service for all of the products we sell and only for the products we sell. Customers purchase service maintenance agreements on products representing approximately 53% of our total retail sales for fiscal 2003. 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 offer 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. Renewal contracts are between the customer and our in-house service department. Under renewal contracts we bill our own self insurance reserve for the cost of the service work as products are repaired.

Of the 15,000 to 20,000 repairs that we perform each month, approximately 45% are covered under these service maintenance agreements, approximately 45% are covered by manufacturer warranties and the remainder are "walk-in" repairs from our customers. Revenues from the sale of service contracts represented approximately 9.4% of total net retail sales during fiscal 2003 and approximately 9% during the six months ended July 31, 2003.

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. The servers and our stores 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. We expect to expand the use of product scanning technology to help in inventory control at the retail store level within the next six to nine months.

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 AS/400 hardware system that runs on the OS/400 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.

In fiscal 2001, we installed a new Nortel telephone switch and state of the art Mosaix system predictive dialer, as well as a frame relay network and cable plant, to improve the efficiency of our collection and overall corporate communication efforts.

As part of our ongoing disaster recovery plan, we are currently implementing a secondary AS/400 system in two phases. In phase one, we installed a second back-up machine in our corporate office with the primary AS/400 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. The first phase provides “high availability” of the production processing environment. The second phase will add “disaster recovery” support through the relocation of the secondary AS/400 to another site geographically removed from our corporate office. The remainder of the functionality, synchronization of data and switch of production processing from primary to secondary, will continue to function as in the first phase. This configuration will also allow for more frequent system and software maintenance without disrupting normal production.

Competition

According to *Twice*, *This Week in Consumer Electronics*, 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 $15.2 billion and $101.5 billion, respectively, in 2002. The retail home appliance market is large and concentrated among a few major suppliers. Sears has been the leader in the retail home appliance market, with a market share among the top 100 retailers of approximately 37% in 2002, down from 40% in 2001. The consumer electronics market is highly fragmented. We estimate that the two largest consumer electronics superstore chains accounted for less than one-third of the total electronics sales attributable to the 100 largest retailers in 2002. 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 2002, 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 product knowledge, same day or next day delivery capabilities, proprietary in-house credit program, guaranteed low prices and product repair service.

Facilities

We currently operate 42 retail stores located in Texas and Louisiana. We lease 38 of these store locations. Our store leases typically have terms of 10 to 15 years, with renewal options. Most of these leases provide for periodic rent escalation upon renewal. We have executed leases for three additional store sites in the Dallas/Fort Worth area, and we plan to open these stores during the second half of fiscal 2004.

We lease warehouse facilities located in Houston, Texas (230,000 square feet), San Antonio, Texas (198,000 square feet) and Dallas, Texas (36,000 square feet). These leases have a term of two, five or 10 years with renewal options, and provide for periodic rent escalation upon renewal. We own warehouse facilities in Beaumont, Texas (110,000 square feet), Lafayette, Louisiana (47,000 square feet) and Austin, Texas (12,000 square feet).

We also lease a 108,500 square foot corporate headquarters facility located in Beaumont, Texas.

Most of our stores and facilities are pledged as collateral under our bank credit facility. The four retail stores that we own are subject to mortgages which are insignificant in amount.

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 July 31, 2003, we had approximately 1,800 full-time employees and 90 part-time employees, of which approximately 650 were store employees. We provide a comprehensive benefits package including health, life, long term disability, and dental insurance coverage as well as a 401(k) plan, paid vacation, sick pay and holiday pay. None of our employees are covered by collective bargaining agreements. We have never had a work stoppage, and we believe our employee relations are good.

Tradenames and Trademarks

We have applied for registration of the trademarks “Conn’s” and our logo.

Legal Proceedings

In December 2002, Martin E. Smith, as named plaintiff, filed a lawsuit against us in the state district court in Jefferson County, Texas, that attempts to create a class action for breach of contract and violations of state and

federal consumer protection laws arising from the terms of our service maintenance agreements. The lawsuit alleges an inappropriate overlap in the warranty periods provided by the manufacturers of our products and the periods covered by the service maintenance agreements that we sell. The lawsuit seeks unspecified actual damages as well as an injunction against our current practices and extension of affected service contracts. We believe that the warranty periods provided by our service maintenance agreements are consistent with industry practice. We believe that it is premature to predict whether class action status will be granted or, if it is granted, the outcome of this litigation.

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 operations.

MANAGEMENT

Directors and Executive Officers

Our directors and executive officers and their ages, positions and years of service with us, including their service with Conn Texas, are set forth in the following table.

Name	Age	Positions	Years of Service with Conn's
Thomas J. Frank, Sr.	63	Chairman of the Board and Chief Executive Officer	44
William C. Nylin, Jr.	60	President and Chief Operating Officer	11
C. William Frank	56	Executive Vice President and Chief Financial Officer	5
David R. Atnip	56	Senior Vice President and Secretary/Treasurer	11
Walter M. Broussard	43	Senior Vice President – Store Operations	18
Robert B. Lee, Jr.	55	Senior Vice President – Advertising	4
David W. Trahan	42	Senior Vice President – Merchandising	16
Marvin D. Brailsford	64	Director	*
Jon E. M. Jacoby	65	Director	*
Bob L. Martin	54	Director	*
Douglas H. Martin	50	Director	5
William T. Trawick	57	Director	7
Theodore M. Wright	41	Director	*

* Less than one year

Thomas J. Frank, Sr. was appointed as our Chairman of the Board and Chief Executive Officer in 1994. He has been employed by us for 44 years, has been a member of our board of directors since 1980 and has held every key management position within the organization, including responsibilities for distribution, service, credit, information technology, accounting and general operations. Mr. Frank and C. William Frank are brothers. Mr. Frank holds a B.A. degree in industrial arts from Sam Houston State University and attended graduate courses at Harvard University and Texas A&M University.

William C. Nylin, Jr. has served as our President and Chief Operating Officer since 1995. He became a member of our board of directors in 1993 and served in that capacity until September 2003. In addition to performing responsibilities as Chief Operating Officer, he has direct responsibility for credit granting and collections, information technology, distribution, service and training. From 1984 to 1995, Dr. Nylin held several executive management positions, including Deputy Chancellor and Executive Vice President of Finance and Operations at Lamar University. Dr. Nylin obtained his B.S. degree in mathematics from Lamar University and holds both a masters degree and a doctorate degree in computer sciences from Purdue University. He has also completed a post-graduate program at Harvard University.

C. William Frank has served as our Executive Vice President since October 2001 and as our Chief Financial Officer since joining us in 1997. He joined our board of directors in October 1997 and served in that capacity until September 2003. From 1992 to 1996, Mr. Frank served as Vice President and Chief Accounting Officer of Living Centers of America, a publicly-held provider of long term healthcare facilities. Mr. Frank and Thomas J. Frank, Sr. are brothers. Mr. Frank obtained his undergraduate degree in accounting from Lamar University and his M.B.A. from Pepperdine University.

David R. Atnip has served as our Senior Vice President since October 2001 and as our Secretary/Treasurer since 1997. He joined us in 1992 and served as Chief Financial Officer from 1994 to 1997. In 1995, he joined our board of directors and served in that capacity until September 2003. Mr. Atnip holds a B.B.A. in accounting from The University of Texas at Arlington and has over 20 years of financial experience in the savings and loan industry.

Walter M. Broussard has served as our Senior Vice President – Store Operations since October 2001. Mr. Broussard has served us in numerous retail capacities since 1985, including working on the sales floor as a sales consultant, store manager and district manager. He has over 24 years of retail sales experience. He attended Lamar University and has completed special study programs at Harvard University, Rice University and the University of Notre Dame.

Robert B. Lee, Jr. has served as our Senior Vice President – Advertising since October 2001. He joined us in 1999 as our Vice President – Advertising. His responsibilities include planning and implementing our $25 million advertising budget and our consumer research activities and validating geographical data for the site selection process. From 1990 until 1998, he was a partner in Ann Lee & Associates, a Beaumont-based advertising agency and public relations firm where he served as Chief Operating Officer. Mr. Lee obtained a B.B.A. from The University of Texas at Austin and completed a post-graduate program at the University of Notre Dame.

David W. Trahan has served as our Senior Vice President – Merchandising since October 2001. He has been employed by us since 1986 in various capacities, including sales, store operations and merchandising. He has been directly responsible for our merchandising and product purchasing functions, as well as product display and pricing operations, for the last three years. Mr. Trahan has completed special study programs at Harvard University, Rice University and Lamar University.

Marvin D. Brailsford has served as a director since September 2003. From 1996 until 2002, General Brailsford served as Vice President-Material Stewardship Project Manager for the U.S. government's Rocky Flats Environmental Technology Site where he was responsible for managing engineered systems and commodities purchasing. From 1992 to 1996, General Brailsford was president of the Brailsford Group, Inc., a management consulting company, and served as president of Metters Industries, Inc., an information technology and systems engineering company, during this time period. In 1992, he retired from the U.S. Army as a Lieutenant General, after 33 years of service, most recently where he served as Deputy Commanding General Materiel Readiness/Executive Director for Conventional Ammunition at the U.S. Materiel Command in Alexandria, Virginia. Since 1996, General Brailsford has served on the board of directors of Illinois Tool Works, Inc. and has been a member of its audit committee and chairman of its corporate governance committee. He also serves or has served on the boards of directors of various private and governmental entities. General Brailsford earned a B.S. degree in biology from Prairie View A & M University and a M.S. degree in bacteriology from Iowa State University. He is also a graduate of the Executive Program at the Graduate School of Business Administration, University of California at Berkley; Harvard University's John F. Kennedy School of Government; the U.S. Army Command and General Staff College; and the Army War College.

Jon E. M. Jacoby has served as a director since April 2003. Mr. Jacoby is a director of Stephens Group, Inc. and its wholly-owned subsidiary Stephens Inc. In September 2003, he retired as a Senior Executive Vice President of Stephens Inc., a wholly-owned subsidiary of Stephens Group, Inc., where he had been employed since 1963. His positions included Investment Analyst, Assistant to the President and Manager of the Corporate Finance Department and the Special Investments Department for Stephens Group, Inc. Mr. Jacoby serves on the board of directors of Delta and Pine Land Company, Power-One, Inc., Sanagamo BioSciences, Inc. and Eden Bioscience Corporation. He received his B.S. from the University of Notre Dame and his M.B.A. from Harvard Business School.

Bob L. Martin has served as a director since September 2003. Mr. Martin has over 31 years of retailing and merchandising experience. Prior to retiring from the retail industry in 1999, he headed the international operations of Wal-Mart International, Inc. for 15 years. From 1968 to 1983, Mr. Martin was responsible for technology services for Dillard's, Inc. He currently serves on the board of directors of Gap, Inc., Sabre Holdings Corporation and Edgewater Technology, Inc. He has experience as chairman of the corporate governance committee and has been a member of the audit and chairman of compensation committees of publicly held companies. Mr. Martin attended South Texas University and holds an honorary doctorate degree from Southwest Baptist University.

Douglas H. Martin has served as a director since 1998. Mr. Martin is an Executive Vice President of Stephens Group, Inc. and Stephens Inc., a wholly-owned subsidiary of Stephens Group, Inc., where he has been employed since 1981. He is responsible for the investment of the firm's capital in private companies. Mr. Martin serves as a member of the board of directors of numerous privately held companies. He received his B.A. in physics and economics from Vanderbilt University and his M.B.A. from Stanford University.

William T. Trawick has served as a director since September 2003. Since August 2000, he has served as Executive Director of NATM Buying Corporation where he oversees the administrative activities of the multi-billion dollar regional group purchasing program of which we are a member. He also functions as a consultant to our merchandising department on an ongoing basis. From September 1996 to July 1999, Mr. Trawick served as our Vice President of Merchandising and was responsible for all product purchasing, merchandising and store operations.

Theodore M. Wright has served as a director since September 2003. Mr. Wright has served as the President of Sonic Automotive, Inc., a New York Stock Exchange listed and Fortune 300 automotive retailer, since October 2002 and has served as one of its directors since 1997. Previously Mr. Wright served as its chief financial officer from April 1997 to April 2003. From 1995 to 1997, Mr. Wright was a Senior Manager in Deloitte & Touche LLP's Columbia, South Carolina office. From 1994 to 1995, he was a Senior Manager in Deloitte & Touche LLP's National Office of Accounting Research and SEC Services Department. Mr. Wright received a B.A. from Davidson College.

Each of our officers is elected annually by the board of directors to serve until his successor is elected or qualified or until the earlier of his resignation, removal or death.

Board of Directors

Our board of directors consists of seven directors, four of whom are independent directors. Our certificate of incorporation provides for a board of directors to be divided into three classes, whose current terms expire at the annual meetings of the stockholders to be held in 2004, 2005 and 2006. Marvin D. Brailsford and William T. Trawick are Class I directors whose terms expire in 2004; Bob L. Martin and Jon E. M. Jacoby are Class II directors whose terms expire in 2005; and Thomas J. Frank, Sr., Douglas H. Martin and Theodore M. Wright are Class III directors whose terms expire in 2006. At each annual meeting of the stockholders beginning in fiscal 2005, the successors to the directors whose terms will expire will be elected to serve for three year terms. In addition, our certificate of incorporation provides that the authorized number of directors may be changed only by resolution of a majority of the board of directors. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes such that, as nearly as possible, each class will consist of one-third of the directors.

Compensation of Directors

We pay each of our non-employee directors a $5,000 annual retainer, $1,000 for each board meeting attended and $750 for each committee meeting attended. In addition, we reimburse all directors for expenses incurred in connection with attendance at board or committee meetings.

We adopted the 2003 Non-Employee Director Stock Option Plan in February 2003, subject to the completion of this offering. The plan is administered by the board of directors. Only non-employee directors are eligible grantees. Upon the closing of this offering, we will grant each of our then-current non-employee directors an option to purchase 40,000 shares of our common stock, and we will grant an option to purchase 40,000 shares of our common stock to any new board member. We will also grant our non-employee directors an option to purchase an additional 10,000 shares following each annual stockholders meeting on and after the fourth anniversary of each non-employee director's initial election or appointment to the board of directors. All options issued to non-employee directors vest equally over a four year period. The board of directors has

reserved 300,000 shares for issuance upon the exercise of options granted under the plan, subject to adjustment. The exercise price of each option is equal to the fair market value of our common stock at the time the option is granted. The options have a term of up to ten years. Upon a change in control or sale of the company, optionees have special vesting and exercise rights.

Board Committees

The board of directors has established an audit committee, a compensation committee and a real estate committee. Marvin D. Brailsford, Bob L. Martin and Theodore M. Wright serve on our audit committee. Jon E. M. Jacoby, Douglas H. Martin and Thomas J. Frank, Sr. serve on our compensation committee. Thomas J. Frank, Sr. and Douglas H. Martin serve on our real estate committee. The audit committee selects the independent accountants to audit our annual financial statements and will establish the scope of, and oversee, the annual audit and approve any non-audit services provided by our independent accountants. The compensation committee makes recommendations to the board of directors regarding the approval of employment agreements, management and consultant employment and approves executive compensation. The real estate committee approves all real estate lease transactions that have a term longer than five years and all capital expenditures in excess of $0.5 million for a single property or project.

Our audit committee consists of three directors who meet all requirements imposed by the rules and regulations of the Securities and Exchange Commission and the Nasdaq National Market. The audit committee is comprised of three independent directors, each of whom is able to read and understand fundamental financial statements, including a balance sheet, income statement and statement of cash flows. In addition, Theodore M. Wright serves as our audit committee financial expert. In keeping with the Nasdaq National Market's listing requirements, our board of directors has adopted a charter for the audit committee, and we will file this charter at least every three years as an appendix to the annual proxy statement that we will file with the SEC.

Compensation Committee Interlocks and Insider Participation

Our compensation committee consists of Jon E. M. Jacoby, Douglas H. Martin and Thomas J. Frank, Sr. Mr. Frank also serves as our Chief Executive Officer. None of our executive officers serves as a member of the board of directors or compensation committee of any other company that has one or more of its executive officers serving as a member of our board of directors or compensation committee. See "Certain Relationships and Related Transactions."

Executive Compensation

Summary Compensation Table

The following table sets forth information concerning all cash and non-cash compensation earned by our Chief Executive Officer and our four other most highly compensated executive officers for the fiscal year ended January 31, 2003. We sometimes refer to these five executive officers as our "named executive officers."

Name and Position	Annual Compensation		All Other Compensation
	Salary	Bonus	Company Contributions to 401(k) Plan
Thomas J. Frank, Sr. Chairman of the Board and Chief Executive Officer	$ 480,000	$ 822,750	$ 11,198
William C. Nylin, Jr. President and Chief Operating Officer	$ 250,000	$ 266,000	$ 11,243
C. William Frank Executive Vice President and Chief Financial Officer	$ 250,000	$ 230,000	$ 12,258
David W. Trahan Senior Vice President-Merchandising	$ 180,000	$ 168,500	$ 9,730
Walter M. Broussard Senior Vice President-Store Operations	$ 144,000	$ 153,000	$ 8,388

Employment Agreements

We have employment agreements with Thomas J. Frank, Sr., our Chairman of the Board and Chief Executive Officer, William C. Nylin, Jr., our President and Chief Operating Officer, C. William Frank, our Executive Vice President and Chief Financial Officer, and David R. Atnip, our Senior Vice President and Secretary/Treasurer. Under the terms of these employment agreements, each of our executive officers is entitled to payment of an annual salary plus a bonus based upon attainment of performance goals determined by our compensation committee, to participate in our employee benefit plans and to receive options to purchase shares of our common stock. In the event that we terminate the executive officer's employment other than for cause or we do not renew the employment agreement when it expires, we are obligated to pay the officer severance in an amount equal to the executive officer's annual base salary. All of our executive officers' employment agreements with us contain confidentiality and other customary provisions.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

The following table provides certain information with respect to options to purchase common stock held by our named executive officers as of January 31, 2003. None of these options have been exercised, and none of the options issued were in-the-money as of January 31, 2003. We did not grant any stock options to our named executive officers during fiscal 2003.

Name	Number of Securities Underlying Unexercised Options at Fiscal Year-End	
	Exercisable	Unexercisable
William C. Nylin, Jr.	5,600	22,470
C. William Frank	33,950	65,730
Walter M. Broussard	18,200	27,300

Employee Equity Incentive Plans

Amended and Restated 2003 Incentive Stock Option Plan. In February 2003, we adopted our Amended and Restated 2003 Incentive Stock Option Plan, subject to the completion of this offering. The plan is administered by the compensation committee of our board of directors. Our employees and employees of our subsidiaries, subject to certain exclusions, are eligible to participate in the plan. Option grants are made within the discretion of the compensation committee. Options may be granted for such terms as the compensation committee may determine, but not for terms greater than ten years from the date of grant. The maximum number of shares of our common stock that may be issued under this plan is 2,559,767 shares, subject to adjustment. All options issued vest equally over a five year term. As of July 31, 2003, there were options to purchase 1,223,890 shares of Conn Texas common stock outstanding under the predecessor plan. Each of these options will be assumed by us pursuant to the terms of the reorganization to be effected immediately prior to the closing of this offering, and the exercise price per share of each outstanding option will remain the same.

Employee Stock Purchase Plan. In February 2003, we adopted our Employee Stock Purchase Plan, subject to the completion of this offering. The plan is administered by the compensation committee of our board of directors. Our employees and employees of our subsidiaries, subject to certain exclusions, are eligible to participate in the plan. Eligible employees are able to purchase shares of our common stock without brokerage commissions and at a discount from market prices. The maximum number of shares of our common stock that may be issued under this plan is 1,267,085 shares, subject to adjustment.

401(k) Plan. We have a defined contribution 401(k) plan for our full time employees and the employees of our subsidiaries who are least 21 years old and have completed one year of service, working 1,000 hours in the 12-month period. Employees may contribute up to 15% of their compensation to the plan, and we will match up to 100% of the first 3% and up to 50% of the next 2% contributed by the employee. At our option, we may also make supplemental contributions to the plan. During fiscal 2000, fiscal 2001, the six month fiscal period ended January 31, 2002, fiscal 2003 and the six months ended July 31, 2003, we contributed approximately $0.8 million, $1.0 million, $0.5 million, $1.1 million, and $0.6 million, respectively, to the 401(k) plan.

Restricted Stock Agreements

Conn Texas issued restricted common stock to certain of its directors and executive officers pursuant to restricted stock agreements dated July 21, 1998. The restricted stockholders are subject to transfer restrictions and forfeiture provisions in the event of termination prior to the date that their restricted stock becomes fully vested. Pursuant to the terms of the restricted stock agreements, Conn Texas has a right of first refusal prior to the transfer of any restricted shares. In the event of any termination of a restricted stockholder, Conn Texas has an option to purchase any or all of the restricted shares. The shares of common stock to be issued in exchange for shares of Conn Texas common stock in connection with the reorganization will be subject to the terms of the restricted stock agreements. The terms of our bank credit facility restrict our ability to purchase our common stock pursuant to these restricted stock agreements.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Specialized Realty Development Services, L.P.

Specialized Realty Development Services, LP, or SRDS, is owned by certain members of our management and the SGI Affiliates who are also our stockholders. SRDS was established to acquire, develop and lease real estate for our benefit. The capital contributed by the general partner and limited partners of SRDS and each partner's ownership interest are presented in the following table.

	Capital Contributed	Ownership Interest
General Partner – SRDS, LLC (1)	$ 12,500	1.0%
Limited Partners – Management		
Thomas J. Frank, Sr.	168,750	13.5
Larry W. Coker	106,250	8.5
William C. Nylin, Jr.	90,625	7.3
C. William Frank	90,625	7.3
David R. Atnip	62,500	5.0
David Trahan	25,000	2.0
Walter M. Broussard	25,000	2.0
Timothy L. Frank	25,000	2.0
Robert B. Lee, Jr.	25,000	2.0
Limited Partners - SGI Affiliates (2)	618,750	49.5
Total	$ 1,250,000	100.0%

(1) SRDS, LLC is owned 50% by Thomas J. Frank, Sr. and 50% by Douglas H. Martin.
(2) Consists of interests held by certain of the SGI Affiliates.

In order to encourage these members of management and the SGI Affiliates to invest in SRDS, we entered into an arrangement with SouthTrust Bank, NA under which we guaranteed the construction debt of SRDS during the construction of these projects. As of July 31, 2003, four of the six projects SRDS is responsible for developing were operational and the amount of outstanding indebtedness we guaranteed during the construction period had been reduced to zero. We do not have any current obligation to guarantee additional SRDS construction debt, and we do not intend to guarantee any SRDS construction debt in the future.

We have leased each completed project from SRDS as a retail store location for an initial period of 15 years. At the time each lease was executed, our guarantee for that portion of the real estate loan was released and the lease then served as collateral for the loan. SRDS charges us annual lease rates of approximately 11.5% of the total cost of each project, which averages approximately $350,000 per project per year. In addition, we are responsible for the payment of all property taxes, insurance and common area maintenance expenses, which average approximately $70,000 per project per year. We are required to fund all leasehold improvements made to the buildings. Based on independent appraisals performed on each project, we believe that the terms of the leases are generally more favorable than we could obtain in an arms' length transaction. SRDS pays us an annual management fee of $5,000 for administrative services that we provide to SRDS.

Lease Arrangement

Since 1996, we have leased one of our Houston, Texas store locations containing approximately 19,150 square feet 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 $6,200 per month 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 2000

and fiscal 2001, $141,000 in the six month fiscal period ended January 31, 2002, $281,000 in fiscal 2003, and $141,000 for the six months ended July 31, 2003. Based on current 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.

Related Employees

Mr. John J. Frank, the father of Thomas J. Frank, Sr. and C. William Frank, manages our used appliance disposal program on an independent contractor basis. We paid him a total of $63,966 in fiscal 2000, $72,524 in fiscal 2001, $49,470 in the six month fiscal period ended January 31, 2002, $77,683 in fiscal 2003, and $45,362 for the six months ended July 31, 2003. We also employ Timothy L. Frank, the son of Thomas J. Frank, Sr., as our Vice President of Direct Marketing. We paid him a salary and bonus of $143,332 in fiscal 2000, $203,330 in fiscal 2001, $60,000 in the six month fiscal period ended January 31, 2002, $210,000 in fiscal 2003, and $135,000 for the six months ended July 31, 2003. We also employ Jon Steven Frank, the son of C. William Frank, as our Director of Telemarketing. We paid him a salary and bonus of $34,225 during fiscal 2003 and $47,482 during the six months ended July 31, 2003.

Independent Contractor

William T. Trawick has served as a member of our board of directors since September 2003 and has served as an advisory director of Conn Texas since August 1999. In addition to the fees paid to Mr. Trawick in his capacity as a director, we paid him consulting fees in the amount of $60,000 in fiscal 2000 and fiscal 2001, $30,000 in the six month fiscal period ended January 31, 2002, $60,000 in fiscal 2003, and $30,000 during the six months ended July 31, 2003. Mr. Trawick is also the President and Executive Director of NATM Buying Corporation, a national buying group representing nine regional retailers, including us, in the appliance and electronics industry. NATM coordinates the buying and merchandising strategies for its member retailers. We recorded expenses of cash payments to NATM for membership dues of $83,000 in fiscal 2000 and fiscal 2001, $41,500 in the six months ended January 31, 2002, $83,000 in the twelve months ended January 31, 2003 and $42,000 in the six months ended July 31, 2003.

Redemption of Conn Texas Preferred Stock

Conn Texas purchased 35,149 shares of its preferred stock in May 2001, pursuant to a redemption offer made pro rata to all holders of Conn Texas preferred stock. The aggregate purchase price for all shares redeemed was approximately $4.0 million, which represents the par value of the purchased shares plus accumulated but unpaid dividends through the date of the redemption. Certain of our directors and executive officers and certain of the SGI Affiliates elected to participate in the redemption, as reflected in the following table.

	Shares Redeemed	Purchase Price	Par Value of Shares Redeemed	Accumulated Dividends
SGI Affiliates	26,367	$ 3,020,750	$ 2,298,674	$ 722,075
Thomas J. Frank, Sr.	3,831	438,190	333,987	104,203
William C. Nylin, Jr.	95	10,866	8,282	2,584
David W. Trahan	212	24,249	18,482	5,767
Walter M. Broussard	83	9,494	7,236	2,258
David R. Atnip	141	16,128	12,292	3,836
Jon E. M. Jacoby	1,428	163,592	124,493	39,099
Douglas H. Martin	761	87,180	66,344	20,836

Stock Transaction

On January 10, 2003, Thomas J. Frank, Sr., our Chairman of the Board and Chief Executive Officer, sold 490,000 shares of Conn Texas common stock to Stephens Group, Inc. for $4.9 million in cash.

Redemption of our Preferred Stock

Immediately after the closing of this offering, we will redeem all of the outstanding shares of our preferred stock pursuant to the mandatory redemption feature of our preferred stock. These preferred shares will be issued in the Delaware reorganization on a share-for-share basis in exchange for the outstanding Conn Texas preferred stock. In response to the call for redemption of our preferred stock, each holder of our preferred stock will have the option to redeem his or her preferred stock for either:

- cash in an amount equal to $87.18 per share, the initial issue price of the Conn Texas preferred stock, plus accrued and unpaid dividends at the time of the redemption, which will equal approximately $58.37 per share as of November 30, 2003; or
- a number of shares of our common stock with a value, based on the initial public offering price, equal to the cash redemption price.

Thomas J. Frank, Sr., Stephens Group, Inc., Stephens Inc. and the SGI Affiliates have indicated that they will elect to receive common shares for the 162,753 shares of Conn Texas preferred stock they hold, which we will redeem for an aggregate of approximately shares of our common stock. Our other executive officers and directors, excluding Douglas H. Martin and Jon E. M. Jacoby, who are included in the SGI Affiliates, own an aggregate of 1,963 shares of Conn Texas preferred stock and will receive an aggregate maximum of either $285,715 in cash, or shares of our common stock in the redemption, depending upon their respective elections. See “Principal and Selling Stockholders.”

PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth information concerning shares of Conn Texas common stock and preferred stock beneficially owned (1) as of July 31, 2003; and (2) as adjusted to reflect the sale of shares in this offering and the related transactions described below, by:

- our directors;
- our named executive officers;
- all of our executive officers and directors as a group;
- each stockholder known by us to be the beneficial owner of more than 5% of Conn Texas common stock or preferred stock; and
- the selling stockholder.

The address of each of our named executive officers is 3295 College Street, Beaumont, Texas 77701.

Unless otherwise indicated, each person has sole voting and investment power with respect to the shares shown as beneficially owned by that person. The number of shares of our common stock beneficially owned by a person includes shares of common stock issuable with respect to options held by the person that are exercisable on or within 60 days after July 31, 2003. We have calculated the percentage of our common stock beneficially owned by a person assuming that the person has exercised all such options and that no other persons have exercised any options or redeemed any preferred stock.

The data under the heading “Shares Beneficially Owned Prior to the Offering” reflects beneficial ownership of Conn Texas common stock and preferred stock as of July 31, 2003. These common and preferred shares will be exchanged on a share-for-share basis for our common and preferred shares in the Delaware reorganization immediately prior to the closing of this offering. The column entitled “Shares of Common Stock Beneficially Owned After the Offering” reflects beneficial ownership of our common stock after giving effect to (1) this offering and (2) the mandatory redemption of our preferred stock immediately after the closing of this offering, assuming that all of the preferred stockholders elect to redeem their preferred stock for cash except Thomas J. Frank, Sr., Stephens Group, Inc., Stephens Inc. and the SGI Affiliates (including Jon E. M. Jacoby and Douglas H. Martin), all of whom we expect will elect to redeem their preferred stock for shares of common stock.

Thomas J. Frank, Sr. is selling shares of common stock in this offering.

	Shares Beneficially Owned Prior to the Offering				Shares of Common Stock Beneficially Owned After the Offering	
	Common Stock		Preferred Stock(1)			
Name	Number	Percentage	Number	Percentage	Number	Percentage
Stephens Group, Inc., Stephens Inc., and the SGI Affiliates(2)	12,189,843	72.9%	134,971	77.3%	(3)	
Stephens Group, Inc.	490,000	2.9%	51,127	29.3%	(3)	
Stephens Inc.	—	0.0%	14,351	8.2%	(3)	
Warren A. Stephens	3,753,894(4)	22.5%	25,147(5)	14.4%	(3)	
W.R. Stephens, Jr.	3,328,950(6)	19.9%	3,527(7)	2.0%	(3)	
Elizabeth Stephens Campbell	3,079,677(8)	18.4%	3,431(9)	2.0%	(3)	
Pamela Dianne Stephens Trust One	1,664,510	10.0%	1,763	1.0%	(3)	
Jackson T. Stephens	—	0.0%	20,017(10)	11.5%	(3)	
Bess C. Stephens	227,775(11)	1.4%	20,017(12)	11.5%	(3)	
Jon E. M. Jacoby	2,957,121(13)	17.7%	7,270(14)	4.2%	(3)	
Douglas H. Martin	160,580(15)	1.0%	1,914(15)	1.1%	(3)	
All other SGI Affiliates	1,017,639	6.1%	9,950	5.7%	(3)	

Name	Shares Beneficially Owned Prior to the Offering				Shares of Common Stock Beneficially Owned After the Offering	
	Common Stock		Preferred Stock(1)			
	Number	Percentage	Number	Percentage	Number	Percentage
Thomas J. Frank, Sr.	1,260,000	7.5%	19,252	11.0%		
William C. Nylin, Jr.	354,158(16)	2.1%	479	*		
C. William Frank	276,192(17)	1.6%	—	—		
David W. Trahan	194,530(18)	1.2%	1,067	*		
Walter M. Broussard	112,700(19)	*	417	*		
Marvin D. Brailsford(20)	—	—	—	—		
Bob L. Martin(21)	—	—	—	—		
William T. Trawick(22)	75,390	*	—	—		
Theodore M. Wright(23)	—	—	—	—		
All directors and executive officers as a group (13 persons) (16)(17)(18)(19)	14,525,813	86.8%	156,897	89.8%		

* Less than 1%

(1) We will redeem all of our preferred stock immediately after the closing of this offering. Each holder of our preferred stock will have the option to redeem each share of preferred stock held for approximately shares of our common stock, assuming an initial public offering price of $ and a liquidation value (initial issue price plus accumulated and unpaid dividends) of our preferred stock of $145.55 as of November 30, 2003.

(2) The principal stockholders of Stephens Group, Inc. are the Jackson T. Stephens Trust No. One UID 1/4/88 and the Bess C. Stephens Trust UID 1/4/85. Warren A. Stephens is a director and an officer of Stephens Group, Inc. and its subsidiary Stephens Inc. W.R. Stephens, Jr. is a director and an officer of Stephens Group, Inc. and Stephens Inc. Mr. Jacoby is a director of Stephens Group, Inc. and Stephens Inc. Mr. Martin is an officer of Stephens Group, Inc. Jackson T. Stephens is Chairman of the Board of Directors and Bess C. Stephens is a director of Stephens Group, Inc. The address of each of the above named persons is c/o Stephens Group, Inc., 111 Center Street, Little Rock, Arkansas 72201.

(3) These shares will be contributed to a voting trust agreement prior to the completion of the offering and will be held and voted by an independent third party, James Sommers, as voting trustee. The voting trust will vote such shares in the same proportion as votes cast “for” or “against” those proposals by all other stockholders. The voting trust agreement will also impose substantial limitations on the sale or other disposition of the shares subject to the voting trust. The voting trust agreement will expire in October 2013 or such earlier time as Stephens Inc. ceases to be an affiliate of ours or a market maker of our common stock. The address of the trustee of this voting trust is 237 Cherokee Road, Charlotte, North Carolina 28207.

(4) Includes 2,019,526 shares owned by Warren A. Stephens Trust, 3,920 shares owned by Warren Miles Amerine Stephens Trust, 3,920 shares owned by John Calhoun Stephens Trust, and 3,920 shares owned by Laura Whitaker Stephens Trust as to which Mr. Stephens has sole power to vote and sole power of disposition; also includes 765,100 shares owned by Grandchild’s Trust #2 as to which Mr. Stephens, as a co-trustee, has shared power to vote and shared power of disposition, 789,100 shares owned by Harriet C. Stephens Trust and 168,498 shares owned by Warren A. Stephens Grantor Trust. Does not include shares owned by Stephens Group, Inc. or any of its affiliates, except as mentioned in this footnote.

(5) Includes 5,004 shares owned by Warren A. Stephens Trust, 42 shares owned by Warren Miles Amerine Stephens Trust, 42 shares owned by John Calhoun Stephens Trust, and 42 shares owned by Laura Whitaker Stephens Trust as to which Mr. Stephens has sole power to vote and sole power of disposition; also includes 20,017 shares owned by Jackson T. Stephens Trust No. 1, as to which Mr. Stephens, as a co-trustee, has shared power to vote and shared power of disposition. Does not include shares owned by Stephens Group, Inc. or any of its affiliates, except as mentioned in this footnote.

(6) Includes 1,345,167 shares owned by W.R. Stephens, Jr. Revocable Trust as to which Mr. Stephens has sole power to vote and sole power of disposition; also includes 227,775 shares owned by W.R. Stephens, Jr. Children’s Trust, 38,990 shares held by W.R. Stephens III, 38,990 shares held by Arden Stephens and 1,664,510 shares held by Pamela D. Stephens Trust One as to which Mr. Stephens, as a co-trustee or otherwise, has shared power to vote and shared power of disposition and 13,519 shares owned by Carol

Stephens. Does not include shares owned by Stephens Group, Inc. or any of its affiliates, except as mentioned in this footnote.

(7) Includes 1,668 shares owned by W.R. Stephens, Jr. Revocable Trust as to which Mr. Stephens has sole power to vote and sole power of disposition; also includes 48 shares held by W.R. Stephens III, 48 shares held by Arden Stephens and 1,763 shares held by Pamela D. Stephens Trust One as to which Mr. Stephens, as a co-trustee or otherwise, has shared power to vote and shared power of disposition. Does not include shares owned by Stephens Group, Inc. or any of its affiliates, except as mentioned in this footnote.

(8) Includes 1,415,167 shares owned by Elizabeth S. Campbell Revocable Trust as to which Ms. Campbell has sole power to vote and sole power of disposition; also includes 1,664,510 shares owned by Pamela D. Stephens Trust One, as to which Ms. Campbell, as a co-trustee, has shared power to vote and shared power of disposition.

(9) Includes 1,668 shares owned by Elizabeth S. Campbell Revocable Trust as to which Ms. Campbell has sole power to vote and sole power of disposition; also includes 1,763 shares owned by Pamela D. Stephens Trust One, as to which Ms. Campbell, as a co-trustee, has shared power to vote and shared power of disposition.

(10) Includes 20,017 shares owned by Jackson T. Stephens Trust No. One as to which Mr. Stephens, as a co-trustee, has shared power to vote and shared power of disposition. Does not include shares owned by Stephens Group, Inc. or any of its affiliates, except as mentioned in this footnote.

(11) Includes 227,775 shares owned by W.R. Stephens, Jr. Children's Trust as to which Ms. Stephens, as a co-trustee, has shared power to vote and shared power of disposition.

(12) Includes 20,017 shares owned by Bess C. Stephens Trust as to which Ms. Stephens has sole power to vote and sole power of disposition. Does not include shares owned by Stephens Group, Inc. or any of its affiliates, except as mentioned in this footnote.

(13) Includes 602,210 shares owned by Mr. Jacoby, 168,498 shares owned by Warren A. Stephens Grantor Trust, 1,018,124 shares owned by Warren & Harriet Stephens Children's Trust, 51,282 shares owned by Warren Miles Amerine Stephens 95 Trust, 51,282 shares owned by John Calhoun Stephens 95 Trust, and 51,282 shares owned by Laura Whitaker Stephens 95 Trust as to which Mr. Jacoby has sole power to vote and sole power of disposition; also includes 765,100 shares owned by Grandchild's Trust #2 and 249,344 shares owned by MAM International Holdings, Inc., as to which Mr. Jacoby, as a co-trustee or otherwise, has shared power to vote and shared power of disposition. Does not include shares owned by Stephens Group, Inc. or any of its affiliates, except as mentioned in this footnote.

(14) Includes 7,175 shares as to which Mr. Jacoby has sole power to vote and sole power of disposition; also includes 95 shares owned by MAM International Holdings, Inc., as to which Mr. Jacoby has shared power to vote and shared power of disposition. Does not include shares owned by Stephens Group, Inc. or any of its affiliates, except as mentioned in this footnote.

(15) Does not include shares owned by Stephens Group, Inc. or any of its affiliates.

(16) Includes 302,930 restricted shares of common stock and options to purchase 11,228 shares of common stock. Pursuant to a Restricted Stock Agreement dated July 21, 1998, the restricted shares are subject to transfer limitations and forfeiture of unvested shares in the event of termination of employment.

(17) Includes 222,320 restricted shares of common stock and options to purchase 53,872 shares of common stock. Pursuant to a Restricted Stock Agreement dated July 21, 1998, the restricted shares are subject to transfer limitations and forfeiture of unvested shares in the event of termination of employment.

(18) Includes 105,000 restricted shares of common stock. Pursuant to a Restricted Stock Agreement dated July 21, 1998, the restricted shares are subject to transfer limitations and forfeiture of unvested shares in the event of termination of employment.

(19) Includes 59,500 restricted shares of common stock and options to purchase 18,200 shares of common stock. Pursuant to a Restricted Stock Agreement dated July 21, 1998, the restricted shares are subject to transfer limitations and forfeiture of unvested shares in the event of termination of employment.

(20) Mr. Brailsford's address is 7445 Prestwick Circle, Beaumont, Texas 77007.

(21) Mr. Martin's address is 30 Pinnacle Drive, Rogers, Arkansas 72758.

(22) Mr. Trawick's address is 22 Highwood Road, Sutauket, New York 11733.

(23) Mr. Wright's address is 5401 East Independence Boulevard, Charlotte, North Carolina 28212.

DESCRIPTION OF CAPITAL STOCK

The following description summarizes the most important terms of our capital stock. Because it is only a summary, it does not contain all of the information that may be important to you. For a complete description, you should refer to our certificate of incorporation and bylaws, which we have filed as exhibits to the registration statement of which this prospectus is a part, as well as the relevant portions of the Delaware General Corporation Law.

Our authorized capital stock consists of 40,000,000 shares of common stock, par value $0.01 per share, and 1,000,000 shares of preferred stock, par value $0.01 per share. There currently are 1,000 shares of our common stock and no shares of our preferred stock issued and outstanding.

Immediately prior to the closing of this offering, we will effect the Delaware reorganization pursuant to which the common and preferred stock of Conn Texas will be exchanged on a share-for-share basis for shares of our common and preferred stock. Upon completion of the Delaware reorganization and prior to the issuance of shares of common stock in this offering, there will be 16,719,990 shares of our common stock and 174,648 shares of our preferred stock issued and outstanding. After this offering, there will be shares of our common stock outstanding, or shares if the underwriters exercise their over-allotment option in full, after giving effect to the conversion of 162,753 shares of our preferred stock into common stock and our redemption of 11,895 shares of preferred stock for cash upon completion of this offering. See " – Preferred Stock."

The preferred stockholders of Conn Texas are entitled to receive cumulative, compounded dividends at a rate of 10% per year on the $87.18 initial issue price of the Conn Texas preferred stock. Dividends are not payable until declared by the board of directors. The board of directors of Conn Texas has declared a dividend equal to the total arrearages, payable only upon completion of this offering. We will assume the obligation to pay this dividend pursuant to the Delaware reorganization. The holders of preferred stock have no voting rights, except that a majority vote of the preferred stockholders is required to amend the terms of the preferred stock, change the authorized number of shares of preferred stock, exchange or cancel all or part of the preferred stock or create a new class of stock senior to the preferred stock.

Common Stock

The holders of our common stock, subject to any rights that may be granted to any preferred stockholders, elect all directors and are entitled to one vote per share on all other matters coming before a stockholders' meeting. Our common stock has no cumulative voting rights. Accordingly, the holders of a majority of the shares of common stock entitled to vote in any election of directors can elect all of the directors standing for election, if they so choose. All shares of common stock participate equally in dividends when and as declared by the board of directors and in net assets on liquidation. The shares of common stock have no preemptive rights to participate in future stock offerings.

Preferred Stock

The terms of our preferred stock to be issued in the Delaware reorganization are essentially the same as the terms of the Conn Texas preferred stock discussed above, except that our preferred stock is subject to mandatory redemption upon the closing of an initial public offering. Immediately after the closing of this offering and prior to the payment of the dividend declared by the board of directors of Conn Texas, we will redeem all outstanding shares of our preferred stock. The preferred stockholders may elect to receive in the redemption either: (1) cash in an amount equal to the par value of the preferred stock plus the dividends accumulated through the date of the redemption, whether or not declared; or (2) a number of shares of common stock with a value (at the initial public offering price) equal to the cash redemption price. Assuming an initial public offering price of $ per share and the closing of the initial public offering on November 30, 2003, each holder of the preferred stock may elect to receive in the redemption either cash of $145.55 per share of preferred stock or approximately

shares of common stock per share of preferred stock. We will pay cash in lieu of fractional shares based on the fair market value of our common stock. After the redemption of our preferred stock, the preferred stock will be cancelled.

Our board of directors is authorized to issue preferred stock from time to time in the future, without stockholder approval, in such series and with such preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications or other provisions as may be fixed by the board of directors in the resolution authorizing their issuance. The issuance of preferred stock by the board of directors could adversely affect the rights of holders of shares of common stock. For example, the issuance of preferred stock could result in a class of securities outstanding that would have certain preferences with respect to dividends and liquidation over the common stock and could result in a dilution of the voting rights of the common stock. Further, the issuance of preferred stock could decrease the amount of earnings and assets available for distribution to holders of common stock and may have the effect of delaying, deferring or preventing a change in control of our company. We have no agreements or understandings for the issuance of any shares of preferred stock, other than in connection with the Delaware reorganization.

Anti-Takeover Provisions of Delaware Law and our Charter

Some provisions of Delaware law and our certificate of incorporation and bylaws could make the following transactions more difficult:

- acquisition of us by means of a tender offer;
- acquisition of us by means of a proxy contest or otherwise; or
- removal of our incumbent officers and directors.

These provisions, summarized below, are intended to encourage persons seeking to acquire control of us to first negotiate with our board of directors. These provisions also serve to discourage hostile takeover practices and inadequate takeover bids. We believe that these provisions are beneficial because the negotiation they encourage could result in improved terms of any unsolicited proposal.

Delaware Anti-Takeover Statute. We are subject to Section 203 of the Delaware General Corporation Law. In general, the statute prohibits a publicly-held Delaware corporation from engaging in any "business combination" with any person deemed to be an "interested stockholder" for a period of three years following the date that the stockholder became an interested stockholder unless:

- prior to the date that the person became an interested stockholder, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding those shares owned by persons who are directors and also officers and by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- on or subsequent to the date that the person became an interested stockholder, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders by the affirmative vote of at least two-thirds of the outstanding voting stock not held by the interested stockholder.

Section 203 defines "business combination" to include:

- any merger or consolidation involving the corporation and the interested stockholder;

- any sale, lease, transfer, pledge or other disposition involving the interested stockholder of 10% or more of the assets of the corporation;
- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation which directly or indirectly materially increases the proportionate share of stock owned by the interested stockholder; or
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an interested stockholder as any person beneficially owning 15% or more of the outstanding voting stock of the corporation and any person controlling, controlled by or under common control with that person.

Classification of the Board of Directors; Removal and Replacement. Our board of directors is divided into three classes of directors, with each class as nearly equal in number as possible, serving staggered three-year terms. This does not include directors who may be elected by holders of preferred stock. As a result, approximately one-third of our board of directors will be elected each year. The classified board of directors provision helps to assure the continuity and stability of our board of directors and our business strategies and policies as determined by our board of directors. The classification of the board of directors could delay stockholders who do not like the policies of our board of directors from electing a majority of our board of directors for two years. A majority of our board of directors may remove a director with or without cause, and any vacancy resulting from such a removal, or from an increase in the number of directors, may be filled only by a majority of our board of directors. The approval of 75% of our stockholders is required to remove a director, and directors may only be removed by our stockholders for cause. See "Management—Board of Directors."

No Stockholder Action by Written Consent; Special Meetings. Any action required or permitted to be taken by our stockholders must be effected at a duly called annual or special meeting of stockholders and may not be effected by written consent without a meeting unless approved in advance by our board of directors. Special meetings of our stockholders for any purpose or purposes may be called only by our chairman of the board, our president or by a majority of our board of directors.

Advance Notice Procedures. Our bylaws establish an advance notice procedure for stockholders to make nominations of candidates for election as directors and to bring other business before an annual meeting of our stockholders. For notice of stockholder nominations to be timely, the notice must be received by our secretary not later than the close of business on the 90th calendar day, nor earlier than the close of business on the 120th calendar day, prior to the first anniversary of the date of the preceding year's proxy statement in connection with the preceding year's annual meeting. In addition to these procedures, a stockholder's notice proposing to nominate a person for election as a director or relating to the conduct of business other than the nomination of directors must contain specified information. Otherwise, the chairman of a meeting may determine that an individual was not nominated or the other business was not properly brought before the meeting.

Amendment. The affirmative vote of the holders of at least 75% of the outstanding shares, voting together as a single class, is required to amend provisions of our certificate of incorporation and bylaws relating to stockholder action without a meeting; the calling of special meetings; the number, election and term of the directors; the filling of vacancies; and the removal of directors.

Limitation of Liability of Directors and Indemnification Agreements

Our certificate of incorporation provides that to the fullest extent permitted by Delaware law, our directors will not be liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director. Under Delaware law, liability of a director may not be limited:

- for any breach of the director's duty of loyalty to us or our stockholders;
- for any act or omission not in good faith or involving intentional misconduct or a knowing violation of law;
- in respect of certain unlawful dividend payments or stock redemptions or repurchases; and
- for any transaction from which the director derives an improper personal benefit.

The effect of these provisions of our certificate of incorporation is to eliminate our rights and the rights of our stockholders, through stockholders' derivative suits on our behalf, to recover monetary damages against a director for breach of the fiduciary duty of care as a director (including breaches resulting from negligent or grossly negligent behavior), except in the situations described above. This provision does not limit or eliminate our rights or any of our stockholder's rights to seek nonmonetary relief, such as an injunction or rescission, in the event of a breach of a director's duty of care. Our certificate of incorporation and bylaws provide that we shall indemnify our directors, officers, employees and agents against claims, liabilities, damages, expenses, losses, costs, penalties or amounts paid in settlement incurred by such director or officer in or arising out of his or her capacity as our director, officer, employee and/or agent to the extent the person acted in good faith and in a manner reasonably believed to be in or not opposed to our best interest.

We have entered into agreements with each of our directors and executive officers pursuant to which we have agreed to indemnify our directors and officers from claims, liabilities (including those arising under the Securities Act), damages, expenses, losses, costs, penalties or amounts paid in settlement incurred by our directors and officers in or arising out of their capacities as a director, officer, employee or agent of us or of any other corporation of which such person is a director or officer at our request to the maximum extent provided by applicable law. In addition, each director or officer is entitled to an advance of expenses to the maximum extent authorized by law. Our agreements with the underwriters in this offering also contains covenants of indemnity among the underwriters and us against civil liabilities, including liabilities under the Securities Act. All of our directors and executive officers are covered under our directors and officers insurance policy.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us pursuant to the foregoing provisions, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is EquiServe Trust Company, N.A.

SHARES ELIGIBLE FOR FUTURE SALE

Before this offering, there has been no public market for our common stock, and a significant public market for our common stock may not develop or be sustained after the offering. Any future sales of substantial amounts of our common stock in the open market, or the perception that such sales could occur, may adversely affect the market price of the common stock offered by this prospectus and impair our future ability to raise capital through an offering of our equity securities.

When we complete this offering, we will have shares of common stock outstanding, or shares if the underwriters exercise their over-allotment option in full. Of this amount, the shares sold in this offering, or shares if the underwriters exercise the over-allotment option in full, will be freely tradable without restriction or further registration under the Securities Act, unless the shares are purchased by persons who are our "affiliates," as that term is defined in Rule 144 under the Securities Act. Sales by our affiliates are subject to the limitations and restrictions imposed by Rule 144, as described below.

We sold the remaining outstanding shares in private transactions. Unless registered under the Securities Act, these shares, which we refer to as "restricted shares," must be sold in accordance with the holding period requirements, volume limits and other conditions of an applicable exemption from registration, such as Rule 144 as discussed below.

Additionally, all of our directors and executive officers, Stephens Group, Inc., Stephens Inc. and certain SGI Affiliates have agreed, subject to limited exceptions, not to offer, sell, contract to sell or otherwise dispose of, directly or indirectly, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of common stock, enter into a transaction that would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our common stock, whether any of these transactions are to be settled by delivery of our common stock or other securities, in cash or otherwise, for a period of 180 days after the date of this prospectus, without, in each case, the prior written consent of Stephens Inc. Stephens Inc. may, in its sole discretion, release all or a portion of the shares subject to any lock-up agreement. There are no existing agreements between Stephens Inc. and any of our stockholders who have executed a lock-up agreement providing consent to the sale of shares prior to the expiration of the lock-up period.

In general, under Rule 144 as currently in effect, a person, or persons whose shares are aggregated, who has beneficially owned and paid for shares for at least one year is entitled to sell within any three-month period commencing 90 days after the date of this prospectus a number of shares that does not exceed the greater of:

- 1% of the then outstanding shares of common stock (approximately shares immediately after the offering); or
- the average weekly trading volume of the common stock during the four calendar weeks preceding the sale.

Additionally, persons selling either restricted or unrestricted shares under Rule 144 must comply with the rule's requirements concerning the availability of specified public information about us, the manner of sale and filing of notice of sale on Form 144. However, a person, or persons whose shares are aggregated, who is not deemed to have been an affiliate of ours at any time during the three months immediately preceding the sale and who has beneficially owned and paid for his or her restricted shares for at least two years is entitled to sell his or her restricted shares under Rule 144(k) without regard to the limitations described above. Persons deemed to be our affiliates must always comply with the volume limitations as to all of their restricted and unrestricted shares, even after the expiration of the one-year or two-year holding period applicable to restricted shares.

Rule 701 under the Securities Act provides that any of our employees, consultants or advisors who purchased or received shares from us in connection with a compensatory stock plan, option plan or other written

agreement will be eligible to resell the shares 90 days after the date of this prospectus in reliance on Rule 144 but without compliance with some Rule 144 restrictions, including the holding period, volume, public information and notice conditions, so long as the holder is not an affiliate of ours. If the holder is an affiliate, the holder may resell the shares 90 days after the date of this prospectus in reliance on Rule 144 but without compliance with the holding period requirement of Rule 144.

Based on the above, the following table indicates when the shares that will be outstanding upon the completion of this offering will be available for sale in the public market:

Days after the Date of this Prospectus	Approximate Shares Eligible for Future Sale	Comment
1-89 days		Freely tradable shares sold in this offering and restricted shares saleable under Rule 144(k) that are not subject to 180-day lock-up.
90-180 days		Restricted shares saleable under Rules 144 or 144(k), including shares issued under Rule 701, that are not subject to 180-day lock-up.
181-365 days		Lock-up released; restricted shares saleable under Rules 144 and 144(k), including shares issued under Rule 701, that are subject to 180-day lock-up.

We intend to file registration statements on Form S-8 under the Securities Act to register 4,126,852 shares of common stock reserved for issuance under our Amended and Restated 2003 Incentive Stock Option Plan, 2003 Non-Employee Director Stock Option Plan and Employee Stock Purchase Plan. This will permit non-affiliates to sell immediately in the public market those shares received upon exercise of awards granted under the plans without limitation and will permit affiliates to sell their shares received upon exercise of awards granted under the plans, subject to all of the requirements of Rule 144 except the holding period requirement.

We cannot estimate the number of shares that will be sold under Rule 144 since this will depend on the market price of our common stock, the personal circumstances of the sellers and other factors.

UNDERWRITING

Subject to the terms and conditions of an underwriting agreement dated , 2003, we have agreed to sell and each of the underwriters named below, through their representatives, Stephens Inc. and SunTrust Capital Markets, Inc., has agreed to purchase from us and the selling stockholder the respective number of shares of common stock set forth opposite its name below:

Underwriters	Number of Shares
Stephens Inc.	
SunTrust Capital Markets, Inc.	
Total	

The underwriters' obligations are several, which means that the underwriters are required to purchase the number of shares set forth opposite their names but are not responsible for the commitment of any other underwriter to purchase shares.

The underwriting agreement provides that the obligations of the underwriters are subject to certain conditions, including the absence of any materially adverse change in our business and the receipt of certain certificates, opinions and letters from us and our attorneys and independent auditors. The nature of the underwriters' obligation is such that they are obligated to purchase all of the shares, other than those covered by the over-allotment option described below, if they purchase any of the shares.

The representatives have advised us that the underwriters propose to offer the shares of our common stock to the public at the public offering price set forth on the cover page of this prospectus and to certain dealers at that price less a concession not in excess of $ per share. The underwriters may allow, and such dealers may re-allow, a concession not in excess of $ per share to certain other dealers. After the completion of this offering, the public offering price, concession and reallowance to dealers may be reduced by the representatives. No such reduction will change the amount of proceeds that we or the selling stockholder are to receive, as set forth on the cover page of this prospectus. The offering of the shares of common stock is made for delivery when, as and if accepted by the underwriters and subject to prior sale and to withdrawal, cancellation or modification of this offering without notice. The underwriters reserve the right to reject an order for the purchase of shares, in whole or in part.

The underwriters have advised us that they do not expect sales to discretionary accounts to exceed 5% of the total number of shares offered.

Over-Allotment Option

We have granted an option to the underwriters, exercisable for 30 days after the date of this prospectus, to purchase a maximum of additional shares of our common stock at the initial public offering price, less the underwriting discount set forth on the cover page of this prospectus. The underwriters may exercise their option solely to cover over-allotments, if any, in connection with the sale of our common stock. If this option is exercised in full, the total price to the public will be $ million and the net proceeds to us will be approximately $ million, assuming an offering price of $ per share. If the underwriters exercise the over-allotment option, each underwriter will be obligated, subject to certain conditions, to purchase a number of additional shares of our common stock proportionate to the underwriter's initial amount set forth in the table above.

Underwriting Discounts and Offering Expenses

The following table summarizes the underwriting discounts to be paid by us and the selling stockholder to the underwriters for each share of our common stock and in total. This information is presented assuming either no exercise or full exercise of the underwriters' over-allotment option to purchase additional shares of common stock and assuming an offering price of $ per share.

		Total	
	Per Share	Without Option	With Option
Underwriting discounts payable by us	$	$	$
Underwriting discounts payable by the selling stockholder	$	$	$

We estimate that the total expenses of the offering, excluding the underwriting discount, will be approximately $ million, all of which is payable by us.

Determination of Offering Price

Prior to this offering, there has been no public market for our common stock. Therefore, the initial public offering price for our common stock will be determined through negotiations between us and the representatives. Principal factors to be considered in these negotiations include:

- information in this prospectus and otherwise available to the representatives;
- our industry's history and prospects;
- ability of our management team;
- prospects for our future revenues and earnings;
- present state of our business operations and financial condition;
- general condition of the securities markets at the time of this offering; and
- recent market prices of, and demand for, publicly traded common stock of comparable companies.

The estimated initial public offering price range set forth on the cover page of this prospectus is subject to change as a result of market conditions and other factors. A pricing committee of our board of directors will establish the initial public offering price following such negotiations.

Listing

We have applied for approval for quotation of our common stock on the Nasdaq National Market under the symbol "CONN."

Indemnity

The underwriting agreement contains covenants of indemnity among the underwriters and us and the selling stockholder against civil liabilities, including liabilities under the Securities Act.

Lock-up Agreements

Our directors and executive officers, Stephens Group, Inc., Stephens Inc. and certain SGI Affiliates have agreed, subject to limited exceptions, not to offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of common stock, enter into a transaction that would have the same effect, or enter into any swap, hedge

or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our common stock, whether any of these transactions are to be settled by delivery of our common stock or other securities, in cash or otherwise, or publicly disclose the intention to make any offer, sale, pledge or disposition, or to enter into any transaction, swap, hedge or other arrangement, for a period of 180 days after the date of this prospectus, without, in each case, the prior written consent of Stephens Inc., other than (1) the surrender of shares of Conn Texas stock for shares of our stock in connection with the Delaware reorganization, (2) the surrender of our preferred stock upon redemption by us immediately following the completion of the offering, and (3) the transfer of shares of stock by Stephens Group, Inc., Stephens Inc. and the SGI Affiliates to a voting trust prior to the closing of the offering. See "Principal and Selling Stockholders." Stephens Inc. may, in its sole discretion, release all or a portion of the shares subject to any lock-up agreement. There are no existing agreements between the representatives and any of our stockholders who have executed a lock-up agreement providing consent to the sale of shares prior to the expiration of the lock-up period. Stephens Inc. is a wholly-owned subsidiary of Stephens Group, Inc.

In addition, we and the selling stockholder have agreed that for a period of 180 days following the date of this prospectus, we and the selling stockholder will not, without the prior written consent of Stephens Inc., offer, sell, contract to sell or otherwise dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for shares of common stock, other than (1) our sale of shares in this offering, (2) our issuance of shares in connection with the Delaware reorganization immediately prior to the completion of this offering, (3) our issuance of shares in redemption of our preferred stock upon the completion of this offering, (4) the grant of options to purchase shares of common stock to employees and directors pursuant to, and the issuance of shares of common stock pursuant to, employee, director or other stock and stock option plans described in or contemplated by this prospectus, (5) in connection with a merger or acquisition, and (6) bona fide gifts, provided the recipient of such gift agrees to the terms of this paragraph for the remainder of such 180 day period.

Underwriters' Market Activities

The underwriters may engage in over-allotment and syndicate covering transactions, stabilizing transactions and penalty bids or purchases for the purpose of pegging, fixing or maintaining the price of the common stock, in accordance with Regulation M under the Securities Exchange Act of 1934:

- Over-allotment involves sales by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriters is not greater than the number of shares they may purchase in the over-allotment option. In a naked short position, the number of shares over-allotted is greater than the number of shares that the underwriters may purchase in the over-allotment option. The underwriters may close out any syndicate short position by exercising their over-allotment option and/or repurchasing shares in the open market. In determining the source of shares to close out a syndicate short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.
- Stabilizing transactions occur when the representatives make bids or purchases for the purpose of pegging, fixing or maintaining the price of shares, so long as the stabilizing bids do not exceed a specified maximum.
- Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These syndicate covering transactions, stabilizing transactions and penalty bids may have the effect of raising or maintaining the market price of the common stock or preventing or retarding a decline in the market price of the common stock. As a result, the price of the common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the Nasdaq National Market or otherwise and, if commenced, may be discontinued at any time.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the common stock. In addition, neither we nor any of the underwriters make any representation that the underwriters will engage in these stabilizing transactions or that any transaction, once commenced, will not be discontinued without notice.

Electronic Availability of Prospectus

A prospectus in electronic format may be made available on Internet sites or through other online services maintained by one or more of the underwriters and/or selling group members participating in this offering, or by their affiliates. In those cases, prospective investors may view offering terms online and, depending on the particular underwriter or selling group member, prospective investors may be allowed to place orders online. The underwriters may agree with us to allocate a specific number of shares for sale to online brokerage account holders. Any such allocations for online distributions will be made by the representatives on the same basis as other allocations.

Other than the prospectus in electronic format, information contained in any other web site maintained by an underwriter or selling group member is not part of this prospectus or the registration statement of which this prospectus forms a part, has not been endorsed by us or the underwriters or any selling group member in its capacity as underwriter or selling group member and should not be relied on by investors in deciding whether to purchase any shares of common stock. The underwriters and selling group members are not responsible for information contained in web sites that they do not maintain.

Directed Shares

At our request, the underwriters will reserve up to 10% of the shares of common stock for sale in this offering, at the initial public offering price, to our directors, officers, employees, customers, partners, business associates and other persons. The number of shares of common stock available for sale to the general public will be reduced to the extent that these individuals purchase all or a portion of the reserved shares. Any reserved shares that are not purchased may be reallocated to other directors, officers, employees, customers, partners, and other persons business associates or offered to the general public on the same basis as the other shares of common stock offered by this prospectus.

Qualified Independent Underwriter

Stephens Group, Inc., Stephens Inc. and the SGI Affiliates own 12,189,843 shares of Conn Texas common stock and 134,971 shares of Conn Texas preferred stock, which together give them beneficial ownership of 72.9% of Conn Texas common stock and 77.3% of Conn Texas preferred stock issued and outstanding. Stephens Inc. is one of the managing underwriters of this offering. Further, two of our directors, Douglas H. Martin and Jon E. M. Jacoby, are directors or executive officers of Stephens Group, Inc. or Stephens Inc. Additionally, we intend to pay more than 10% of the net proceeds of this offering to SunTrust Bank, an affiliate of SunTrust Robinson Humphrey, to repay indebtedness under our bank credit facility. SunTrust Robinson Humphrey is one of the managing underwriters of this offering. Because of the stock ownership and other affiliated relationships between us and Stephens Group, Inc. and Stephens Inc. and because of our intention to pay more than 10% of the net offering proceeds to an affiliate of SunTrust Robinson Humphrey, this offering is being conducted in accordance with Rule 2710(c)(8) and applicable “conflicts of interest” provisions of Rule 2720 of the Conduct Rules of the National Association of Securities Dealers, Inc.

Under Rule 2710(c)(8) and Rule 2720, when a member of the NASD, such as Stephens Inc. and SunTrust Robinson Humphrey, proposes to underwrite or otherwise assist in the public distribution of equity securities by an issuer with which it may be deemed to have a "conflict of interest," the price at which such securities are to be distributed to the public must be no higher than that recommended by a "qualified independent underwriter" that meets certain standards. In accordance with this requirement, Sanders Morris Harris Inc. is assuming the responsibilities of acting as "qualified independent underwriter" and is recommending the maximum public offering price for the shares of common stock. The initial price at which the shares of common stock will be distributed to the public will be no higher than the price recommended by Sanders Morris Harris Inc. Sanders Morris Harris Inc. is performing due diligence investigations and is reviewing and participating in the preparation of this prospectus and the registration statement of which this prospectus forms a part. The underwriters will pay Sanders Morris Harris Inc. a fee of $50,000 and reimbursement of its out-of-pocket expenses for serving as the qualified independent underwriter in connection with this offering. We also have agreed to indemnify Sanders Morris Harris Inc. against certain liabilities, including liabilities under the Securities Act, and to afford certain rights of contribution.

Business Relationships with Underwriters and Their Affiliates

Stephens Inc., SunTrust Robinson Humphrey and their affiliates have in the past engaged, and may in the future engage, in transactions with us and perform services for us, including commercial banking, financial advisory and investment banking services, in the ordinary course of business. These firms have received, and may receive, customary fees for their services. For information regarding our relationships with Stephens Inc. and its affiliates, see "Management—Directors and Executive Officers," "Certain Relationships and Related Transactions" and "Principal and Selling Stockholders." As noted in the immediately preceding subsection, SunTrust Bank, an affiliate of SunTrust Robinson Humphrey, is a lender under our credit facility and, therefore, will receive a portion of any proceeds from this offering used to reduce indebtedness under our credit facility. See "Use of Proceeds." Additionally, SunTrust Capital Markets, Inc., of which SunTrust Robinson Humphrey is a division, serves as an administrative agent for Three Pillars Funding Corporation in connection with the Series A variable funding note under our asset-backed securitization program. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Off-Balance Sheet Financing Arrangements."

LEGAL MATTERS

Winstead Sechrest & Minick P.C., Dallas, Texas, will pass upon the legality of the shares of common stock offered by this prospectus. Alston & Bird LLP will pass upon legal matters for the underwriters.

EXPERTS

The consolidated financial statements of Conn Appliances, Inc. at January 31, 2002 and 2003 and for the years ended July 31, 2000 and 2001, for the six months ended January 31, 2002 and for the year ended January 31, 2003, appearing in this prospectus and registration statement have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon appearing herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1 with respect to the common stock offered by this prospectus. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or in the exhibits and schedules which are part of the registration statement. For further information with respect to us and our common stock, we refer you to the registration statement and exhibits and schedules filed as part of the registration statement. Statements contained in this prospectus concerning the contents of any contract or any other documents are necessarily summaries. If a contract or document has been filed as an exhibit to the registration statement, we refer you to the copy of the contract or document that has been filed. Each statement in this prospectus relating to a contract or document filed as an exhibit is qualified in all respects by the filed exhibit. Any document we file may be read and copied at the SEC public reference rooms at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information about the public reference rooms. Our filings with the SEC are also available to the public from the SEC's website at www.sec.gov.

Upon completion of this offering, we will become subject to the information and periodic reporting requirements of the Securities Exchange Act of 1934, and, accordingly, will file periodic reports, proxy statements and other information with the SEC. Such periodic reports, proxy statements and other information will be available for inspection and copying at the SEC's public reference rooms and the website of the SEC referred to above.

CONN APPLIANCES, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Auditors

The Board of Directors and
Shareholders of Conn Appliances, Inc.

We have audited the accompanying consolidated balance sheets of Conn Appliances, Inc. and subsidiaries as of January 31, 2002, and 2003, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years ended July 31, 2000 and 2001, the six months ended January 31, 2002, and the year ended January 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the 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 Appliances, Inc. and subsidiaries at January 31, 2002 and 2003, and the consolidated results of their operations and their cash flows for the years ended July 31, 2000 and 2001, the six months ended January 31, 2002, and the year ended January 31, 2003 in conformity with accounting principles generally accepted in the United States.

As discussed in Note 1 to the consolidated financial statements, effective February 1, 2002, the Company changed its method of accounting for goodwill.

As discussed in Note 1, the consolidated financial statements for the years ended July 31, 2000 and 2001, the six months ended January 31, 2002, and the year ended January 31, 2003 have been restated.

ERNST & YOUNG LLP

Houston, Texas
September 12, 2003

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

	January 31, 2002	January 31, 2003
Assets		
Current Assets		
Cash and cash equivalents	$ 1,571	$ 2,448
Accounts receivable, net of allowance for doubtful accounts of $117 and $2,424	6,008	12,617
Interest in securitized assets	50,772	60,803
Inventories	35,280	46,118
Deferred income taxes	3,000	3,981
Prepaid expenses and other assets	2,834	3,473
Total current assets	99,465	129,440
Debt issuance and other costs	335	543
Non-current deferred income tax asset	4,389	4,785
Property and equipment		
Land	3,534	3,746
Buildings	7,335	6,189
Equipment and fixtures	5,438	6,704
Transportation equipment	3,028	2,687
Leasehold improvements	32,185	42,219
Subtotal	51,520	61,545
Less accumulated depreciation	(18,380)	(23,279)
Total property and equipment, net	33,140	38,266
Goodwill, net	7,917	7,917
Other assets, net	398	607
Total assets	$ 145,644	$ 181,558
Liabilities and Stockholders' Equity		
Current Liabilities		
Notes payable	$ 8,084	$ 7,500
Current portion of long-term debt	7,174	7,928
Accounts payable	22,208	24,501
Accrued expenses	7,821	8,601
Income taxes payable	668	949
Deferred income taxes	748	209
Deferred revenue	5,415	6,873
Other current liabilities	396	—
Total current liabilities	52,514	56,561
Long-term debt	23,492	36,564
Non-current deferred tax liability	52	250
Deferred gain on sale of property	1,145	977
Fair value of derivatives	5,581	4,537
Stockholders' equity		
Preferred stock ($0.01 par value, 300,000 shares authorized; 174,648 issued and outstanding at January 31, 2002 and 2003) 10% cumulative dividend	15,226	15,226
Common stock ($0.01 par value, 30,000,000 shares authorized; 17,175,480 shares issued; and 16,719,990 shares outstanding at January 31, 2002 and 2003)	2	172
Accumulated other comprehensive income	3,343	2,751
Retained earnings	47,694	68,131
Treasury stock at cost (437,010 and 455,490 shares of common stock at January 31, 2002 and 2003, respectively)	(3,405)	(3,611)
Total stockholders' equity	62,860	82,669
Total liabilities and stockholders' equity	$ 145,644	$ 181,558

See notes to consolidated financial statements.

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

	Years Ended July 31,		Six Months Ended January 31, 2002	Year Ended January 31, 2003
	2000	2001		
Revenues				
Net sales	$ 249,077	$ 292,388	$ 182,611	$ 389,496
Finance charges and other	30,588	37,879	26,137	60,586
Total revenues	279,665	330,267	208,748	450,082
Cost and expenses				
Cost of goods sold, including warehousing and occupancy costs	172,143	204,973	129,395	281,065
Selling, general and administrative expense	78,304	92,194	58,630	125,712
Interest expense	4,836	3,754	2,940	7,237
Provision for bad debts	793	1,734	1,286	4,125
Total cost and expenses	256,076	302,655	192,251	418,139
Earnings from continuing operations before income taxes	23,589	27,612	16,497	31,943
Provision for income taxes				
Current	(9,683)	(11,549)	(6,750)	(13,207)
Deferred	692	1,670	806	1,865
Total provision for income taxes	(8,991)	(9,879)	(5,944)	(11,342)
Income from continuing operations	14,598	17,733	10,553	20,601
Discontinued operations				
Income (loss) from discontinued operation, net	30	(157)	—	—
Loss on disposal of discontinued operation, net	—	(389)	—	—
Net income	14,628	17,187	10,553	20,601
Less preferred dividends	(2,046)	(2,173)	(1,025)	(2,133)
Net income available for common stockholders	$ 12,582	$ 15,014	$ 9,528	$ 18,468
Earnings per share				
Basic	$ 0.73	$ 0.87	$ 0.56	$ 1.10
Diluted	$ 0.72	$ 0.87	$ 0.55	$ 1.10
Average common shares outstanding				
Basic	17,350	17,169	17,025	16,724
Diluted	17,384	17,194	17,327	16,724

See notes to consolidated financial statements.

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

	Preferred Stock		Common Stock		Accumulated Other Comprehensive Income	Retained Earnings	Treasury Stock		Total
	Shares	Amount	Shares	Amount			Shares	Amount	
Balance July 31, 1999	214	$ 18,632	252	$ 3	$ 1,431	$ 6,386	—	$ —	$ 26,452
Net income						14,628			14,628
Adjustment of fair value of interest in securitized assets, net of tax of $811					1,317				1,317
Total comprehensive income									15,945
Preferred stock redeemed $87.18 per share plus accrued dividends	(1)	(112)				(15)			(127)
Common stock forfeited			(4)	—		—			—
Treasury stock purchased $300.00 per share							2	(485)	(485)
Balance July 31, 2000	213	18,520	248	3	2,748	20,999	2	(485)	41,785
Net income						17,187			17,187
Cumulative effect adjustment to adopt FAS 133, net of tax of $551					1,023				1,023
Unrealized loss on derivative instruments, net of tax of $1,972					(3,661)				(3,661)
Adjustment of fair value of interest in securitized assets, net of tax of $1,967					3,530				3,530
Total comprehensive income									18,079
Preferred stock redeemed $87.18 per share plus accrued dividends	(36)	(3,120)				(977)			(4,097)
Common stock forfeited		—	(1)	—		—	—	—	—
Treasury stock purchased $574.65 per share							1	(888)	(888)
Balance July 31, 2001	177	15,400	247	3	3,640	37,209	3	(1,373)	54,879
Net income						10,553			10,553
Unrealized loss on derivative instruments, net of tax of $200					(356)				(356)
Adjustment of fair value of interest in securitized assets, net of tax of $33					59				59
Total comprehensive income									10,256
Common stock forfeited			(1)	(1)		—			(1)
Preferred stock redeemed $87.18 per share plus accrued dividends	(2)	(174)				(68)			(242)
Treasury stock purchased $659.55 per share							3	(2,032)	(2,032)
Balance January 31, 2002	175	15,226	246	2	3,343	47,694	6	(3,405)	62,860

(continued on next page)

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

	Preferred Stock		Common Stock		Accumulated Other Comprehensive Income	Retained Earnings	Treasury Stock		Total
	Shares	Amount	Shares	Amount			Shares	Amount	
Balance January 31, 2002	175	$ 15,226	246	$ 2	$ 3,343	$ 47,694	6	$ (3,405)	$ 62,860
Net income						20,601			20,601
Unrealized gain on derivative instruments, net of tax of $(389)					691				691
Adjustment of fair value of interest in securitized assets, net of tax of $722					(1,283)				(1,283)
Total comprehensive income									20,009
Treasury stock purchased $758.16 per share							0	(200)	(200)
Common stock dividend			16,929	170		(164)	449	(6)	—
Balance January 31, 2003	175	$ 15,226	17,175	$ 172	$ 2,751	$ 68,131	455	$ (3,611)	$ 82,669

See notes to consolidated financial statements.

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

	Years Ended July 31,		Six Months Ended January 31, 2002	Year Ended January 31, 2003
	2000	2001		
Cash flows from operating activities				
Net income	$ 14,628	$ 17,187	$ 10,553	$ 20,601
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	6,327	4,464	2,110	5,411
Amortization	831	836	440	374
Provision for bad debts	793	1,734	1,286	4,125
Provision for deferred income taxes	(692)	(1,670)	(806)	(1,865)
Loss (gain) from sale of assets	(149)	1,756	206	(15)
Ineffectiveness of derivatives	—	507	70	361
Change in operating assets and liabilities:				
Accounts receivable	(35,647)	(30,214)	(35,106)	(38,431)
Interests in securitized assets	(4,207)	(9,556)	(4,033)	(10,031)
Proceeds from sale of loans receivable	56,106	36,804	30,596	25,593
Inventory	(8,398)	(179)	(541)	(10,838)
Prepaid expenses and other assets	859	201	(1,199)	(852)
Accounts payable	9,389	(1,767)	(2,181)	2,293
Accrued expenses	169	(1,914)	597	780
Income taxes payable	418	580	86	281
Deferred service contract revenue	279	1,700	475	1,457
Other current liabilities	(1,184)	(318)	(4)	(395)
Net cash provided by operating activities	39,522	20,151	2,549	(1,151)
Cash flows from investing activities				
Purchase of property and equipment	(6,920)	(14,833)	(10,551)	(15,070)
Proceeds from sale of property	253	2,005	437	14
Net cash provided (used) by investing activities	(6,667)	(12,829)	(10,114)	(15,056)
Cash flows from financing activities				
Redemption of preferred stock	(127)	(4,098)	(242)	—
Purchase of treasury stock	(485)	(888)	(2,033)	(200)
Net borrowings (payments) under line of credit	(30,845)	1,872	7,932	19,529
Increase in debt issuance costs	—	—	(335)	(492)
Payment of promissory notes	(1,071)	(1,281)	(626)	(1,753)
Net cash provided (used) by financing activities	(32,528)	(4,395)	4,698	17,084
Net change in cash	327	2,927	(2,867)	877
Cash and cash equivalents				
Beginning of the year	1,184	1,511	4,438	1,571
End of the year	$ 1,511	$ 4,438	$ 1,571	$ 2,448
Supplemental disclosure of cash flow information				
Cash interest paid	$ 4,905	$ 3,385	$ 2,731	$ 6,812
Cash income taxes paid	$ 9,055	$ 10,658	$ 7,047	$ 13,114

See notes to consolidated financial statements.

CONN APPLIANCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2003

1. Summary of Significant Accounting Policies

Principles of Consolidation. The consolidated financial statements include the accounts of Conn Appliances, Inc. and its subsidiaries, limited liability companies and limited partnerships, all of which are wholly-owned (the "Company"), which is also known as Conn Texas. All material inter-company 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 QSPE are included in the consolidated financial statements of the Company. See Note 2 for further discussion.

Restated Financial Statements. In connection with its initial public offering of common stock, the Company determined that the calculation of the recorded fair value of its interest in securitized assets, which utilized certain cash flow assumptions, were inconsistent with the requirements of SFAS 140, which became effective for the Company on August 1, 2000. The Company also determined that its classification of these securitized assets as trading securities was inconsistent with the requirements of SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. These securitized assets are reflected as available-for-sale in the restated consolidated financial statements. A significant portion of the reduction in reported net income related to the restatement was a result of properly classifying the securitized assets as available-for-sale. The Company's independent auditors concurred with these changes.

The following table represents the impact of these changes on the consolidated financial statements (in thousands, except per share amounts):

	For the Year Ended July 31,			
	2000		2001	
	Previously Reported	As Restated	Previously Reported	As Restated
Selected income statement data				
Total revenues	$ 286,368	$ 279,665	$ 338,255	$ 330,267
Net income	15,527	14,628	18,102	17,187
Earnings per share:				
Basic	$ 0.78	$ 0.73	$ 0.93	$ 0.87
Diluted	$ 0.78	$ 0.72	$ 0.93	$ 0.87

CONN APPLIANCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(continued)

	As of and for the			
	Six Months Ended January 31, 2002		Year Ended January 31, 2003	
	Previously Reported	As Restated	Previously Reported	As Restated
Selected balance sheet data				
Total current assets	$ 98,197	$ 99,465	$ 121,695	$ 129,440
Non-current assets	46,365	46,179	62,071	52,118
Total current liabilities	53,844	52,514	58,667	56,560
Total non-current liabilities	30,270	30,270	42,329	42,329
Total stockholders' equity	60,448	62,860	82,770	82,669
Selected income statement data				
Total revenues	$ 213,142	$ 208,748	$ 459,594	$ 450,082
Net income	11,295	10,553	22,093	20,601
Earnings per share:				
Basic	$ 0.60	$ 0.56	$ 1.19	$ 1.10
Diluted	$ 0.59	$ 0.55	$ 1.19	$ 1.10

Business Activities. The Company, through its retail stores, provides products and services to its customer base in five primary market areas including southern Louisiana, southeast Texas, Houston, Corpus Christi, and San Antonio/Austin, Texas. Products and services offered through retail sales outlets include major home appliances, consumer electronics, home office equipment, lawn and garden products, bedding, 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.

Fiscal Year. Effective August 1, 2001, the Company changed its fiscal year end from July 31 to January 31.

Stock Split/Dividend. On July 25, 2002, the Company's board of directors approved a 70-for-1 stock split, effected as a dividend of the Company's common stock. As a result, shareholders received 69 shares for each share held as of July 25, 2002. The par value of the Company's common stock remained $0.01. All related financial information presented, including per share data, reflects the effects of the stock dividend.

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 rebates, marketing and training, and promotion programs which are generally recorded, net of direct costs, as adjustments

CONN APPLIANCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(continued)

to product costs or selling, general and administrative expenses according to the nature of the program. The Company accrues rebates based on the terms of the program and sales of qualifying products.

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; such shares were 33,460, 25,060 and 302,850, respectively, for the years ended July 31, 2000 and 2001 and the six months ended January 31, 2002. Since the preferred dividend obligations of the Company are cumulative, they have been reported on the Consolidated Statements of Operations even though they have not yet been declared as payable.

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 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 (3 to 30 years), or in the case or leasehold improvements, over the shorter of the estimated useful lives or the remaining lives of the respective leases (3 to 15 years).

Property and equipment are evaluated for impairment at the retail store level. An impairment evaluation is performed whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. The Company does not perform a periodic assessment of assets for impairment in the absence of such information or indicators. 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 only 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.

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 sale 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*.

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.

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Goodwill. Goodwill represents primarily the excess of purchase price over the fair market value of net assets acquired. Effective February 1, 2002, the Company adopted the provisions of SFAS No. 142, *Goodwill and Other Intangible Assets* whereby goodwill is no longer amortized, but rather the Company assesses the potential future impairment of goodwill on an annual basis, or at any other time when impairment indicators exist. As part of the adoption of SFAS 142 , the Company completed a transitional goodwill impairment test and determined that goodwill was not impaired. Additionally, the Company performed the first annual impairment test in November 2002 and concluded that goodwill is not impaired.

The table below provides a reconciliation of reported net income and earnings per share to adjusted net income and earnings per share as if the non-amortization provisions of SFAS 142 had been applied beginning August 1, 1999 (in thousands except per share data).

	Years Ended July 31,		Six Months Ended January 31, 2002
	2000	2001	
Reported net income available for common stockholders	$ 12,582	$ 15,014	$ 9,528
Add back goodwill amortization, net of tax effect	426	449	220
Pro forma net income	$ 13,008	$ 15,463	$ 9,748
Pro forma earnings per share:			
Basic	$ 0.75	$ 0.90	$ 0.57
Diluted	$ 0.75	$ 0.90	$ 0.56

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 enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Revenue Recognition. Revenue from the sale of retail products is recognized at the time the product is delivered to the customer. Commissions from the sale of service maintenance agreements are recorded as the contracts are sold. The Company also 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. 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 over the term of the service maintenance agreement. The amounts of service maintenance agreement revenue deferred at January 31, 2002 and 2003 were $2.8 million and $3.8 million, respectively, and are included in “Deferred Revenue” in the accompanying balance sheets.

The Company classifies amounts billed to customers relating to shipping and handling as revenues. Costs of $9.7 million, $12.3 million, $7.7 million, and $15.1 million associated with shipping and handling revenues are included in Selling, General and Administrative Expense for each of the years ended July 31, 2000 and 2001, for the six months ended January 31, 2002, and for the year ended January 31, 2003, 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

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fair value of the Company's long-term debt and interest rate swap agreements is estimated based on the current rates available to the Company for instruments with similar terms and maturities. See Note 3.

Derivatives are recognized as assets and liabilities measured at fair value in "Fair Value of Derivatives" in the consolidated balance sheets. The Company does not use derivative financial instruments for trading purposes. The Company uses derivatives to hedge variable interest rate risk related to the cash flows from its interest only strip and its variable rate debt. All the Company's derivatives, which consist of interest rate swaps and collars, are designated as cash flow hedges. Therefore, the effective portion of changes in the fair value of derivatives is recognized in other comprehensive income until the hedged item is recognized in earnings. The effectiveness of the hedge is measured by comparing the cumulative change in the fair value of the derivatives to the cumulative change in the present value of future cash flows of the hedged item. The ineffective portion of a derivative's change in fair value, which is the amount by which the change in the value of the derivative does not exactly offset the change in the value of the hedged item, is immediately recognized in earnings.

The Company held interest rate swaps and collars with notional amounts totaling $100.0 million as of January 31, 2002 and January 31, 2003, with terms extending through 2005. At January 31, 2002, these instruments were accounted for as cash flow hedges. Of these instruments, $80.0 million were designated as hedges against the Company's variable interest rate risk related to the cash flows from its interest only strip. The remaining $20.0 million of these instruments were designated as hedges against the Company's variable rate debt.

In September 2002, the Company entered into a new agreement to sell customer receivables (see Note 2). As a result of that new agreement, the Company discontinued hedge accounting for the $80.0 million of hedges previously designated to the interest only strip. In accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activity*, the Company recognized changes in fair value for those derivatives after September 2002 as interest expense, and is amortizing the amount of accumulated other comprehensive loss related to those derivatives into interest expense over the remaining term of the instruments, which expire ending in November 2003. This change had no effect on the $20.0 million of instruments designated as hedges against the Company's variable rate debt.

Ineffectiveness, which arises from differences between the interest rate stated in the derivative instrument and the interest rate upon which the underlying hedged transaction is based, totaled $0.5 million for the year ended July 31, 2001, $0.1 million for the six months ended January 31, 2002 and $0.5 million for the year ended January 31, 2003, and is reflected in "Interest Expense" in the consolidated statement of operations. Ineffectiveness for the year ended January 31, 2003 includes $0.4 million related to discontinued hedge accounting.

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.

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If compensation expense for the Company's stock option plan had been recognized using the fair value method of accounting under SFAS 123, net income from continuing operations and earnings per share would have decreased by 0.1% and 1.0%, respectively, for the years ended July 31, 2000 and 2001, 1.6% for the six months ended January 31, 2002, and 1.7% for the year ended January 31, 2003. The fair value of the options issued was estimated on the date of grant, using the minimum valuation option-pricing model with the following weighted average assumptions used for grants during the years ended July 31, 2000 and 2001, the six months ended January 31, 2002 and the year ended January 31, 2003, respectively: expected risk free interest rates of 6.3%, 4.8%, 4.4% and 4.3%, and expected lives of 5 years in all periods. The following table presents the impact to earnings per share if the Company had adopted the fair value recognition provisions of SFAS 123 (in thousands except per share data):

	Years Ended July 31,		Six Months Ended January 31, 2002	Year Ended January 31, 2003
	2000	2001		
Net income available for common stockholders	$ 12,582	$ 15,014	$ 9,528	$ 18,468
Stock-based compensation, net of tax, that would have been reported under SFAS 123	(8)	(152)	(150)	(323)
Pro forma net income	$ 12,574	$ 14,862	$ 9,378	$ 18,145
Pro forma earnings per share:				
Basic	$ 0.72	$ 0.87	$ 0.55	$ 1.08
Diluted	$ 0.72	$ 0.86	$ 0.54	$ 1.08

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 provided by the Company's insurance administrators.

Advertising Costs. The Company expenses the net cost of advertising, after vendor rebates, as incurred. Advertising expense was $6.3 million and $5.8 million for the years ended July 31, 2000 and 2001, respectively, $2.4 million for the six months ended January 31, 2002, and $5.2 million for the year ended January 31, 2003.

Recent Accounting Pronouncements. In November 2002, the EITF reached a consensus on Issue 02-16, addressing the accounting of cash consideration received by a customer from a vendor, including vendor rebates and refunds. The consensus reached states that consideration received should be presumed to be a reduction of the prices of the vendor's products or services and should therefore be shown as a reduction of cost of sales in the statement of operations of the customer. The presumption could be overcome if the vendor receives an identifiable benefit in exchange for the consideration or the consideration represents a reimbursement of a specific incremental identifiable cost incurred by the customer in selling the vendor's product or service. If one of these conditions is met, the cash consideration should be characterized as a reduction of those costs in the statement of operations of the customer. The consensus reached also concludes that if rebates or refunds can be reasonably estimated, such rebates or refunds should be recognized as a reduction of the cost of sales based on a systematic and rational allocation of the consideration to be received relative to the transactions that mark the progress of the customer toward earning the rebate or refund. The provisions of this consensus will be applied prospectively and are consistent with the Company's existing accounting policy.

In November 2002, the EITF reached a consensus on Issue 00-21, addressing how to account for arrangements that involve the delivery or performance of multiple products, services, and/or rights to use assets.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(continued)

Revenue arrangements with multiple deliverables are divided into separate units of accounting, if the deliverables in the arrangement meet the following criteria: (1) the delivered item has value to the customer on a stand alone basis; (2) there is objective and reliable evidence of the fair value of undelivered items; and (3) delivery of any undelivered item is probable. Arrangement consideration should be allocated among the separate units of accounting based on their relative fair values, with the amount allocated to the delivered item being limited to the amount that is not contingent on the delivery of additional items or meeting other specified performance conditions. The final consensus will be applicable to agreements entered into in fiscal periods beginning after June 15, 2003, with early adoption permitted. The provisions of this consensus are not expected to have a significant effect on the Company's financial position or operating results.

In December 2002, the Financial Accounting Standards Board issued SFAS No. 148, *Accounting for Stock-Based Compensation — Transition and Disclosure*. This Statement amends SFAS 123 to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The disclosure provisions of SFAS 148 are effective for fiscal years ended after December 15, 2002, and have been incorporated into the accompanying financial statements and footnotes.

In November 2002, FASB Interpretation ("FIN") No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, was issued. FIN 45 enhances the disclosures to be made by a guarantor about its obligations under certain guarantees that it has issued. It also requires, on a prospective basis, beginning after January 1, 2003, that the guarantors recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. See disclosures in this footnote regarding revenue recognition for a discussion of the Company's obligations under certain service maintenance agreements it sells.

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 at January 31, 2003 was comprised of $5.0 million of unrealized gains on interests in securitized assets and $2.2 million unrealized losses on derivatives. The balance of accumulated other comprehensive income at January 31, 2002 was comprised of $6.3 million of unrealized gains on interests in securitized assets and $3.0 million of unrealized losses on derivatives.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(continued)

2. Interests in Securitized Receivables

In September 2002, the Company entered into a new 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, with the amount transferred not to exceed $450.0 million. The September 2002 agreement replaced an agreement with a financial intermediary that was developed and utilized for the same purpose. The following table summarizes the availability of funding under the Company's securitization program at January 31, 2003 (in millions):

	Capacity	Utilized	Available
Series A	$ 250.0	$ 45.1	$ 204.9(1)
Series B – Class A	120.0	120.0	—
Series B – Class B	57.8	57.8	—
Series B – Class C	22.2	22.2	—
Total	$ 450.0	$ 245.1	$ 204.9

(1) Availability of the Series A program is reduced by $10.0 million for a letter of credit issued by the Company to provide assurance to the trustee that monthly funds collected by the Company, as servicer, will be remitted as required under the base indenture and other related documents.

The September 2002 agreement includes a Series A variable funding note with a capacity of $250.0 million. The Series A program functions as a credit facility to fund the initial transfer of eligible receivables. When the facility approaches capacity, the QSPE will issue another bond series and use the proceeds 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. The Series A program matures September 1, 2007, and the Series B program (which is non-amortizing for the first four years) matures officially September 1, 2010, although it is expected that the principal payments will retire the bonds prior to that date.

The agreement contains certain covenants requiring the maintenance of various financial ratios and receivables performance standards. As part of the new securitization program, the Company 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 monthly funds collected 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 Series A program available capacity has been reduced by the amount of the letter of credit, and the letter of credit is callable, at the option of trustee, if the Company, as servicer, fails to meet the required monthly payments to the trustee of the cash collected.

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. In these securitizations, the Company retains servicing responsibilities and subordinated interests. The Company receives annual servicing fees 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 has not recognized a servicing asset or liability since it receives adequate compensation relative to current market pricing to service the receivables sold. 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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(continued)

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,	
	2002	2003
Interest-only strip	$ 12,080	$ 11,924
Subordinated securities	38,692	48,879
Total fair value of interests in securitized assets	$ 50,772	$ 60,803

At January 31, 2003, key economic assumptions and the sensitivity of the current fair value of the interest-only strip 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	$ 36,806	$ 4,360	$ 19,637
Weighted average life	1.4 years	.9 years	2.5 years
Annual prepayment rate assumption	1.5%	3.0%	1.5%
Impact on fair value of 10% adverse change	$ 81	$ 9	$ 56
Impact on fair value of 20% adverse change	$ 160	$ 18	$ 110
Net interest spread assumption	13.2%	13.2%	14.3%
Impact on fair value of 10% adverse change	$ 1,722	$ 204	$ 840
Impact on fair value of 20% adverse change	$ 3,444	$ 409	$ 1,629
Expected losses assumptions	3.8%	3.8%	3.8%
Impact on fair value of 10% adverse change	$ 365	$ 43	$ 154
Impact on fair value of 20% adverse change	$ 729	$ 86	$ 308
Projected expense assumption	3.9%	3.9%	3.8%
Impact on fair value of 10% adverse change	$ 374	$ 45	$ 154
Impact on fair value of 20% adverse change	$ 748	$ 88	$ 308
Discount rate assumption	10.0%	10.0%	14.0%
Impact on fair value of 10% adverse change	$ 24	$ 3	$ 50
Impact on fair value of 20% adverse change	$ 69	$ 5	$ 95
Delinquency and deferral	10.7%	11.3%	13.8%
Impact on fair value of 10% adverse change	$ 66	$ 4	$ 27
Impact on fair value of 20% adverse change	$ 131	$ 8	$ 52

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, in this table, 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 realty, changes in one factor may result in changes in another (for example, increases in market interest rates may result in lower prepayments and increased credit losses), which might magnify or counteract the sensitivities.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(continued)

The table below summarizes certain information regarding cash flows and income between the Company and the securitization program (in millions):

	Year Ended July 31,		Six Months Ended January 31,	Year Ended January 31,
	2000	2001	2002	2003
Servicing fees	$ 4.6	$ 6.2	$ 3.6	$ 9.4
Gains on sales of receivable	4.3	8.8	8.3	16.1
Interest earned on interest-only strip, net of impairment	5.9	6.5	4.0	12.3
Interest earned on subordinated securities, net of impairment	2.6	3.0	1.1	1.9
Proceeds from new receivables	196.2	232.6	147.5	302.5
Repayment of previously sold receivables	152.0	185.6	105.5	243.2

The following illustration presents quantitative information about the receivable portfolio managed by the Company (in millions):

	Total Principal Amount of Receivables January 31,		Principal Amount 60 Days or More Past Due (1) January 31,	
	2002	2003	2002	2003
Primary portfolio:				
Installment	$ 191.8	$ 223.0	$ 9.5	$ 12.1
Revolving	28.5	26.4	1.3	1.2
Subtotal	220.3	249.4	10.8	13.3
Secondary portfolio:				
Installment	41.9	54.4	2.6	3.7
Total receivables managed	262.2	303.8	13.4	17.0
Receivables sold	(262.2)	296.2	(13.4)	(15.4)
Receivables not sold	—	7.6	$ —	$ 1.6
Non-customer receivables	6.0	5		
Total accounts receivable, net	$ 6.0	$ 12.6		

	Average Balances January 31,		Net Credit Losses January 31, (2)	
	2002	2003	2002	2003
Primary portfolio:				
Installment	$ 170.1	$ 207.3		
Revolving	28.3	27.5		
Subtotal	198.4	234.8	$ 2.7	$ 6.1
Secondary portfolio:				
Installment	34.8	48.2	0.5	1.4
Total receivables managed	233.2	283.0	3.2	7.5
Receivables sold	(233.2)	(278.8)	(3.2)	6.6
Receivables not sold	$ —	$ 4.2	$ —	$ (0.9)

(1) Amounts are based on end of period balances.
(2) Amounts are based on total receivables outstanding and are expressed net of recoveries; January 31, 2002 is for six months.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(continued)

3. Notes Payable and Long-Term Debt

Notes payable of $8.1 million and $7.5 million, respectively, as of January 31, 2002 and January 31, 2003 represent short-term bank or insurance company borrowings under revolving agreements that bear interest at rates tied to the prime rate, in the case of the bank debt, at 3.75% as of January 31, 2003 and, in the case of the insurance company, at 7.5% as of January 31, 2003. The agreements, in effect, provide for bank borrowings of up to $5.0 million at January 31, 2002 and $8.0 million at January 31, 2003, and insurance company borrowings of $3.5 million at January 31, 2002 and January 31, 2003, respectively. All short-term notes are unsecured.

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

	January 31,	
	2002	2003
Revolving note payable to banks, with interest at variable rates (ranging from 3.63% to 5.50% at January 31, 2003)	$ 16,000	$ 24,500
Term note payable to banks, due in quarterly installments of $1.5 million beginning April 30, 2003 plus interest at variable rates (ranging from 3.6% to 3.7% at January 31, 2003)	7,500	15,000
Promissory notes to various companies secured by real estate or equipment, due in monthly installments of $9,501 and $7,494 plus interest; all loans provide for variable rates (4.12% at January 31, 2003) through July 1, 2003	618	140
Promissory note payable to previous stockholder, due in monthly installments of $34,600, with interest at 6%	1,137	781
Subordinated term note payable to previous stockholder, due in monthly installments of $147,698, with interest at 9%	5,411	4,071
Total long-term debt	30,666	44,492
Less amounts due within one year	(7,174)	(7,928)
Amounts classified as long-term	$ 23,492	$ 36,564

In July 1998, a new syndicated bank credit facility was executed with six banks with JP Morgan Chase, NA (formerly Chase Bank of Texas, NA) acting as Administrative Agent (the "Agent"). The facility originally included a $25.0 million term note (the "Term Note") and a $55.0 million revolving note (the "Revolver"). The Term Note originally matured July 31, 2003 and provided for quarterly repayments of $1.25 million each plus interest beginning September 30, 1998. The Revolver originally matured July 14, 2003 and provided for quarterly interest payments. In May 2000, proceeds of a new arrangement with a financial intermediary were used to retire existing debt under the Revolver by $19.0 million, the capacity of the outstanding Revolver was reduced to $30 million and the syndication was reduced to five banks.

In September 2002, the Company executed an additional amendment (subsequently amended and restated) to the syndicated bank credit facility whereby the maturity date on both the Term Note and Revolver was extended until September 2005 and the Term Note was increased from the then existing balance of $5.0 million to $15.0 million and the Revolver was increased from the existing maximum amount of $30.0 million to $40.0 million. The new Term Note provides for quarterly repayments of $1.5 million beginning May 1, 2003. The amount of borrowings from the Revolver are limited to 65% of eligible inventory, the lesser of 40% of (a) interest in transferred accounts as defined by the bank credit facility or (b) $20.0 million, and 85% of eligible accounts receivable. Interest rates for both loans 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 0.50% to 1.75%) or LIBOR Rate plus the LIBOR Margin (which ranges from 1.50% to

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(continued)

2.75%). Both the Base Rate Margin and the LIBOR Margin are determined quarterly based on 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 Revolver at rates ranging from .375% to .500%. Both the Term Note and the Revolver are secured by the assets of the Company not otherwise encumbered and a pledge of substantially all of the stock held by members of Stephens Group, Inc. and its affiliates as well as the stock of all of the Company's present and future subsidiaries. In anticipation of an initial public offering, the Company amended its bank credit facility effective October 31, 2002 to clarify certain definitions of covenant calculations. The new agreement also provides for bank approval of the contemplated transaction, the repayment of certain debt, and the modification of certain covenant requirements in the event of a successful public offering. Both the Term Note and the Revolver are subject to the Company maintaining various financial and non-financial covenants and restrictions on the amount of total capital expenditures and stock redemptions that can be made. As of January 31, 2002 and January 31, 2003, the Company was in compliance with all financial and non-financial covenants.

Aggregate maturities of long-term debt as of January 31 in the year indicated are as follows (in thousands):

	Aggregate Maturities
2004	$ 7,928
2005	11,060
2006	25,504
Total	$ 44,492

Based on the borrowing rates currently available to the Company for bank loans with similar terms and maturities, the fair value of long-term debt at January 31, 2002 and January 31, 2003 approximated the recorded balances.

The Company held interest rate swaps and collars with notional amounts totaling $100.0 million as of January 31, 2002 and January 31, 2003, with terms extending through 2005. These instruments have been accounted for as cash flow hedges. Ineffectiveness, which arises from differences between the interest rate stated in the swap or collar and the interest rate upon which the underlying hedged transaction is based, totaled $0.5 million for the year ended July 31, 2001, $0.1 million for the six months ended January 31, 2002 and $0.5 million for the year ended January 31, 2003 and is reflected in "Interest Expense" in the consolidated statement of operations.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(continued)

4. 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,	
	2002	2003
Deferred Tax Assets		
Allowance for doubtful accounts	$ 42	$ 728
Deferred revenue	2,499	2,848
Fair value of derivatives	2,009	1,633
Property and equipment	1,967	2,799
Inventories	635	758
Other	237	—
Total deferred tax assets	7,389	8,776
Deferred Tax Liabilities, primarily fair value of interests in securitized assets	(800)	(459)
Net deferred tax asset	$ 6,589	$ 8,307

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

	Years Ended July 31,		Six Months Ended January 31, 2002	Year Ended January 31, 2003
	2000	2001		
Current:				
Federal	$ 9,298	$ 11,287	$ 6,607	$ 13,125
State	385	262	143	82
	9,683	11,549	6,750	13,207
Deferred:				
Federal	(729)	(1,627)	(767)	(2,152)
State	37	(43)	(39)	287
	(692)	(1,670)	(806)	(1,865)
Total tax provision	$ 8,991	$ 9,879	$ 5,944	$ 11,342

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 July 31,		Six Months Ended January 31, 2002	Year Ended January 31, 2003
	2000	2001		
U.S. Federal statutory rate	35.0%	35.0%	35.0%	35.0%
State and local income taxes	3.0	0.7	0.7	0.4
Non-deductible entertainment and other	0.1	0.1	0.3	0.1
Effective tax rate attributable to continuing operations	38.1%	35.8%	36.0%	35.5%

CONN APPLIANCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(continued)

5. Insurance Program

In August 2002, the Company renewed substantially all of its insurance coverages and assumed a significant part of the risk exposure for the worker's compensation, general liability, property and automobile policies by agreeing to absorb an initial deductible amount on each claim of $0.25 million, $0.25 million, $0.1 million, and $0.1 million, respectively. The worker's compensation, general liability and automobile policies have individual stop loss coverage provisions so that the Company's total obligation under the three policies will not exceed $1.0 million, $0.2 million, and $0.2 million, respectively. In addition, the three policies have a combined stop loss provision of $1.5 million. The potential exposure under the property policy is unlimited. As of January 31, 2003, the Company has provided a reserve in the amount of $0.6 million to cover the unpaid portion of expected future claims under all self-retained risk programs. In the opinion of management, this reserve is sufficient to cover any run-off associated with known claims. As part of this program, the Company was required to provide a stand-by letter of credit in the amount of $0.5 million in favor of the insurance company. The letter of credit has an initial term of one year, with the expiration date tracking the expiration of the insurance policy. It provides for an increasing face amount of $0.6 million for the period February 28, 2003 through May 30, 2003 and $0.7 million for the period May 31, 2003 through August 31, 2003. The maximum potential amount of future payments is considered to be the face amount of the letter of credit. The Company, however, has an obligation to provide additional letters of credit in amounts considered sufficient by the carrier to cover expected losses of claims that remain open after the expiration of the initial policy coverage period. The letter of credit is callable, at the option of the insurance company, if the Company does not honor its requirement to fund deductible amounts as billed.

6. Leases

The Company leases certain of its facilities and operating equipment from outside parties and from stockholders/officers. 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
2004	$ 12,917	$ 1,645	$ 14,562
2005	11,797	1,645	13,442
2006	10,490	1,645	12,135
2007	9,186	1,645	10,831
2008	8,237	1,645	9,882
Thereafter	28,022	13,772	41,794
Total	$ 80,649	$ 21,997	$ 102,646

Total lease expense was approximately $5.6 million and $7.9 million for the years ended July 31, 2000 and 2001, respectively, $5.3 million for the six months ended January 31, 2002 and $12.3 million for the year ended January 31, 2003, including approximately $0.3 million, $0.3 million, $0.1 million, and $1.1 million, respectively, paid to related parties.

CONN APPLIANCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(continued)

7. Common Stock

In October 1999, the Company's shareholders and board of directors 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 are exercisable over a ten-year period beginning three or five years after the date of grant. The provisions of the stock option plan provide that the 3.5 million share maximum option pool must be reduced by the number of restricted shares of common stock that are outstanding at any date which effectively reduces the number of options that can be issued as of January 31, 2003 to 1.8 million.

A summary of the status of the Company's stock option plan and the activity during the year ended July 31, 2001, the six months ended January 31, 2002 and the year ended January 31, 2003 is presented below (all amounts and average exercise prices have been adjusted to reflect the 70 for 1 stock split effected as a dividend that was issued in July 2002 and are presented in thousands except per share amounts):

	Year Ended July 31, 2001		Six Months Ended January 31, 2002		Year Ended January 31, 2003	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of year	388	$ 7.50	1,160	$ 7.91	1,174	$ 8.08
Granted	807	8.03	74	9.02	116	10.83
Canceled	(35)	(6.25)	(60)	(8.21)	(49)	(8.21)
Outstanding, end of year	1,160	$ 7.91	1,174	$ 8.08	1,241	$ 8.34
Options exercisable at end of year	74		227		363	
Options available for grant	516		566		524	

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Shares Outstanding As Of January 31, 2003	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Shares Exercisable As Of January 31, 2003	Weighted Average Exercise Price
$4.29—$8.21	371	7.38	$ 7.65	159	$ 7.43
$8.21	870	8.50	8.63	210	8.27
	1,241	8.21	$ 8.34	369	$ 7.91

CONN APPLIANCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(continued)

8. Significant Vendors

As shown in the table below, a significant portion of the Company's merchandise purchases for the years ended July 31, 2000 and 2001, the six months ended January 31, 2002 and the year ended January 31, 2003 were made from six vendors:

Vendor	Years Ended July 31, 2000	Years Ended July 31, 2001	Six Months Ended January 31, 2002	Year Ended January 31, 2003
A	5.2%	11.1%	9.6%	15.5%
B	14.4	17.3	12.6	13.7
C	8.9	11.3	17.0	12.5
D	7.4	8.5	8.3	10.0
E	11.3	7.9	8.5	7.6
F	—	1.6	7.9	6.0
Totals	47.2%	57.7%	63.9%	65.3%

9. Related Party Transactions

The Company leases certain store locations from directors, stockholders and/or officers. See Note 6. At January 31, 2002, the Company was guarantor on construction debt in the amount of $4.5 million incurred by Specialized Realty Development Services, LP ("SRDS"), a real estate development company that is owned by various members of management and individual investors of Stephens Group, Inc. The partnership is developing up to six sites (four of which have been completed) for retail store locations that will be leased to the Company. The Company is obligated to lease each completed project for an initial period of 15 years. As soon as the development of each project is completed and the lease is placed into effect, the Company's debt guarantee is reduced by the amount of construction debt associated with that project. The Company's guarantee obligation on the two undeveloped properties will extend to a maximum debt of $5.5 million. SRDS charges the Company annual lease rates of approximately 11.5% of the total cost of each project; in addition, the Company is responsible for the payment of all property taxes, insurance and common area maintenance expenses. Based on independent appraisals that have been performed on each project that has been completed, the Company believes that the terms of the leases that replaced the guarantee obligations are at least comparable to those that could be obtained in an arms' length transaction. As part of the ongoing operation of SRDS, the Company receives a management fee associated with the administrative functions that are provided to SRDS.

10. Benefit Plans

The Company has established a defined contribution 401(k) plan for full time employees who are least 21 years old and have completed 90 days of service. Employees may contribute up to 15% of their applicable compensation to the plan, and the Company will match up to 50% of the first 6% of the employee contributions made after the employee has completed one year of service. As of August 1, 2001, the Company amended the plan to provide for matching contributions equal to 100% of the first 3% of employee withholdings and 50% of the next 2% of employee withholdings.

At its option, the Company may also make supplemental contributions to the plan. During the years ended July 31, 2000 and 2001, the six months ended January 31, 2002, and the year ended January 31, 2003, the Company contributed approximately $0.8 million, $1.0 million, $0.5 million, and $1.1 million, respectively, to the plan.

CONN APPLIANCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(continued)

11. Preferred Stock Preference

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 bear a cumulative dividend of 10% that is 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. At January 31, 2002 and January 31, 2003, there were $6.1 million ($34.96 per share) and $8.2 million ($47.17 per share), respectively, of accumulated dividends that had not been declared as payable by the Company's board of directors. 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.

During the years ended July 31, 2000 and 2001, and the six months ended January 31, 2002, the Company redeemed 1,283 shares, 35,792 shares and 1,997 shares of the preferred stock at a total cost of $0.1 million, $4.1 million and $0.2 million, respectively, of which $0.015 million, $1.0 million and $0.07 million, respectively, represented accumulated dividends.

12. Sale of Rent-to-Own Business Unit

On February 1, 2001, the Company sold substantially all of the assets of its rent-to-own business unit. The cash purchase price for the rent-to-own assets was $1.9 million and the Company recognized a loss from the transaction of $0.6 million. The loss, net of taxes, is included in the loss from discontinued operations. Operating results of the discontinued rent-to-own operations are as follows (such amounts have been reclassified to the discontinued operations section of the statement of operations) and are included in the following table (in thousands):

	Years Ended July 31,	
	2000	2001
Net revenues	$ 5,613	$ 2,540
Income (loss) before income taxes	47	(261)
Loss on disposition of assets		(607)
Provision for income taxes	(17)	323
Income (loss) from discontinued operations	$ 30	$ (546)

13. Contingencies

In December 2002, Martin E. Smith, as named plaintiff, filed a lawsuit against the Company in the state district court in Jefferson County, Texas, that attempts to create a class action for breach of contract and violations of state and federal consumer protection laws arising from the terms of the Company's service maintenance agreements. The lawsuit alleges an inappropriate overlap in the product warranty periods provided by the manufacturer and the periods covered by the service maintenance agreements that the Company sells. The lawsuit seeks unspecified actual damages as well as an injunction against the Company's current practices and extension of affected service contracts. The Company believes that the warranty periods covered in its service maintenance agreements are consistent with industry practice. The Company also believes that it is premature to predict whether class action status will be granted or, if granted, the outcome of this litigation.

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

	January 31, 2003	July 31, 2003
Assets		
Current Assets		
Cash and cash equivalents	$ 2,448	$ 2,234
Accounts receivable, net	12,617	15,906
Interest in securitized assets	60,803	64,840
Inventories	46,118	50,433
Deferred income taxes	3,981	4,011
Prepaid expenses and other assets	3,473	2,298
Total current assets	129,440	139,722
Debt issuance and other costs	543	569
Non-current deferred income tax asset	4,785	4,048
Property and equipment		
Land	3,746	3,714
Buildings	6,189	5,482
Equipment and fixtures	6,704	7,085
Transportation equipment	2,687	2,716
Leasehold improvements	42,219	44,521
Subtotal	61,545	63,518
Less accumulated depreciation	(23,279)	(26,343)
Total property and equipment, net	38,266	37,175
Goodwill, net	7,917	7,917
Other assets, net	607	574
Total assets	$ 181,558	$ 190,005
Liabilities and Stockholders' Equity		
Current Liabilities		
Notes payable	$ 7,500	$ 5,275
Current portion of long-term debt	7,928	7,991
Accounts payable	24,501	31,943
Accrued expenses	8,601	8,346
Income taxes payable	949	1,606
Deferred income taxes	209	—
Deferred revenue	6,873	6,115
Other current liabilities	—	44
Total current liabilities	56,561	61,320
Long-term debt	36,564	30,114
Non-current deferred tax liability	250	368
Deferred gain on sale of property	977	895
Fair value of derivatives	4,537	2,641
Stockholders' equity		
Preferred stock ($0.01 par value, 300,000 shares authorized; 174,648 issued and outstanding at January 31, 2003 and July 31, 2003) 10% cumulative dividend	15,226	15,226
Common stock ($0.01 par value, 30,000,000 shares authorized; 17,175,480 shares issued; and 16,719,990 shares outstanding at January 31, 2003 and July 31, 2003)	172	172
Accumulated other comprehensive income	2,751	4,141
Retained earnings	68,131	78,739
Treasury stock at cost (437,010 and 455,490 shares of common stock at January 31, 2003 and July 31, 2003, respectively)	(3,611)	(3,611)
Total stockholders' equity	82,669	94,667
Total liabilities and stockholders' equity	$ 181,558	$ 190,005

See notes to consolidated financial statements.

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

	Six Months Ended July 31,	
	2002	**2003**
Revenues		
Net sales	$ 190,323	$ 209,441
Finance charges and other	29,680	30,145
Total revenues	220,003	239,586
Cost and expenses		
Cost of goods sold, including warehousing and occupancy costs	135,828	153,593
Selling, general and administrative expense	63,913	64,154
Interest expense	3,125	3,216
Provision for bad debts	1,487	2,188
Total cost and expenses	204,353	223,152
Earnings before income taxes	15,650	16,434
Provision for income taxes		
Current	(6,575)	(5,300)
Deferred	1,019	(527)
Total provision for income taxes	(5,556)	(5,827)
Net income	10,094	10,607
Less preferred dividends	(1,067)	(1,173)
Net income available for common stockholders	$ 9,027	$ 9,434
Earnings per share		
Basic	$ 0.54	$ 0.56
Diluted	$ 0.54	$ 0.56
Average common shares outstanding		
Basic	16,728	16,720
Diluted	16,728	16,720

See notes to consolidated financial statements.

Conn Appliances, Inc.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(in thousands except share repurchase amounts)

	Preferred Stock		Common Stock		Accumulated Other Compre-hensive Income	Retained Earnings	Treasury Stock		Total
	Shares	Amount	Shares	Amount			Shares	Amount	
Balance January 31, 2003	175	$ 15,226	17,175	$ 172	$ 2,751	$ 68,131	455	$ (3,611)	$ 82,669
Net income						10,608			10,608
Unrealized gain on derivative instruments, net of tax of $242					1,151				1,151
Adjustment of fair value of interest in securitized assets, net of tax of $131					239				239
Total comprehensive income									11,998
Balance July 31, 2003	175	$ 15,226	17,175	$ 172	$ 4,141	$ 78,739	455	$ (3,611)	$ 94,667

See notes to consolidated financial statements.

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

	For the Six Months Ended July 31,	
	2002	**2003**
Cash flows from operating activities		
Net income	$ 10,094	$ 10,608
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,739	3,637
Provision for bad debts	1,487	2,188
Provision for deferred income taxes	(1,019)	527
Loss (gain) from sale of assets	(5)	(16)
Ineffectiveness of derivatives	11	(98)
Change in operating assets and liabilities:		
Accounts receivable	(11,601)	(6,431)
Interests in securitized assets	(13,269)	(4,037)
Proceeds from sale of loans receivable	18,723	176
Inventory	(6,672)	(4,315)
Prepaid expenses and other assets	(1,089)	1,208
Accounts payable	3,494	7,442
Accrued expenses	426	(255)
Income taxes payable	(305)	657
Deferred service contract revenue	44	(758)
Other current liabilities	(25)	44
Net cash provided by operating activities	3,033	10,577
Cash flows from investing activities		
Purchase of property and equipment	(9,319)	(2,064)
Proceeds from sale of property	5	189
Net cash used by investing activities	(9,314)	(1,875)
Cash flows from financing activities		
Purchase of treasury stock	(200)	—
Net borrowings (payments) under line of credit	6,869	(7,637)
Increase in debt issuance costs	(424)	(304)
Payment of promissory notes	(655)	(976)
Net cash used by financing activities	5,590	(8,917)
Net change in cash	(691)	(214)
Cash and cash equivalents		
Beginning of the year	1,571	2,448
End of the year	$ 880	$ 2,234

See notes to consolidated financial statements.

CONN APPLIANCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

July 31, 2003

1. Significant Accounting Policies

Basis of Presentation. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. The accompanying financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. All such adjustments are of a normal recurring nature. Operating results for the six months ended July 31, 2003 are not necessarily indicative of the results that may be expected for the year ending January 31, 2004. The financial statements should be read in conjunction with the Company's audited financial statements and the notes thereto.

The balance sheet at January 31, 2003 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

Principles of Consolidation. The consolidated financial statements include the accounts of Conn Appliances, Inc. and its subsidiaries, limited liability companies and limited partnerships, all of which are wholly-owned (the "Company"), which is also known as Conn Texas. All material inter-company transactions and balances have been eliminated in consolidation.

The Company enters into securitization transactions to finance 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. Since the Company has relinquished control over these receivables and does not control the qualifying special purpose subsidiary that holds the receivables, the amounts held in these securitization facilities are not included in the consolidated financial statements of the Company.

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; as there were no options outstanding in the interim periods that were valued in excess of the grant price, there were no such shares included in outstanding share total. Since the preferred stock dividend obligations of the Company are cumulative, they have been reported on the Consolidated Statements of Operations even though they have not yet been declared as payable.

Goodwill. Goodwill represents primarily the excess of purchase price over the fair market value of net assets acquired. Effective February 1, 2002, the Company adopted the provisions of SFAS No. 142, *Goodwill and Other Intangible Assets* whereby goodwill is no longer amortized, but rather the Company assesses the potential future impairment of goodwill on an annual basis, or at any other time when impairment indicators exist. Information presented in the Consolidated Statements of Operations for all periods excludes any amortization of goodwill.

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

CONN APPLIANCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(continued)

(Unaudited)

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 financial statements presented.

If compensation expense for the Company's stock option plan had been recognized using the fair value method of accounting under SFAS 123, net income from continuing operations and earnings per share would have decreased by 1.8% for both the six months ended July 31, 2002 and 2003. The fair value of the options issued was estimated on the date of grant, using the minimum valuation option-pricing model with the following weighted average assumptions used for grants during the quarter and six months ended July 31, 2002: expected risk free interest rates of 6.3% and expected lives of 5 years in all periods. The following table presents the impact to earnings per share if the Company had adopted the fair value recognition provisions of SFAS 123 (in thousands except per share data):

	Six Months Ended July 31,	
	2002	2003
Net income available for common stockholders	$ 9,027	$ 9,434
Stock-based compensation, net of tax, that would have been reported under SFAS 123	(161)	(169)
Pro forma net income	$ 8,866	$ 9,265
Pro forma earnings per share:		
Basic	$ .53	$ .55
Diluted	$ .53	$ .55

Recent Accounting Pronouncements. 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 ("FIN 46"). FIN 46 requires the consolidation of entities in which a company absorbs a majority of the entity's expected losses, receives a majority of the entity's expected residual returns, or both, as a result of ownership, contractual or other financial interests in the entity. Currently, entities are generally consolidated by a company when it has a controlling financial interest through ownership of a majority voting interest in the entity. The Company is currently evaluating the effects of the issuance of FIN 46 on the accounting for its leases with Specialized Realty Development Services, LP. We do not anticipate the adoption of FIN 46 will have a material impact on the Company's consolidated financial statements.

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

2. Unusual Items

Modification to Calculation of Sales Compensation. During the six months ended July 31, 2003, the Company changed the methodology on how sales commissions are calculated and paid. The previous practice of advancing a semi-monthly draw against commissions to be earned was eliminated and previous amounts in excess of commissions earned that were held for offset against future commissions ("arrearages") were forgiven and were charged to the statement of income. As a result of the modification of this program, $0.7 million was charged to the Consolidated Statement of Operations for the six months ended July 31, 2003.

CONN APPLIANCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(continued)

(Unaudited)

Automation of Revenue Adjustments. During the six months ended July 31, 2003, the Company automated its Credit Control Department so that revenue adjustments that were previously estimated based on a manual process were automatically uploaded for posting to a customer's account. While this process allowed the Company to refine its level of estimation in developing a monthly adjustment and also allowed it to reduce personnel requirements in this department, it accelerated the recognition of revenue adjustments in the current period. As a result, the Company recognized approximately $0.6 million in write-offs in the six months ended July 31, 2003, that would have previously been deferred to a future time period.

3. Fair Value of Derivatives

The Company held interest rate swaps and collars with notional amounts totaling $100.0 million as of January 31, 2003 and July 31, 2003, with terms extending through 2005. Until September 2002, these instruments were accounted for as cash flow hedges. Of these instruments, $80.0 million were designated as hedges against the Company's variable interest rate risk related to the cash flows from its interest only strip. The remaining $20.0 million of these instruments were designated as hedges against the Company's variable rate debt.

In September 2002, the Company entered into a new agreement to sell customer receivables. As a result of that new agreement, the Company discontinued hedge accounting for the $80.0 million of hedges previously designated to the interest only strip. In accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, the Company recognized changes in fair value for those derivatives after September 2002 as interest expense, and is amortizing the amount of accumulated other comprehensive loss related to those derivatives into interest expense over the remaining term of the instruments, which expire ending in November 2003. This change had no effect on the $20.0 million of instruments designated as hedges against the Company's variable rate debt.

Ineffectiveness, which arises from differences between the interest rate stated in the derivative instrument and the interest rate upon which the underlying hedged transaction is based, totaled $.01 million for the six months ended July 31, 2002, and $(.1) million for the six months ended July 31, 2003, and is reflected in "Interest Expense" in the consolidated statement of operations. Ineffectiveness for the six months ended July 31, 2003 includes $.2 million related to discontinued hedge accounting.

4. Letters of Credit

The Company had outstanding at January 31, 2003 and July 31, 2003 unsecured letters of credit aggregating $10.5 million and $10.7 million, respectively, that secure a portion of the asset-backed securitization program and the deductible under the Company's insurance program. The maximum potential amount of future payments under these letters of credit is considered to be the face amount of the letter of credit. As part of the asset-backed securitization program, the Company arranged for the issuance of a stand-by letter of credit in the amount of $10.0 million to provide assurance to the trustee that monthly funds collected by the Company 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 September 2003, at which time the Company expects to renew such obligation. The Company also has an obligation to provide additional letters of credit under its insurance program in amounts considered sufficient by the carrier to cover expected losses of claims that remain open after the expiration of the initial policy coverage period. The letter of credit is callable, at the option of the insurance company, if the Company does not honor its requirement to fund deductible amounts as billed.

CONN APPLIANCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(continued)

(Unaudited)

5. Stock Preference

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 bear a cumulative dividend of 10% that is 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. At July 31, 2003, there were $9.4 million ($53.89 per share) of accumulated dividends that had not been declared as payable by the Company's board of directors. In September 2003, the board of directors declared a preferred stock dividend as of November 30, 2003 of $10.2 million ($58.37 per share) contingent upon the completion of a proposed initial public offering.

6. Contingencies

In December 2002, Martin E. Smith, as named plaintiff, filed a lawsuit against the Company in the state district court in Jefferson County, Texas, that attempts to create a class action for breach of contract and violations of state and federal consumer protection laws arising from the terms of the Company's service maintenance agreements. The lawsuit alleges an inappropriate overlap in the product warranty periods provided by the manufacturer and the periods covered by the service maintenance agreements that the Company sells. The lawsuit seeks unspecified actual damages as well as an injunction against the Company's current practices and extension of affected service contracts. The Company believes that the warranty periods covered in its service maintenance agreements are consistent with industry practice. The Company also believes that it is premature to predict whether class action status will be granted or, if granted, the outcome of this litigation.

[Graphic depicting home appliances, consumer electronics and bedding store displays and service and delivery functions]

Shares

PROSPECTUS

Stephens Inc.
SunTrust Robinson Humphrey

, 2003

Dealer Prospectus Delivery Obligation

Until , 2003 (25 days after the commencement of the offering), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the estimated costs and expenses, other than underwriting discounts, payable in connection with the sale of common stock being registered, all of which will be paid by the registrant:

	Amount
Registration fee—Securities and Exchange Commission	$ 5,536.00
Filing fee—National Association of Securities Dealers, Inc.	7,343.00
Listing fee—The Nasdaq National Market	
Printing and engraving expenses	
Legal fees and expenses	
Accounting fees and expenses	
Blue sky fees and expenses	
Transfer agent and registrar fees and expenses	
Miscellaneous	
Total	$

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 145 of the Delaware General Corporation Law, or the DGCL, provides that a corporation has the power to indemnify its officers, directors, employees and agents (or persons serving in such positions in another entity at the request of the corporation) against expenses, including attorney's fees, judgments, fines or settlement amounts actually and reasonably incurred by them in connection with the defense of any action to which such persons are a party or are threatened to be made a party by reason of being or having been directors or officers, if such person shall have acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the corporation (and, with respect to any criminal action, had no reasonable cause to believe the person's conduct was unlawful), except that if such action shall be by or in the right of the corporation, no such indemnification shall be provided as to any claim, issue or matter as to which such person shall have been judged to have been liable to the corporation unless and to the extent that the Court of Chancery of the State of Delaware, or another court in which the suit was brought, shall determine upon application that, in view of all of the circumstances of the case, such person is fairly and reasonably entitled to indemnification. The registrant's certificate of incorporation provides that the registrant will indemnify its officers and directors to the fullest extent permitted by Delaware law.

As permitted by Section 102 of the DGCL, the registrant's certificate of incorporation provides that no director shall be liable to the registrant or its stockholders for monetary damages for any breach of fiduciary duty as a director other than (1) for breaches of the director's duty of loyalty to the registrant or its stockholders; (2) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (3) for the unlawful payment of dividends or unlawful stock purchases or redemption under Section 174 of the DGCL; or (4) for any transaction from which the director derived an improper personal benefit.

The underwriting agreement provides that the underwriters are obligated to indemnify directors, officers and controlling persons of the registrant against certain liabilities, including liabilities under the Securities Act. Reference is made to the form of underwriting agreement filed as Exhibit 1 of this registration statement.

The registrant maintains directors and officer's liability insurance for the benefit of its directors and certain of its officers and intends to enter into indemnification agreements (in the form filed as Exhibit 10.16 of this registration statement) for the benefit of its directors and executive officers.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

The shareholders of Conn Texas voted to approve the merger of Conn Texas with a wholly owned subsidiary of the registrant at a special meeting of shareholders held on February 7, 2003. The merger will be effective upon the consummation of the offering contemplated by this registration statement. Holders of Conn Texas common stock, $0.01 par value per share, will receive one share of the registrant's common stock for each share of Conn Texas common stock held. Holders of Conn Texas preferred stock, $0.01 par value per share, will receive one share of the registrant's preferred stock, $0.01 per share, for each share of Conn Texas preferred stock held. The preferred stock issued in the merger will be redeemed on a mandatory basis for cash or shares of the registrant's common stock at the option of the stockholder. The conversion ratio into common stock is calculated by dividing the liquidation value (including accrued and unpaid dividends) of the Conn Texas preferred stock by the offering price per share of the registrant's common stock sold in the offering contemplated by this registration statement.

The offering and sale of securities effected by the merger are exempt under Section 4(2) of the Securities Act and Rule 506 thereunder. The offering was limited to the shareholders of Conn Texas, who consist of persons that qualify as accredited investors and fewer than 35 other persons. Non-accredited offerees were represented by a "purchaser representative" as defined in Rule 501(h) under the Securities Act. The registrant complied with all of the applicable requirements of Rules 501 and 502.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibits

See exhibits listed on the Exhibit Index following the signature page of this registration statement, which is incorporated herein by reference.

(b) Financial Statement Schedules

None.

ITEM 17. UNDERTAKINGS

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

Insofar as indemnification by the registrant for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions referenced in Item 14 of this registration statement or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer, or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by a director, officer or controlling person in connection with the securities being registered hereunder, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act, and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Beaumont, State of Texas, on the 23rd day of September, 2003.

CONN'S, INC.

By: /s/ Thomas J. Frank, Sr.

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

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Thomas J. Frank, Sr. and C. William Frank and each of them acting individually, as true and lawful attorneys-in-fact and agents each with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities to sign any and all amendments to said registration statement (including post-effective amendments and registration statements filed pursuant to Rule 462 of the SEC and otherwise), and to file the same, with all exhibits thereto, and other documents in connection therewith, with the SEC granting unto said attorneys-in-fact and agents the full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the foregoing, as to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or his substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated below.

Signature	Title	Date
/s/ Thomas J. Frank, Sr. Thomas J. Frank, Sr.	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	September 23, 2003
/s/ C. William Frank C. William Frank	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	September 23, 2003
/s/ Marvin D. Brailsford Marvin D. Brailsford	Director	September 23, 2003
/s/ Jon E.M. Jacoby Jon E.M. Jacoby	Director	September 23, 2003
/s/ Bob L. Martin Bob L. Martin	Director	September 23, 2003
/s/ Douglas H. Martin Douglas H. Martin	Director	September 23, 2003
/s/ William T. Trawick William T. Trawick	Director	September 23, 2003
/s/ Theodore M. Wright Theodore M. Wright	Director	September 23, 2003

EXHIBIT INDEX

Exhibit Number	Description
*1	Form of Underwriting Agreement
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.
3.1	Certificate of Incorporation of Conn's, Inc.
3.2	Bylaws of Conn's, Inc.
*4.1	Specimen of certificate for shares of Conn's, Inc.'s common stock
*5	Opinion of Winstead Sechrest & Minick P.C.
10.1	Amended and Restated 2003 Incentive Stock Option Plan
10.2	2003 Non-Employee Director Stock Option Plan
10.3	Employee Stock Purchase Plan
10.4	Conn's 401(k) Retirement Savings Plan
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
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
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
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
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
10.8	Lease Agreement dated August 18, 2003, by and between Robert K. Thomas, as Lessor, and CAI, L.P., as Lessee, for the property located at 4610-12 McEwen Road, Dallas, Texas
10.9	Credit Agreement dated April 24, 2003, by and among Conn Appliances, Inc. and the Borrowers thereunder, the Lenders party thereto, JPMorgan Chase Bank, as Administrative Agent, Bank of America, N.A., as Syndication Agent, and SunTrust Bank, as Documentation Agent
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
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
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

Exhibit Number	Description
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
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
*10.15	Form of Employment Agreement
10.16	Form of Indemnification Agreement
21	Subsidiaries of Conn's, Inc.
23.1	Consent of Ernst & Young LLP
*23.2	Consent of Winstead Sechrest & Minick P.C. (included in Exhibit 5)
24	Power of Attorney (included on the signature page hereof)

* To be filed by amendment.

Exhibit 2

AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (this "Agreement") is entered into as of the 15th day of January 2003, by and among Conn Appliances, Inc., a Texas corporation ("Conn Texas"), Conn's, Inc., a Delaware corporation and wholly owned subsidiary of Conn Appliances, Inc. ("Conn Delaware"), and Conn's Merger Sub, Inc., a Texas corporation and wholly owned subsidiary of Conn Delaware ("Merger Sub").

RECITALS

WHEREAS, Conn Texas, Conn Delaware and Merger Sub intend to effect a merger of Merger Sub into Conn Texas in accordance with this Agreement and the Texas Business Corporation Act (the "Merger"), such that upon consummation of the Merger, Merger Sub will cease to exist, and Conn Texas will become a wholly owned subsidiary of Conn Delaware; and

WHEREAS, Conn Delaware and Merger Sub are newly formed corporations, were organized for the sole purpose of participating in the Merger and have nominal assets and liabilities, if any; and

WHEREAS, the Merger is intended to qualify as a tax-free reorganization under the Internal Revenue Code of 1986, as amended (the "Code").

AGREEMENT

NOW, THEREFORE, in consideration of the mutual obligations and covenants set forth in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Conn Texas, Conn Delaware and Merger Sub agree as follows:

I.
Terms of Merger

Section 1.1 Statutory Merger. Subject to the terms and conditions contained herein and in accordance with the provisions of the Texas Business Corporation Act (the "TBCA"), Merger Sub will, at the Effective Time (as defined herein), be merged with and into Conn Texas, and Conn Texas will be the surviving corporation (the "Surviving Corporation"). After the Merger, Conn Texas will continue to exist under and to be governed by the laws of the State of Texas. Except as herein specifically set forth, the identity, existence, purposes, powers, objectives, franchises, privileges, rights and immunities of Conn Texas will continue unaffected and unimpaired by the Merger, and the corporate franchises, existence, assets, liabilities and rights of Merger Sub will be merged into Conn Texas, which, as the Surviving Corporation, will be fully vested therewith. The separate existence and corporate organization of Merger Sub, except insofar as they may be continued by statute, will cease at the Effective Time.

Section 1.2 Effective Time. The Merger will become effective at the time stated in the Articles of Merger filed with the Secretary of State of the State of Texas or if no time is stated therein, the Merger shall become effective upon the acceptance of the Articles of Merger by the Secretary of State of the State of Texas (the "Effective Time").

Section 1.3 Name of Surviving Corporation. At the Effective Time, the name of the Surviving Corporation will continue as "Conn Appliances, Inc."

Section 1.4 Articles of Incorporation and Bylaws. The Articles of Incorporation and Bylaws of Conn Texas as in effect immediately prior to the Effective Time will be the Articles of Incorporation and Bylaws of the Surviving Corporation from and after the Effective Time, without change.

Section 1.5 Directors. The directors of Conn Texas in office immediately prior to the Effective Time will be the directors of the Surviving Corporation, each to hold office in accordance with the Articles of Incorporation and Bylaws of the Surviving Corporation, and, unless they sooner die, resign or are removed, will hold office from the Effective Time until their respective successors are elected and qualified.

Section 1.6 Officers. The officers of Conn Texas in office immediately prior to the Effective Time will be the officers of the Surviving Corporation from and after the Effective Time. Unless the foregoing officers sooner die, resign or are removed, they will hold their respective offices from the Effective Time until their respective successors are elected or appointed.

Section 1.7 Conditions to the Completion of the Merger. The completion of the Merger depends upon the satisfaction of the following conditions: (i) the approval of the Merger by the holders of two-thirds of the outstanding shares of Conn Texas Common Stock and Conn Texas Preferred Stock, as defined herein; (ii) the approval of the Merger by the holders of two-thirds of the outstanding shares of Merger Sub Common Stock, as defined herein; and (iii) the consummation of an initial public offering of Conn Delaware Common Stock, as defined herein. The Merger will take place contemporaneously with the closing of the initial public offering and will only take place if Conn Delaware completes the initial public offering.

II.
Conversion of Securities; Effects of the Merger

Section 2.1 Merger Consideration; Conversion and Cancellation of Securities. At the Effective Time, by virtue of the Merger and without any action on the part of the holder of any securities of Conn Delaware, Merger Sub or Conn Texas:

2.1.1 Shares of Conn Texas Common Stock. Each share of the Common Stock, $.01 par value per share, of Conn Texas ("Conn Texas Common Stock"), outstanding immediately prior to the Effective Time shall be converted into one share of the Common Stock, $.01 par value per share, of Conn Delaware ("Conn Delaware Common Stock").

2.1.2 Shares of Conn Texas Preferred Stock. Each share of Senior Preferred Stock, par value $.01 per share, of Conn Texas ("Conn Texas Preferred Stock"), outstanding immediately prior to the Effective Time shall be converted into one share of the Senior Preferred Stock, par value $.01 per share, of Conn Delaware ("Conn Delaware Preferred Stock").

2.1.3 Shares of Merger Sub Common Stock. Each share of the Common Stock, $.01 par value per share, of Merger Sub ("Merger Sub Common Stock") outstanding immediately prior to the Effective Time shall be converted into one share of Conn Texas Common Stock.

2.1.4 Shares of Conn Delaware Common Stock. Each share of Conn Delaware Common Stock outstanding immediately prior to the Effective Time shall automatically be cancelled and retired and all rights with respect thereto shall cease to exist.

2.1.5 Treasury Shares. Each share of Conn Texas Common Stock or Conn Texas Preferred Stock issued and held as Conn Texas treasury stock shall be cancelled and retired without payment of any consideration therefor and shall cease to exist.

Section 2.2 Exchange of Certificates. As soon as reasonably practicable after the Effective Time, the Surviving Corporation shall mail, or shall cause to be mailed, to each holder of record of a certificate or certificates which immediately prior to the Effective Time represented outstanding shares of the capital stock of Conn Texas (collectively, the "Certificates") whose shares were converted into the right to receive shares of capital stock of Conn Delaware pursuant to Section 2.1: (i) a letter of transmittal and (ii) instructions for use in effecting the surrender of the Certificates in exchange for the capital stock of Conn Delaware. Upon surrender of a Certificate for cancellation, together with such letter of transmittal, duly executed, and such other documents as may reasonably be required by Conn Delaware, the holder of such Certificate shall be entitled to receive in exchange therefor the capital stock of Conn Delaware into which the holder's shares of capital stock of Conn Texas theretofore represented by such Certificate shall have been converted pursuant to Section 2.1, and the Certificate so surrendered shall forthwith be canceled. In the event of a transfer of ownership of any shares of capital stock of Conn Texas that are not registered in the transfer records of Conn Texas, payment may be made to an individual, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization or other entity (each a "Person") other than the Person in whose name the Certificate so surrendered is registered if such Certificate shall be properly endorsed or otherwise be in proper form for transfer and the Person requesting such payment either shall pay any transfer or other taxes required by reason of such payment being made to a Person other than the registered holder of such Certificate or establish to the satisfaction of Conn Delaware that such tax or taxes have been paid or are not applicable; provided, however, that Conn Delaware may require reasonable assurance that the transfer complied with the TBCA or other applicable laws.

Section 2.3 No Further Ownership Rights in Texas Common Stock or Texas Preferred Stock. All shares of capital stock of Conn Delaware issued upon the surrender of Certificates in accordance with the terms of this Article II shall be deemed to have been paid in full satisfaction of all rights pertaining to the capital stock of Conn Texas theretofore represented by such Certificates, and there shall be no further registration of transfers on the stock transfer books of Conn Texas of the capital stock of Conn Texas which was outstanding immediately prior to the Effective Time. If, after the Effective Time, Certificates are presented to the Surviving Company for any reason, they shall be canceled and exchanged as provided in this Article II.

Section 2.4 No Escheat Liability. Neither Conn Delaware, Merger Sub nor Conn Texas shall be liable to any Person in respect of any shares of capital stock of Conn Delaware issued nor dividends delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

Section 2.5 Assumption of Stock Option Plans. Conn Delaware shall, from and after the Effective Time, assume and agree to perform all obligations of Conn Texas pursuant to the Conn Appliances, Inc. 2003 Amended and Restated Incentive Stock Option Plan, the Conn Appliances, Inc. 2003 Non-Employee Director Stock Option Plan and the Conn Appliances, Inc. Employee Stock Purchase Plan (collectively the "Plans").

Section 2.6 Assumption of Obligations to Issue Stock.

2.6.1 At the Effective Time, automatically and without any action on the part of the holder thereof, each outstanding option to purchase shares of Conn Texas Common Stock granted pursuant to the Plans shall become an option to purchase shares of Conn Delaware Common Stock. The terms of each such option shall be amended automatically to provide that the number of shares of Conn Delaware Common Stock issuable upon exercise of the option shall equal the number of shares of Conn Texas Common Stock issuable pursuant to the option immediately prior to its amendment hereby and that the exercise price per share of such Conn Delaware Common Stock shall be equal to the exercise price per share of Conn Texas Common Stock in effect immediately prior to the amendment effected hereby, subject in each case to subsequent adjustment as provided by the terms of the Plans and the applicable option agreement. In the case of any option to which Section 421 of the Code applies by reason of the qualifications under Section 422 or 423 of the Code, the exercise price, the number of shares purchasable pursuant to such option and the terms and conditions of exercise of such option shall be determined in a manner that complies with Section 424(a) of the Code. This Subsection 2.6.1 will only effectuate such changes that are not effectuated pursuant to Section 12(c) of the Amended and Restated 2003 Incentive Stock Option Plan and Section 17(c) of the 2003 Non-Employee Director Stock Option Plan.

2.6.2 On or prior to the Effective Time, Conn Texas shall take or cause to be taken all such actions as may be necessary or desirable in order to authorize the transactions contemplated by Subsection 2.6.1 hereof.

2.6.3 Conn Delaware shall take all corporate actions necessary to reserve for issuance a sufficient number of shares of Conn Delaware Common Stock for delivery upon exercise of such stock options.

Section 2.7 Accumulated and Unpaid Dividends. All accumulated and unpaid dividends on Conn Texas Preferred Stock (whether or not declared) shall be assumed by Conn Delaware to the extent set forth in Section 2.1 of the Certificate of Designations, Preferences and Relative Rights of Senior Preferred Stock of Conn Delaware.

Section 2.8 Assumption of Obligations to Dissenting Shareholders. Conn Delaware shall be obligated for the payment of the fair value of any shares held by any shareholder of

Conn Texas that dissented to the merger and complied with the requirements of Article 5.12 of the TBCA for the recovery of the fair value of his shares.

III.
Filings Relating to the Effective Time

Section 3.1 Full Cooperation. Conn Delaware, Merger Sub and Conn Texas will proceed expeditiously and cooperate fully in the procurement of any consents and approvals, the taking of any other action, and the satisfaction of all other requirements prescribed by law or otherwise necessary for the consummation of the Merger.

Section 3.2 Filings. The appropriate officers of Conn Delaware, Merger Sub and Conn Texas will execute and verify, and cause to be filed Articles of Merger in accordance with the TBCA at such time as the companies may mutually agree.

IV.
Certain Effects of the Merger

Section 4.1 Separate Existence of Merger Sub. At the Effective Time, the separate existence of Merger Sub will cease. All rights, title, and interests to all real estate, employee benefit plans, accounts receivable, furniture, fixtures, equipment, leasehold rights and all other assets and property owned by Conn Texas and Merger Sub shall be allocated to, acquired by and vested in the Surviving Corporation without reversion or impairment, without further act or deed, and without any transfer or assignment having occurred, but subject to any existing liens thereon. All liabilities and obligations of Conn Texas and Merger Sub, including obligations under employee benefit plans, leases, bank indebtedness and accounts payable shall be allocated to and assumed completely by the Surviving Corporation, and the Surviving Corporation shall be the primary obligor therefor. All contracts, leases, agreements, promissory notes, employee benefit plans and other documents or instruments which include Merger Sub within their text, shall be deemed as of the Effective Time to have substituted the name of the Surviving Corporation for Merger Sub, wherever it may appear. For vesting purposes, years of employment, calculation of dividends and other provisions contained in such documents for which association with Merger Sub is important, the period of association with the Surviving Corporation will relate back to the date of original association with Merger Sub.

Section 4.2 Further Actions. At the time, or from time to time, after the Effective Time, the last acting officers and directors of Merger Sub will, as and when requested by the Surviving Corporation or its successors or assigns, execute and deliver all such deeds, assignments and other instruments and take or cause to be taken all such further or other reasonable action as the Surviving Corporation deems reasonably necessary or desirable in order to vest, perfect or confirm in the Surviving Corporation title to and possession of all of the properties, rights, privileges, powers, franchises, immunities and interests of Merger Sub and otherwise to carry out the purpose of this Agreement.

V.
Closing Date, Termination and Amendment

Section 5.1 Closing Date. The Merger and the other transactions contemplated by this Agreement shall be closed at the time and date as may be mutually agreed upon by Conn Delaware, Merger Sub and Conn Texas.

Section 5.2 Termination. This Agreement may be terminated and the Merger and the other transactions contemplated by this Agreement abandoned at any time prior to the Effective Time pursuant to resolutions adopted by the Board of Directors of each of Conn Delaware, Merger Sub and Conn Texas, without action by the stockholders of Conn Delaware or the shareholders of Conn Texas and Merger Sub.

Section 5.3 Amendments. This Agreement may be supplemented, amended or modified by mutual consent of the parties to this Agreement; provided, however, that, any amendment effected subsequent to stockholder approval shall be subject to the restrictions contained in the TBCA. No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by all the parties hereto.

VI.
Miscellaneous Provisions

Section 6.1 Governing Law. This Agreement shall be governed by and construed in accordance with, the laws of the State of Texas, regardless of the laws that might otherwise govern under applicable conflict of laws principles.

Section 6.2 Counterparts. This Agreement may be executed in multiple counterparts, each of which will be deemed an original and all of which together will constitute one agreement.

Section 6.3 Entire Agreement. This Agreement, including the agreements and documents referenced herein, constitutes the entire agreement and supersedes all other prior agreements and undertakings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof.

[Remainder of Page Intentionally Left Blank. Signature Page Follows.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

CONN APPLIANCES, INC.,
a Texas corporation

By: /s/ Thomas J. Frank Sr.

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

CONN'S, INC.,

a Delaware corporation

By: /s/ Thomas J. Frank Sr.

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

CONN'S MERGER SUB, INC.,
a Texas corporation

By: /s/ Thomas J. Frank, Sr.

Thomas J. Frank, Sr.
President

Exhibit 3.1

CERTIFICATE OF INCORPORATION

OF

CONN'S, INC.

ARTICLE ONE

The name of the corporation is Conn's, Inc. (the "Corporation").

ARTICLE TWO

The address of the Corporation's initial registered office is 1209 Orange Street, Wilmington, New Castle County, Delaware 19801, and the registered agent for service of process on the Company in the State of Delaware shall be The Corporation Trust Company.

ARTICLE THREE

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law.

ARTICLE FOUR

The aggregate number of shares of capital stock which the Corporation shall have authority to issue is forty one million (41,000,0000) shares of stock, of which forty million (40,000,000) shares are Common Stock, par value of $0.01 per share ("Common Stock"), and one million (1,000,000) shares are Preferred Stock, par value $0.01 per share ("Preferred Stock").

A. Common Stock.

1. Dividends. Dividends may be paid on the Common Stock out of any assets of the Corporation available for such dividends subject to the rights of all outstanding shares of capital stock ranking senior to the Common Stock in respect of dividends.

2. Distribution of Assets. In the event of any liquidation, dissolution or winding up of the Corporation, after there shall have been paid to or set aside for the holders of capital stock ranking senior to the Common Stock in respect of rights upon liquidation, dissolution or winding up the full preferential amounts to which they are respectively entitled, the holders of the Common Stock shall be entitled to receive, pro rata, all of the remaining assets of the Corporation available for distribution to its shareholders.

3. Voting Rights. The holders of the Common Stock shall be entitled to one vote per share for all purposes upon which such holders are entitled to vote.

4. Preemptive Rights. No holders of Common Stock, now or hereafter authorized, shall have any preferential or preemptive rights to subscribe for, purchase or receive any shares of the Corporation of any class, now or hereafter authorized, or any options or

warrants for such shares, or any rights to subscribe for, purchase or receive any securities convertible to or exchangeable for such shares, which may at any time be issued, sold or offered for sale by the Corporation.

B. Preferred Stock.

1. Designations. Shares of Preferred Stock may be issued from time to time in one or more series, each of which is to have a distinctive serial designation as determined in the resolution or resolutions of the Board of Directors providing for the issuance of such Preferred Stock from time to time.

2. Rights and Preferences. Each series of Preferred Stock:

(a) may have such number of shares;

(b) may have such voting powers or may be without voting powers;

(c) may be subject to redemption at such time or times and at such price;

(d) may be entitled to receive dividends (which may be cumulative or noncumulative) at such rate or rates, or such conditions, from such date or dates, and at such times, and payable in preference to, or in such relation to, the dividends payable on any other class or classes or series of stock;

(e) may have such rights upon the dissolution of, or upon any distribution of the assets of, the Corporation;

(f) may be made convertible into, or exchangeable for, shares of any other class or classes, or of any other series of the same class or of any other class or classes, of stock of the Corporation at such times and upon such events, and at such price or prices or at such rates of exchange, and with adjustments;

(g) may be entitled to the benefit of a sinking fund or purchase fund to be applied to the purchase or redemption of shares of such series in such amount or amounts;

(h) may be entitled to the benefit of conditions and restrictions upon the creation of indebtedness of the Corporation or any subsidiary, upon the issuance of any additional stock (including additional shares of such series or of any other series) and upon the payment of dividends or the making of other distributions on, and the purchase, redemption or other acquisition by the Corporation of stock of any class; and

(i) may have such other powers, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof;

as in such instance is stated in the resolution or resolutions of the Board of Directors providing for the issuance of such Preferred Stock. Except where otherwise set forth in such resolution or resolutions the number of shares comprising such series may be increased or decreased (but not below the number of shares then outstanding) from time to time by like action of the Board of Directors.

ARTICLE FIVE

Unless and except to the extent that the Bylaws of the Corporation shall so require, the election of directors of the Corporation need not be by written ballot. Cumulative voting of shares of any capital stock having voting rights is prohibited.

ARTICLE SIX

The Board of Directors of the Corporation is expressly authorized to adopt, amend or repeal any provision of this Certificate of Incorporation or the Bylaws of the Corporation, subject to approval by the stockholders of the Corporation where required by law. In addition to any requirements of law and any other provision of this Certificate of Incorporation, the affirmative vote of the holders of at least 75 percent of the combined voting power of the then outstanding shares of all classes and series of capital stock entitled generally to vote in the election of directors of the Corporation, voting together as a single class, shall be required for stockholders to adopt, amend, alter, or repeal Sections 2.3, 2.12, 2.14, 3.2, 3.4 and 3.5 of the Bylaws or to amend Section 9.7 of the Bylaws or this Article SIX as it relates to the vote required to adopt, amend, alter, or repeal the aforementioned sections of the Bylaws.

ARTICLE SEVEN

A. Any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative (whether or not by or in the right of the Corporation), by reason of the fact that such person is or was a director, officer, incorporator, employee, or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, incorporator, employee, partner, trustee, or agent of another corporation, partnership, joint venture, trust, or other enterprise (including an employee benefit plan), shall be entitled to be indemnified by the Corporation to the full extent then permitted by law against expenses (including counsel fees and disbursements), judgments, fines (including excise taxes assessed on a person with respect to an employee benefit plan), and amounts paid in settlement incurred by such person in connection with such action, suit, or proceeding. Expenses (including attorneys' fees) incurred by a director or officer in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation as permitted by law. All advances of

expenses shall be unsecured and interest free, and the person's undertaking to repay shall be accepted by the Corporation without reference to the person's financial ability to make repayment. Such rights of indemnification and payment of expenses shall inure whether or not the claim asserted is based on matters which antedate the adoption of this Article SEVEN. Such rights of indemnification and payment of expenses shall continue as to a person who has ceased to be a director, officer, incorporator, employee, partner, trustee, or agent and shall inure to the benefit of the heirs and personal representatives of such a person. The indemnification provided by this Article SEVEN shall not be deemed exclusive of any other rights which may be provided now or in the future under any provision currently in effect or hereafter adopted in the Bylaws, by any agreement, by vote of stockholders, by resolution of disinterested directors, by provision of law, or otherwise. If the General Corporation Law of the State of Delaware is amended after the effective date of this Certificate of Incorporation to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the General Corporation Law of the State of Delaware, as amended.

B. If a claim for indemnification or payment of expenses, or both, under the preceding paragraph (a) is not paid in full by the Corporation within 30 days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant also will be entitled to be paid the expense of prosecuting such claim. It will be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standards of conduct that make it permissible under the laws of the State of Delaware for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense will be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because such claimant has met the applicable standard of conduct set forth in the laws of the State of Delaware, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the claimant has not met such applicable standard of conduct, will be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

ARTICLE EIGHT

No director of the Corporation shall be liable to the Corporation or any of its stockholders for monetary damages for breach of fiduciary duty as a director, provided, however that this Article EIGHT does not eliminate the liability of the director (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders; (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (iii) under Section 174 of Title 8 of the Delaware Code; or (iv) for any transaction from which the director derived an improper personal benefit. For purposes of the first sentence of this Article EIGHT, the term "damages" shall, to the extent permitted by law, include, without limitation, any judgment, fine, amount paid in settlement, penalty, punitive damages, excise or other tax assessed with respect to an employee benefit plan, or expense of any nature (including, without limitation, attorneys' fees

and disbursements). Each person who serves as a director of the Corporation while this Article EIGHT is in effect shall be deemed to be doing so in reliance on the provisions of this Article EIGHT, and neither the amendment or repeal of this Article EIGHT, nor the adoption of any provision of this Certificate of Incorporation inconsistent with this Article EIGHT, shall apply to or have any effect on the liability or alleged liability of any director or the Corporation for, arising out of, based upon, or in connection with any acts or omissions of such director occurring prior to such amendment, repeal, or adoption of an inconsistent provision. The provisions of this Article EIGHT are cumulative and shall be in addition to and independent of any and all other limitations on or eliminations of the liabilities of directors of the Corporation, as such, whether such limitations or eliminations arise under or are created by any law, rule, regulation, Bylaw, agreement, vote of stockholders or disinterested directors, or otherwise.

ARTICLE NINE

Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in summary way of this Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this Corporation under the provisions of (S) 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of (S) 279 of Title 8 of the Delaware Code, order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this Corporation, as the case may be, and also on this Corporation.

ARTICLE TEN

A. The number, qualifications, terms of office, manner of election, time and place of meetings, compensation and powers and duties of the directors may be prescribed from time to time by the Bylaws, and the Bylaws may also contain any other provisions for the regulation and management of the affairs of the Corporation not inconsistent with applicable law or this Certificate of Incorporation.

B. Except as otherwise provided for or fixed pursuant to the provisions of Article TWO of this Certificate of Incorporation relating to the rights of holders of any series of Preferred Stock to elect additional directors, the total number of directors which shall constitute the entire Board of Directors of the Corporation shall be not less than one (1) nor more than seven (7), with the then-authorized number of directors being fixed from time to time by the Board of Directors. The directors (other than those directors elected by the holders of any series of Preferred Stock provided for or fixed pursuant to the provisions of Article TWO hereof) shall

be divided into three classes, designated Class I, Class II and Class III. Such classes shall be as nearly equal in number of directors as possible. Each director shall serve for a term ending on the third annual meeting following the annual meeting at which such director was elected; provided, however, that the directors first elected to Class I shall serve for a term expiring at the annual meeting next following the end of the calendar year 2003, the directors first elected to Class II shall serve for a term expiring at the second annual meeting next following the end of the calendar year 2003, and the directors first elected to Class III shall serve for a term expiring at the third annual meeting next following the end of the calendar year 2003. Each director shall hold office until the annual meeting at which such director's term expires and, the foregoing notwithstanding, shall serve until his successor shall have been duly elected and qualified, unless he shall resign, become disqualified, disabled or shall otherwise be removed.

C. At each annual election, the directors chosen to succeed those whose terms then expire shall be of the same class as the directors they succeed, unless, by reason of any intervening changes in the authorized number of directors, the Board of Directors shall designate one or more directorships whose term then expires as directorships of another class in order more nearly to achieve equality of number of directors among the classes.

D. Notwithstanding the rule that the three classes shall be as nearly equal in number of directors as possible, in the event of any change in the authorized number of directors, each director then continuing to serve as such shall nevertheless continue as a director of the class of which he is a member until the expiration of his current term, or his prior death, resignation or removal. If any newly created directorship may, consistent with the rule that the three classes shall be as nearly equal in number of directors as possible, be allocated to one or more classes, the Board of Directors shall allocate it to that of the available classes whose terms of office are due to expire at the earliest date following such allocation.

E. Subject to the rights of the holders of any one or more series of Preferred Stock then outstanding, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause shall be filled solely by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board of Directors. Any director so chosen shall hold office until the next election of the class for which such director shall have been chosen and until his successor shall be elected and qualified. No decrease in the number of directors shall shorten the term of any incumbent director.

F. Except for such additional directors, if any, as are elected by the holders of any series of Preferred Stock as provided for or fixed pursuant to the provisions of Article TWO hereof, any director, or the entire Board of Directors, may be removed from office at any time, but only for cause and only by the affirmative vote of at least 75% of the total voting power of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors (the "Voting Stock"), voting together as a single class.

G. During any period when the holders of any series of Preferred Stock have the right to elect additional directors as provided for or fixed pursuant to the provisions of Article TWO hereof, then upon commencement and for the duration of the period during which such

right continues: (i) the then otherwise total authorized number of directors of the Corporation shall automatically be increased by such specified number of directors, and the holders of such Preferred Stock shall be entitled to elect the additional directors so provided for or fixed pursuant to said provisions, and (ii) each such additional director shall serve until such director's successor shall have been duly elected and qualified, or until such director's right to hold such office terminates pursuant to said provisions, whichever occurs earlier, subject to his earlier death, disqualification, resignation or removal. Except as otherwise provided by the Board of Directors in the resolution or resolutions establishing such series, whenever the holders of any series of Preferred Stock having such right to elect additional directors are divested of such right pursuant to the provisions of such stock, the terms of office of all such additional directors elected by the holders of such stock, or elected to fill any vacancies resulting from the death, resignation, disqualification or removal of such additional directors, shall forthwith terminate and the total and authorized number of directors of the Corporation shall be reduced accordingly.

H. The number of directors constituting the initial Board of Directors is six (6) and the names, addresses and class of the persons who are to serve as directors until their successor or successors are elected and qualified or their earlier death, resignation or removal:

Name	Address	Class
Thomas J. Frank, Sr.	3295 College Street Beaumont, Texas 77701	III
William C. Nylin, Jr.	3295 College Street Beaumont, Texas 77701	II
C.William Frank	3295 College Street Beaumont, Texas 77701	II
David R. Atnip	3295 College Street Beaumont, Texas 77701	I
S.L. Greenberg	3295 College Street Beaumont, Texas 77701	I
Douglas H. Martin	3295 College Street Beaumont, Texas 77701	III

ARTICLE ELEVEN

The powers of the incorporator shall terminate upon the filing of this Certificate of Incorporation. The name and mailing address of the incorporator are as follows:

Name	Address
Conn Appliances, Inc.	3295 College Street Beaumont, Texas 77701.

ARTICLE TWELVE

Except as otherwise provided for or fixed pursuant to the provisions of a resolution or resolutions of the Board of Directors providing for the issuance of a class or series of Preferred Stock, relating to the rights of holders of any series of Preferred Stock, any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders, unless the action to be effected by written consent of the stockholders and the taking of such action by such written consent have been expressly approved in advance by the Board of Directors.

ARTICLE THIRTEEN

Special meetings of stockholders of the Corporation may be called only by the Chairman, the President or by a majority of the Board of Directors. No business other than the that stated in the notice shall be transacted at any special meeting.

ARTICLE FOURTEEN

Notwithstanding anything to the contrary elsewhere contained in this Certificate of Incorporation, the affirmative vote of the holders of at least 75% of the Voting Stock, voting together as a single class, shall be required to alter, amend, or repeal or to adopt any provisions inconsistent with, the following Articles of this Certificate of Incorporation: Article SIX, Article EIGHT, Article TEN and Article TWELVE.

EXECUTED as of the 15th day of January, 2003.

INCORPORATOR:

Conn Appliances, Inc.

By: /s/ C. William Frank

C. William Frank
Executive Vice President and
Chief Financial Officer

Exhibit 3.2

BYLAWS

OF

CONN'S, INC.

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BYLAWS
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ARTICLE 1
OFFICES

Section 1.1 Registered Office. The registered office and registered agent of Conn's, Inc., a Delaware corporation (the "Corporation"), will be as from time to time set forth in the Corporation's Certificate of Incorporation or in any certificate filed with the Secretary of State of the State of Delaware, and the appropriate County Recorder or Recorders, as the case may be, to amend such information.

Section 1.2 Other Offices. The Corporation may also have offices at such other places, both within and without the State of Delaware, as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE 2
MEETINGS OF STOCKHOLDERS

Section 2.1 Place of Meetings. Meetings of stockholders for all purposes may be held at such time and place, either within or without the State of Delaware, as designated by the Board of Directors and as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof. The Board of Directors may, in its sole discretion, determine that a meeting of stockholders shall not be held at any place, but may instead be held solely by means of remote communication as authorized by Section 211 of the Delaware General Corporation Law.

Section 2.2 Annual Meeting. An annual meeting of stockholders of the Corporation shall be held each calendar year at such time as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting or in a duly executed waiver of notice of such meeting. At such meeting, the stockholders shall elect directors and transact such other business as may properly be brought before the meeting.

Section 2.3 Special Meetings. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute, the Corporation's Certificate of Incorporation or these Bylaws, may be called only by the Chairman of the Board, President or by a majority of the Board of Directors. Business transacted at all special meetings shall be confined to the purposes stated in the notice of the meeting.

Section 2.4 Notice. Written or printed notice stating the place, if any, date, and hour of each meeting of the stockholders, the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting, to each stockholder entitled to vote at such meeting. If such notice is sent by mail, notice is given

when deposited in the United States mail, postage prepaid, directed to the stockholder at the stockholder's address as it appears on the records of the Corporation. An affidavit of the Secretary or an Assistant Secretary or of the transfer agent or other agent of the Corporation that the notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein. Notice of any meeting of stockholders shall not be required to be given to any stockholder who shall attend such meeting in person or by proxy and shall not, at the beginning of such meeting, object to the transaction of any business because the meeting is not lawfully called or convened, or who shall, either before or after the meeting, submit a signed waiver of notice, in person or by proxy.

Section 2.5 Voting List. At least ten (10) days before each meeting of stockholders, the Secretary or other officer of the Corporation who has charge of the Corporation's stock ledger, either directly or through another officer appointed by the Secretary or such other officer or through a transfer agent appointed by the Board of Directors, shall prepare a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, for a period of at least ten (10) days prior to the meeting: (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting; or (ii) during ordinary business hours, at the principal place of business of the Corporation. In the event that the Corporation determines to make the list available on an electronic network, the Corporation may take reasonable steps to ensure that such information is available only to stockholders of the Corporation. If the meeting is to be held at a place, then the list shall be produced and kept at the time and place of the meeting during the whole time of the meeting and may be inspected by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting.

Section 2.6 Quorum. A majority of the shares entitled to vote, present in person or represented by proxy, shall constitute a quorum at any meeting of stockholders, except as otherwise provided by statute, the Corporation's Certificate of Incorporation or these Bylaws. The stockholders present at a duly constituted meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum. If a quorum shall not be present at any meeting of stockholders, the stockholders entitled to vote thereat who are present, in person or by proxy, or, if no stockholder entitled to vote is present, any officer of the Corporation, may adjourn the meeting from time to time until a quorum shall be present.

Section 2.7 Adjourned Meeting. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time, place, if any, thereof, and the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken. At any adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the original meeting had a quorum been present. If the adjournment is for more than thirty (30) days, or if

after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 2.8 Required Vote. In all matters other than the election of directors, the affirmative vote of the majority of shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter shall be the act of the stockholders, unless the question is one on which, by express provision of statute, the Corporation's Certificate of Incorporation or these Bylaws, a different vote is required, in which case such express provision shall govern and control the decision of the question.

Section 2.9 Proxies. (a) Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for such stockholder by proxy, but no such proxy shall be voted or acted upon after three (3) years from its date, unless the proxy provides for a longer period. Each proxy shall be filed with the Secretary of the Corporation prior to or at the time of the meeting.

(b) Without limiting the manner in which a stockholder may authorize another person or persons to act for such stockholder as proxy pursuant to subsection (a) of this section, the following shall constitute a valid means by which a stockholder may grant such authority:

(1) A stockholder may execute a writing authorizing another person or persons to act for such stockholder as proxy. Execution may be accomplished by the stockholder or by an authorized officer, director, employee or agent of the stockholder signing such writing or causing such stockholder's signature to be affixed to such writing by any reasonable means including, but not limited to, by facsimile signature.

(2) A stockholder may authorize another person or persons to act for such stockholder as proxy by transmitting or authorizing the transmission of a telegram, cablegram, or other means of electronic transmission to the person who will be the holder of the proxy or to a proxy solicitation firm, proxy support service organization or like agent duly authorized by the person who will be the holder of the proxy to receive such transmission, provided that any such telegram, cablegram or other means of electronic transmission must either set forth or be submitted with information from which it can be determined that the telegram, cablegram or other electronic transmission was authorized by the stockholder. If it is determined that such telegrams, cablegrams or other electronic transmissions are valid, the inspectors or, if there are no inspectors, such other persons making that determination shall specify the information upon which they relied.

(c) Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission created pursuant to subsection (b) of this section may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission.

(d) A duly executed proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power.

Section 2.10 Record Date. (a) In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

(b) In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, if so permitted by the Corporation's Certificate of Incorporation and these Bylaws, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no record date has been fixed by the Board of Directors, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by statute or these Bylaws, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Such delivery shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by statute or these Bylaws, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

(c) In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty (60) days prior to such payment, exercise, or other action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 2.11 Action By Remote Communication. If authorized by the Board of Directors in its sole discretion, and subject to such guidelines and procedures as the Board of Directors may adopt, stockholders and proxy holders not physically present at a meeting of stockholders may, by means of remote communication: (i) participate in a meeting of stockholders; and (ii) be deemed present in person and vote at a meeting of stockholders, whether such meeting is to be held at a designated place or solely by means of remote communication, provided that (A) the Corporation shall implement reasonable measures to verify that each person deemed present and permitted to vote at the meeting by means of remote communication is a stockholder or proxy holder; (B) the Corporation shall implement reasonable measures to provide such stockholders and proxy holders a reasonable opportunity to participate in the meeting and to vote on matters submitted to the stockholders, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with such proceedings; and (C) if any stockholder or proxy holder votes or takes other action at the meeting by means of remote communication, a record of such vote or other action shall be maintained by the Corporation.

Section 2.12 No Stockholder Action by Written Consent. Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders, unless the action to be effected by written consent of the stockholders and the taking of such action by such written consent have been expressly approved in advance by the Board of Directors.

Section 2.13 Inspectors of Elections. The Board of Directors may, in advance of any meeting of stockholders, appoint one or more inspectors to act at such meeting or any adjournment thereof. If any of the inspectors so appointed shall fail to appear or act, the chairman of the meeting shall, or if inspectors shall not have been appointed, the chairman of the meeting may, appoint one or more inspectors. Each inspector, before entering upon the discharge of such inspector's duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of such inspector's ability. The inspectors shall determine the number of shares of capital stock of the Corporation outstanding and the voting power of each, the number of shares represented at the meeting, the existence of a quorum, and the validity and effect of proxies and shall receive votes, ballots, or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots, or consents, determine the results, and do such acts as are proper to conduct the election or vote with fairness to all stockholders. On request of the chairman of the meeting, the inspectors shall make a report in writing of any challenge, request, or matter determined by them and shall execute a certificate of any fact found by them. No director or candidate for the office of director shall act as an inspector of an election of directors. Inspectors need not be stockholders.

Section 2.14 Notice of Stockholder Business; Nominations. (a) Nominations of persons for election to the Board of Directors and the proposal of business to be considered by the stockholders shall be made at an annual meeting of stockholders (1) pursuant to the Corporation's notice of such meeting; (2) by or at the direction of the Board of Directors; or (3) by any stockholder of the Corporation who was a stockholder of record at the time of giving of

the notice provided for in this Section 2.14, who is entitled to vote at such meeting and who complies with the notice procedures set forth in this Section 2.14.

(b) For nominations or other business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation and such other business must otherwise be a proper matter for stockholder action. To be timely, a stockholder's notice must be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the ninetieth (90th) day nor earlier than the close of business on the one hundred twentieth (120th) day prior to the first anniversary of the preceding year's proxy statement in connection with the last annual meeting. Such stockholder's notice shall set forth: (1) as to each person whom the stockholder proposes to nominate for election or reelection as a director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected; (2) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (3) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (A) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner; and (B) the class and number of shares of the Corporation that are owned beneficially and held of record by such stockholder and such beneficial owner.

(c) Notwithstanding the aforementioned procedure, the Board of Directors may, in its discretion, exclude from any proxy materials sent to stockholders any matters that may properly be excluded under the Exchange Act, Securities and Exchange Commission rules or other applicable laws.

ARTICLE 3
DIRECTORS

Section 3.1 Management. The business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors, who may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute, the Corporation's Certificate of Incorporation or these Bylaws directed or required to be exercised or done by the stockholders. The Board of Directors shall keep regular minutes of its proceedings.

Section 3.2 Number; Classes; Election. Change In Number. (a) The number of directors which shall constitute the whole Board of Directors of the Corporation shall be fixed from time to time exclusively by the Board of Directors pursuant to a resolution adopted by the majority of the whole Board of Directors, provided, however, the initial number of directors constituting the whole Board of Directors shall be six (6), and provided further that so long as any shares of Common Stock of the Corporation remain outstanding, the number of directors constituting the whole Board of Directors shall not be less than one (1) nor more than seven (7). The directors shall be divided into three classes, Class I, Class II and Class III. Each director

shall serve for a term ending on the third annual meeting following the annual meeting at which such director was elected; provided, however, that the directors first elected to Class I shall serve for a term expiring at the annual meeting next following the end of the calendar year 2003, the directors first elected to Class II shall serve for a term expiring at the second annual meeting next following the end of the calendar year 2003, and the directors first elected to Class III shall serve for a term expiring at the third annual meeting next following the end of the calendar year 2003. Each director shall hold office until the annual meeting at which such director's term expires and, the foregoing notwithstanding, shall serve until his successor shall have been duly elected and qualified, unless he shall resign, become disqualified, disabled or shall otherwise be removed. If authorized by the Board of Directors, a ballot may be submitted by electronic transmission, provided that any such electronic transmission must either set forth, or be submitted with, information from which it can be determined that the electronic transmission was authorized by the stockholder or proxy holder. No decrease in the number of directors constituting the whole Board of Directors shall have the effect of shortening the term of any incumbent director.

(b) At each annual election, the directors chosen to succeed those whose terms then expire shall be of the same class as the directors they succeed, unless, by reason of any intervening changes in the authorized number of directors, the Board shall designate one or more directorships whose term then expires as directorships of another class in order more nearly to achieve equality of number of directors among the classes.

(c) Notwithstanding the rule that the three classes shall be as nearly equal in number of directors as possible, in the event of any change in the authorized number of directors, each director then continuing to serve as such shall nevertheless continue as a director of the class of which he is a member until the expiration of his current term, or his prior death, resignation or removal. If any newly created directorship may, consistent with the rule that the three classes shall be as nearly equal in number of directors as possible, be allocated to one or more classes, the Board of Directors shall allocate it to that of the available classes whose terms of office are due to expire at the earliest date following such allocation.

Section 3.3 Removal; Resignation. Any director or the entire Board of Directors may be removed from office at any time, but only for cause and only by the affirmative vote of at least 75% of the total voting power of the outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors voting together as a single class. Any director may resign at any time upon notice given in writing or by electronic transmission to the Corporation.

Section 3.4 Vacancies and Newly Created Directorships. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director. Each director so chosen shall hold office until the annual meeting of stockholders at which the term of office of the class to which he or she has been elected expires and until such director's successor is elected and qualified or until such director's earlier death, resignation or removal. If at any time there are no directors in office, an election of directors may be held in the manner provided by statute. Except as otherwise provided in these Bylaws, when one or more directors shall resign from the Board of Directors, effective at a future date, a

majority of the directors then in office, including those who have so resigned, shall have the power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each director so chosen shall hold office as provided in these Bylaws with respect to the filling of other vacancies.

Section 3.5 Cumulative Voting Prohibited. Cumulative voting shall be prohibited.

Section 3.6 Place of Meetings. The directors of the Corporation may hold their meetings, both regular and special, either within or without the State of Delaware.

Section 3.7 First Meetings. The first meeting of each newly elected Board of Directors shall be held without further notice immediately following the annual meeting of stockholders, and at the same place, unless by unanimous consent of the directors then elected and serving, such time or place shall be changed.

Section 3.8 Regular Meetings. Regular meetings of the Board of Directors may be held without notice at such time and place as shall from time to time be determined by the Board of Directors.

Section 3.9 Special Meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board or the President on twenty-four (24) hours' notice to each director, if by telecopier, electronic facsimile or hand delivery, or on three (3) days' notice to each director, if by mail or by telegram. Except as may be otherwise expressly provided by law or the Corporation's Certificate of Incorporation, neither the business to be transacted at, nor the purpose of, any special meeting need be specified in a notice or waiver of notice.

Section 3.10 Quorum. At all meetings of the Board of Directors, a majority of the total number of directors shall constitute a quorum for the transaction of business, and the vote of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board of Directors, except as may be otherwise specifically provided by law or the Corporation's Certificate of Incorporation. If a quorum shall not be present at any meeting of directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 3.11 Action Without Meeting; Telephone Meetings. Any action required or permitted to be taken at a meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the Board of Directors or such committee, as the case may be, consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board of Directors or such committee, respectively. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form. Such consent shall have the same force and effect as a unanimous vote at a meeting. Subject to applicable notice provisions and unless otherwise restricted by the Corporation's Certificate of Incorporation, members of the Board of Directors, or any committee designated by the Board of Directors, may participate in and hold a meeting by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation in such meeting shall

constitute presence in person at such meeting, except where a person's participation is for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

Section 3.12 Chairman of the Board. The Board of Directors may elect a Chairman of the Board to preside at their meetings and to perform such other duties as the Board of Directors may from time to time assign to such person.

Section 3.13 Compensation. The Board of Directors may fix the compensation of the members of the Board of Directors at any time and from time to time. Nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

ARTICLE 4
COMMITTEES

Section 4.1 Designation. The Board of Directors may designate one or more committees.

Section 4.2 Number; Term. Each committee shall consist of one or more directors. The number of committee members may be increased or decreased from time to time by the Board of Directors. Each committee member shall serve as such until the earliest of (i) the expiration of such committee member's term as director; (ii) such committee member's resignation as a committee member or as a director; or (iii) such committee member's removal as a committee member or as a director.

Section 4.3 Authority. Each committee, to the extent expressly provided in the resolution of the Board of Directors establishing such committee, shall have and may exercise all of the authority of the Board of Directors in the management of the business and affairs of the Corporation except to the extent expressly restricted by statute, the Corporation's Certificate of Incorporation or these Bylaws.

Section 4.4 Committee Changes; Removal. The Board of Directors shall have the power at any time to fill vacancies in, to change the membership of, and to discharge any committee. The Board of Directors may remove any committee member, at any time, with or without cause.

Section 4.5 Alternate Members; Acting Members. The Board of Directors may designate one or more directors as alternate members of any committee. Any such alternate member may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of any such absent or disqualified member.

Section 4.6 Regular Meetings. Regular meetings of any committee may be held without notice at such time and place as may be designated from time to time by the committee and communicated to all members thereof.

Section 4.7 Special Meetings. Special meetings of any committee may be held whenever called by the Chairman of the Committee, or, if the committee members have not elected a Chairman, by any committee member. The Chairman of the Committee or the committee member calling any special meeting shall cause notice of such special meeting, including therein the time and place of such special meeting, to be given to each committee member at least (i) twenty-four (24) hours before such special meeting if notice is given by telecopy, electronic facsimile or hand delivery or (ii) at least three days before such special meeting if notice is given by mail or by telegram. Neither the business to be transacted at, nor the purpose of, any special meeting of any committee need be specified in the notice or waiver of notice of any special meeting.

Section 4.8 Quorum; Majority Vote. At meetings of any committee, a majority of the number of members designated as the Committee by the Board of Directors shall constitute a quorum for the transaction of business. Alternate members and acting members shall be counted in determining the presence of a quorum. If a quorum is not present at a meeting of any committee, a majority of the members present may adjourn the meeting from time to time, without notice other than an announcement at the meeting, until a quorum is present. The vote of a majority of the members, including alternate members and acting members, present at any meeting at which a quorum is present shall be the act of a committee, unless the act of a greater number is required by law or the Corporation's Certificate of Incorporation.

Section 4.9 Minutes. Each committee shall cause minutes of its proceedings to be prepared and shall report the same to the Board of Directors upon the request of the Board of Directors. The minutes of the proceedings of each committee shall be delivered to the Secretary of the Corporation for placement in the minute books of the Corporation.

Section 4.10 Compensation. Committee members may, by resolution of the Board of Directors, be allowed a fixed sum and expenses of attendance, if any, for attending any committee meetings or a stated salary.

ARTICLE 5
NOTICES

Section 5.1 Method. (a) Whenever by statute, the Corporation's Certificate of Incorporation, or these Bylaws, notice is required to be given to any stockholder, director or committee member, and no provision is made as to how such notice shall be given, personal notice shall not be required, and any such notice may be given (i) in writing, by mail, postage prepaid, addressed to such committee member, director, or stockholder at such stockholder's address as it appears on the books or (in the case of a stockholder) the stock transfer records of the Corporation; or (ii) by any other method permitted by law (including, but not limited to, overnight courier service, facsimile telecommunication, electronic mail, telegram, telex, or telefax). Any notice required or permitted to be given by mail shall be deemed to be given when deposited in the United States mail as aforesaid. Any notice required or permitted to be given by overnight courier service shall be deemed to be given at the time delivered to such service with all charges prepaid and addressed as aforesaid.

(b) Without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders given by the Corporation under any provision of the Delaware General Corporation Law, the Corporation's Certificate of Incorporation, or these Bylaws shall be effective if given by a form of electronic transmission consented to by the stockholder to whom the notice is given. Any such consent shall be revocable by the stockholder by written notice to the Corporation. Any such consent shall be deemed revoked if: (i) the Corporation is unable to deliver by electronic transmission two (2) consecutive notices given by the Corporation in accordance with such consent; and (ii) such inability becomes known to the Secretary or an Assistant Secretary of the Corporation or to the transfer agent, or other person responsible for the giving of notice; provided, however, the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action.

(c) Notice given pursuant to Section 5.1(b) shall be deemed given: (i) if by facsimile telecommunication, when directed to a number at which the stockholder has consented to receive notice; (ii) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice; (iii) if by a posting on an electronic network together with separate notice to the stockholder of such specific posting, upon the later of (A) such posting and (B) the giving of such separate notice; and (iv) if by any other form of electronic transmission, when directed to the stockholder.

(d) An affidavit of the Secretary or an Assistant Secretary or of the transfer agent or other agent of the Corporation that the notice has been given, including by a form of electronic transmission, shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

Section 5.2 Waiver. Whenever any notice is required to be given to any stockholder, director, or committee member of the Corporation by law, the Corporation's Certificate of Incorporation or these Bylaws, a written waiver thereof, signed by the person or persons entitled to such notice, or a waiver by electronic transmission by the person or persons entitled to such notice, whether before or after the time stated therein, shall be equivalent to notice. Attendance of a stockholder, director, or committee member at a meeting shall constitute a waiver of notice of such meeting, except when the person attends for the express purpose of objecting at the beginning of the meeting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

Section 5.3 Exception to Notice Requirement. The giving of any notice required under any provision of the Delaware General Corporation Law, the Corporation's Certificate of Incorporation or these Bylaws shall not be required to be given to any stockholder to whom: (i) notice of two consecutive annual meetings, and all notices of meetings or of the taking of action by written consent without a meeting to such stockholder during the period between such two consecutive annual meetings; or (ii) all, and at least two, payments (if sent by first-class mail) of dividends or interest on securities during a twelve-month period, have been mailed addressed to such person at such person's address as shown on the records of the Corporation and have been returned undeliverable. If any such stockholder shall deliver to the Corporation a written notice setting forth such stockholder's then current address, the requirement that notice be given to such stockholder shall be reinstated. The exception provided for in this Section 5.3 to the requirement that notice be given shall not be applicable to any notice returned as undeliverable if the notice was given by electronic transmission.

ARTICLE 6
OFFICERS

Section 6.1 Officers. The officers of the Corporation shall be a President, one or more Vice Presidents (who shall rank in such order and who shall have such additional titles or designations, such as "Executive," "Senior," "First," or "Second," as may be determined from time to time by the Board of Directors), a Secretary, and a Treasurer. The Board of Directors may also choose a Chairman of the Board, additional Vice Presidents and one or more Assistant Secretaries and Assistant Treasurers. Any two or more offices may be held by the same person.

Section 6.2 Election. The Board of Directors at its first meeting after each annual meeting of stockholders shall elect the officers of the Corporation, none of whom need be a member of the Board, a stockholder or a resident of the State of Delaware. The Board of Directors may appoint such other officers and agents as it shall deem necessary, who shall be appointed for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors.

Section 6.3 Compensation. The compensation of all officers and agents of the Corporation shall be fixed by the Compensation Committee.

Section 6.4 Removal and Vacancies. Each officer of the Corporation shall hold office until such officer's successor is elected and qualified or until such officer's earlier resignation or removal. Any officer or agent elected or appointed by the Board of Directors may be removed either for or without cause by a majority of the directors represented at a meeting of the Board of Directors at which a quorum is represented, whenever in the judgment of the Board of Directors the best interests of the Corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. If the office of any officer becomes vacant for any reason, the vacancy may be filled by the Board of Directors.

Section 6.5 Chief Executive Officer. The Chief Executive Officer shall be the senior officer of the Corporation, shall preside at all meetings of the stockholders and the Board of Directors unless the Board of Directors shall elect a Chairman of the Board, in which event the Chief Executive Officer shall preside at meetings of the Board of Directors only in the absence of the Chairman of the Board. The Chief Executive Officer shall be an ex-officio member of the executive committee (if established), and will share the general and active management of the business of the Corporation with the President, and shall see, along with the President, that all orders and resolutions of the Board of Directors are carried into effect. Under the seal of the Corporation, he shall execute bonds, mortgages, and other contracts requiring a seal, except where required or permitted by law to be otherwise signed and executed, except where the signing and execution shall be especially delegated by the Board of Directors to some other officer or agent of the Corporation. All other officers of the Corporation shall report directly to the Chief Executive Officer.

Section 6.6 President. The President shall, subject to the control of the Board of Directors, Chairman of the Board of Directors and Chief Executive Officer, in the absence, disability, or inability to act of the Chief Executive Officer, exercise all powers and perform all duties of the Chief Executive Officer (except such powers and duties as are incident to the Chief

Executive Officer's position or a member of the Board of Directors or any Executive Committee appointed by the Board of Directors pursuant to Section 4.3 of Article 4). The President shall have general and active management of the business and affairs of the Corporation, shall see that all orders and resolutions of the Board are carried into effect, and shall perform such other duties as the Board of Directors, the Chairman of the Board of Directors, or the Chief Executive Officer shall prescribe.

Section 6.7 Chief Financial Officer. The Chief Financial Officer of the Corporation shall, subject to the control of the Board of Directors, the Chairman of the Board of Directors and the Chief Executive Officer, be the chief financial officer of the Corporation. The Chief Financial Officer shall have custody of the funds and securities of the Corporation and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all monies and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors (or any duly authorized committee thereof). The Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital and stock. The Chief Financial Officer shall receive and give receipts and acquittances for money paid in an account of the Corporation and shall pay out of the Corporation's funds on hand all bills, payrolls and other just debts of the Corporation of whatever nature upon maturity. The Chief Financial Officer shall render to the Chief Executive Officer and the Board of Directors, at its regular meetings or when the Board of Directors so requires, an account of all his transactions as Chief Financial Officer and of the financial condition of the Corporation. The Chief Financial Officer shall have such other powers and perform such other duties as may from time to time be assigned to such officer by the Board of Directors, the Chairman of the Board of Directors or the Chief Executive Officer.

Section 6.8 Chief Operating Officer. The Chief Operating Officer shall, subject to the control of the Board of Directors, the Chairman of the Board of Directors and the Chief Executive Officer, be the chief administrative officer of the Corporation and shall have general charge of the business, affairs and property of the Corporation, and control over its officers (other than the Chief Executive Officer, the President and the Chief Financial Officer), agents and employees. The Chief Operating Officer shall see to it that all orders and resolutions of the Board of Directors (or any duly authorized committee thereof), the Chairman of the Board of Directors and the Chief Executive Officer are carried into effect. The Chief Operating Officer shall have such other powers and perform such other duties as may from time to time be assigned to such officer by the Board of Directors, the Chairman of the Board of Directors or the Chief Executive Officer.

Section 6.9 Executive Vice Presidents. The Board of Directors may designate one or more Vice President(s) as Executive Vice President(s), who shall, in the absence, disability, or inability to act of the President, perform all the duties, exercise the powers and assume all responsibilities of the President. They shall also generally assist the President and exercise any other powers and perform such other duties as are delegated to them by the Chief Executive Officer or President and as the Board of Directors shall prescribe.

Section 6.10 Vice Presidents. In the absence or disability of the President, and Executive Vice Presidents, the Vice President (or in the event there is more than one Vice President, the Vice Presidents in the order designated by the Board, or in the absence of any designation, then in the order of their election or appointment) shall perform the duties of the President, and when so acting shall have all the powers of and be subject to all of the restrictions upon the President. Each Vice President shall have only such powers and perform only such duties as the Board of Directors may from time to time prescribe or as the Chief Executive Officer or the President may from time to time delegate.

Section 6.11 Secretary. The Secretary shall attend all sessions of the Board of Directors and all meetings of the stockholders and record all votes and the minutes of all proceedings in a book to be kept for that purpose and shall perform like duties for any committee when required. Except as otherwise provided herein, the Secretary shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or President, under whose supervision the Secretary shall be. The Secretary shall keep in safe custody the seal of the Corporation and, when authorized by the Board of Directors, affix the same to any instrument requiring it, and, when so affixed, it shall be attested by the signature of the Secretary or by the signature of the Treasurer or an Assistant Secretary.

Section 6.12 Assistant Secretaries. Each Assistant Secretary shall have only such powers and perform only such duties as the Board of Directors may from time to time prescribe or as the Chief Executive Officer or the President may from time to time delegate.

Section 6.13 Treasurer. The Treasurer shall perform such duties and have such powers as from time to time may be assigned to him by the Board of Directors (or any duly authorized committee thereof), the Chairman of the Board of Directors, the Chief Executive Officer or the Chief Financial Officer and if there be no Chief Financial Officer or in the absence of the Chief Financial Officer or in the event of the Chief Financial Officer's disability or refusal to act, shall perform the duties of the Chief Financial Officer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Chief Financial Officer.

Section 6.14 Assistant Treasurers. Each Assistant Treasurer shall have only such powers and perform only such duties as the Board of Directors may from time to time prescribe or as the Chief Executive Officer or the President may from time to time delegate.

ARTICLE 7
CERTIFICATES REPRESENTING SHARES

Section 7.1 Certificates. The shares of the Corporation shall be represented by certificates in such form as shall be determined by the Board of Directors. Such certificates shall be consecutively numbered and shall be entered in the books of the Corporation as they are issued. Each certificate shall state on the face thereof the holder's name, the number and class of shares, and the par value of such shares or a statement that such shares are without par value. Each certificate shall be signed by the President or a Vice President and by the Secretary or an Assistant Secretary and may be sealed with the seal of the Corporation or a facsimile thereof. Any or all of the signatures on a certificate may be facsimile.

Section 7.2 Legends. The Board of Directors shall have the power and authority to provide that certificates representing shares of stock shall bear such legends as the Board of Directors shall authorize, including, without limitation, such legends as the Board of Directors deems appropriate to assure that the Corporation does not become liable for violations of federal or state securities laws or other applicable law, including, but not limited to, the requirements imposed pursuant to Section 151(f) of the Delaware General Corporation Law.

Section 7.3 Lost Certificates. The Corporation may issue a new certificate representing shares in place of any certificate theretofore issued by the Corporation, alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate to be lost, stolen or destroyed. The Board of Directors, in its discretion and as a condition precedent to the issuance thereof, may require the owner of such lost, stolen or destroyed certificate, or such owner's legal representative, to advertise the same in such manner as it shall specify and/or to give the Corporation a bond in such form, in such sum, and with such surety or sureties as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 7.4 Transfer of Shares. Shares of stock shall be transferable only on the books of the Corporation by the holder thereof in person or by such holder's duly authorized attorney. Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate representing shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the Corporation or the transfer agent of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

Section 7.5 Registered Stockholders. The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof for any and all purposes, and, accordingly, shall not be bound to recognize any equitable or other claim or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by law.

ARTICLE 8
INDEMNIFICATION

Section 8.1 Actions, Suits or Proceedings Other Than by or in the Right of the Corporation. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement,

conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not meet the standards of conduct set forth in this Section 8.1.

Section 8.2 Actions or Suits by or in the Right of the Corporation. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit, if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of such liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Section 8.3 Indemnification for Costs, Charges and Expenses of Successful Party. Notwithstanding the other provisions of this Article 8, to the extent that a present or former director or officer of the Corporation has been successful on the merits or otherwise, in defense of any action, suit or proceeding referred to in Sections 8.1 and 8.2 of this Article 8, or in the defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

Section 8.4 Determination of Right to Indemnification. Any indemnification under Sections 8.1 and 8.2 of this Article 8 (unless ordered by a court) shall be paid by the Corporation only as authorized in the specific case upon a determination that indemnification of the present or former director, officer, employee or agent is proper in the circumstances because the person has met the applicable standard of conduct set forth in Sections 8.1 and 8.2 of this Article 8. Such determination shall be made, with respect to a person who is a director or officer at the time of such determination, (a) by a majority vote of the Board of Directors who were not parties to such action, suit or proceeding, even though less than a quorum, or (b) by a committee of such directors designated by majority vote of such directors, even though less than a quorum, (c) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (d) by the stockholders.

Section 8.5 Advance of Costs, Charges and Expenses. Costs, charges and expenses (including attorneys, fees) incurred by a person referred to in Sections 8.1 and 8.2 of this Article 8 in defending a civil or criminal action, suit or proceeding (including investigations by any government agency and all costs, charges and expenses incurred in preparing for any threatened action, suit or proceeding) shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding; provided, however, that the payment of such costs, charges and expenses incurred by a director or officer in such person's capacity as a director or

officer (and not in any other capacity in which service was or is rendered by such person while a director or officer) in advance of the final disposition of such action, suit or proceeding shall be made only upon receipt of an undertaking by or on behalf of the director or officer to repay all amounts so advanced in the event that it shall ultimately be determined that such director or officer is not entitled to be indemnified by the Corporation as authorized in this Article 8. No security shall be required for such undertaking and such undertaking shall be accepted without reference to the recipient's financial ability to make repayment. The repayment of such charges and expenses incurred by other employees and agents of the Corporation which are paid by the Corporation in advance of the final disposition of such action, suit or proceeding as permitted by this Section 8.5 may be required upon such terms and conditions, if any, as the Board of Directors deems appropriate. The Board of Directors may, in the manner set forth above, and subject to the approval of such director, officer, employee or agent of the Corporation, authorize the Corporation's counsel to represent such person, in any action, suit or proceeding, whether or not the Corporation is a party to such action, suit or proceeding.

Section 8.6 Procedure for Indemnification. Any indemnification under Sections 8.1, 8.2 or 8.3 or advance of costs, charges and expenses under Section 8.5 of this Article 8 shall be made promptly, and in any event within 30 days, upon the written request of the director, officer, employee or agent directed to the Secretary of the Corporation. The right to indemnification or advances as granted by this Article 8 shall be enforceable by the director, officer, employee or agent in any court of competent jurisdiction if the Corporation denies such request, in whole or in part, or if no disposition thereof is made within 30 days. Such person's costs and expenses incurred in connection with successfully establishing such person's right to indemnification or advances, in whole or in part, in any such action shall also be indemnified by the Corporation. It shall be a defense to any such action (other than an action brought to enforce a claim for the advance of costs, charges and expenses under Section 8.5 of this Article 8 where the required undertaking, if any, has been received by the Corporation) that the claimant has not met the standard of conduct set forth in Sections 8.1 or 8.2 of this Article 8, but the burden of proving that such standard of conduct has not been met shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, its independent legal counsel, and its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because such person has met the applicable standard of conduct set forth in Sections 8.1 and 8.2 of this Article 8, nor the fact that there has been an actual determination by the Corporation (including its Board of Directors, its independent legal counsel, and its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

Section 8.7 Other Rights; Continuation of Right to Indemnification. The indemnification provided by this Article 8 shall not be deemed exclusive of any other rights to which a person seeking indemnification may be entitled under any law (common or statutory), agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding office or while employed by or acting as agent for the Corporation, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the estate, heirs, executors and administrators of such person. All rights to indemnification under this Article 8 shall be deemed to be a contract between the Corporation and each director, officer,

employee or agent of the Corporation who serves or served in such capacity at any time while this Article 8 is in effect. No amendment or repeal of this Article 8 or of any relevant provisions of the Delaware General Corporation Law or any other applicable laws shall adversely affect or deny to any director, officer, employee or agent any rights to indemnification which such person may have, or change or release any obligations of the Corporation, under this Article 8 with respect to any costs, charges, expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement which arise out of an action, suit or proceeding based in whole or substantial part on any act or failure to act, actual or alleged, which takes place before or while this Article 8 is in effect. The provisions of this Section 8.7 shall apply to any such action, suit or proceeding whenever commenced, including any such action, suit or proceeding commenced after any amendment or repeal of this Article 8.

Section 8.8 Construction. For purposes of this Article 8:

(i) "the Corporation" shall include any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article 8 with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued;

(ii) "other enterprises" shall include employee benefit plans, including, but not limited to, any employee benefit plan of the Corporation;

(iii) "serving at the request of the Corporation" shall include any service which imposes duties on, or involves services by, a director, officer, employee, or agent of the Corporation with respect to an employee benefit plan, its participants, or beneficiaries, including acting as a fiduciary thereof;

(iv) "fines" shall include any penalties and any excise or similar taxes assessed on a person with respect to an employee benefit plan;

(v) a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in Sections 8.1 and 8.2 of this Article 8; and

(vi) service as a partner, trustee or member of management or similar committee of a partnership or joint venture, or as a director, officer, employee or agent of a corporation which is a partner, trustee or joint venturer, shall be considered service as a director, officer, employee or agent of the partnership, joint venture, trust or other enterprise.

Section 8.9 Savings Clause. If this Article 8 or any portion hereof shall be invalidated on any ground by a court of competent jurisdiction, then the Corporation shall nevertheless indemnify each director, officer, employee and agent of the Corporation as to expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative, including an action by or in the right of the Corporation, to the full extent permitted by any applicable portion of this Article 8 that shall not have been invalidated and to the full extent permitted by applicable law.

Section 8.10 Insurance. The Corporation shall purchase and maintain insurance on behalf of any person who is or was or has agreed to become a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against such person and incurred by such person or on such person's behalf in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Article 8, provided that such insurance is available on acceptable terms as determined by a vote of a majority of the entire Board of Directors.

ARTICLE 9
GENERAL PROVISIONS

Section 9.1 Dividends. The Board of Directors, subject to any restrictions contained in the Corporation's Certificate of Incorporation, may declare dividends upon the shares of the Corporation's capital stock. Dividends may be paid in cash, in property, or in shares of the Corporation, subject to the provisions of the Delaware General Corporation Law and the Corporation's Certificate of Incorporation.

Section 9.2 Reserves. By resolution of the Board of Directors, the directors may set apart out of any of the funds of the Corporation such reserve or reserves as the directors from time to time, in their discretion, think proper to provide for contingencies, or to equalize dividends, or to repair or maintain any property of the Corporation, or for such other purposes as the directors shall think beneficial to the Corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

Section 9.3 Authority to Sign Instruments. Any checks, drafts, bills of exchange, acceptances, bonds, notes or other obligations or evidences of indebtedness of the Corporation, and all deeds, mortgages, indentures, bills of sale, conveyances, endorsements, assignments, transfers, stock powers, or other instruments of transfer, contracts, agreements, dividend and other orders, powers of attorney, proxies, waivers, consents, returns, reports, certificates, demands, notices, or documents and other instruments or writings of any nature whatsoever may be signed, executed, verified, acknowledged, and delivered, for and in the name and on behalf of the Corporation, by such officers, agents, or employees of the Corporation, or any of them, and in such manner, as from time to time may be authorized by the Board of Directors, and such authority may be general or confined to specific instances.

Section 9.4 Fiscal Year. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

Section 9.5 Seal. The corporate seal shall have inscribed thereon the name of the Corporation. Said seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

Section 9.6 Transactions with Directors and Officers. No contract or other transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers, are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee which authorizes the contract or transaction, or solely because any such director's or officer's votes are counted for such purpose, if: (a) the material facts as to the director's or officer's relationship or interest and to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative vote of a majority of the disinterested directors, even though the disinterested directors be less than a quorum, or (b) the material facts as to the director's or officer's relationship or interest as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders, or (c) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified by the Board of Directors, a committee or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

Section 9.7 Amendments. These Bylaws may be altered, amended, or repealed or new bylaws may be adopted by the Board of Directors or by written consent of the Board of Directors. In addition to any requirements of law and any other provision of these Bylaws, the affirmative vote of the holders of at least 75 percent of the of the combined voting power of the then outstanding shares of all classes and series of capital stock entitled generally to vote in the election of directors of the Corporation, voting together as a single class, shall be required for stockholders to adopt, amend, alter, or repeal Section 2.3, 2.12, 2.14, 3.2, 3.3, and 3.4 of these Bylaws or to amend this Section 9.7 as it relates to the vote required to adopt, amend, alter or repeal the aforementioned sections of these Bylaws.

Section 9.8 Table of Contents; Headings. The table of contents and headings used in these Bylaws have been inserted for convenience only and do not constitute matters to be construed in interpretation.

CERTIFICATE OF SECRETARY

The undersigned, being the Secretary of the Corporation, hereby certifies that the foregoing code of Bylaws was duly adopted by the initial Directors of the Corporation effective January 24, 2003.

IN WITNESS WHEREOF, I have signed this Certification as of the date first written above.

/s/ David R. Atnip

David R. Atnip, Secretary

Exhibit 10.1

CONN APPLIANCES, INC.
AMENDED AND RESTATED 2003 INCENTIVE STOCK OPTION PLAN

Table of Contents

CONN APPLIANCES, INC.

AMENDED AND RESTATED

2003 INCENTIVE STOCK OPTION PLAN

1. Purposes of this Plan. The purposes of this Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to Employees and to promote the success of the Company's business. Options granted under this Plan are intended to qualify as Incentive Stock Options. The provisions of this Plan shall be construed in a manner consistent with the requirements of the Code.

2. Amendment and Restatement. This Plan is an amendment and restatement of that certain Conn Appliances, Inc. Incentive Stock Option Plan dated October 21, 1999, which shall be superseded in its entirety by this Plan. It is intended that the terms of this Plan do not constitute a "modification, extension, or renewal" of options within the meaning of Section 424(h) of the Code. Any provisions of this Plan which shall constitute a modification, extension, or renewal of options under Section 424(h) of the Code shall be disregarded insofar as it would otherwise apply to any option outstanding on the date of the Board's adoption of this Plan.

Notwithstanding the foregoing, the right of an Employee to require the Company to repurchase an Employee's Shares upon termination of employment with the Company found in Section 5 of that certain Restricted Stock Agreement dated July 21, 1998 is hereby rescinded with respect to all unexercised Options granted under this Plan. Said Restricted Stock Agreement shall not apply to Options granted after the adoption of this amendment and restatement to the Plan.

3. Definitions. As used herein, the following definitions shall apply:

(a) "Administrator" means the Board or any of its Committees as shall be administering this Plan in accordance with Paragraph 5 hereof.

(b) "Applicable Laws" means the requirements relating to the administration of stock option plans under U.S. state corporate laws, U.S. federal and state securities laws, the Code, any stock exchange or quotation system on which the Common Stock is listed or quoted and the applicable laws of any other country or jurisdiction where Options are granted under this Plan.

(c) "Board" means the Company's Board of Directors.

(d) "Cause" means (i) the Optionee's continued failure to substantially perform the principal duties and obligations of his position with the Company (other than any such failure resulting from Disability); (ii) any act of personal dishonesty, fraud or misrepresentation taken by the Optionee which was intended to result in substantial gain or personal enrichment of the Optionee at the expense of the Company; (iii) the Optionee's violation of a federal or state law or regulation applicable to the Company's business which violation was or is reasonably likely to be injurious to the Company; or

(iv) the Optionee's conviction of a felony or a plea of nolo contendere under the laws of the United States or any state.

(e) "Change of Control" means (i) the acquisition of the Company by another entity by means of any transaction or series of related transactions (including, without limitation, any reorganization, merger or consolidation, but excluding any merger effected primarily for the purpose of changing the domicile of the Company), unless the Company's shareholders of record as constituted immediately prior to such transaction or series of related transactions will, immediately after such transaction or series of related transactions hold at least a majority of the voting power of the surviving or acquiring entity or (ii) a sale of all or substantially all of the assets of the Company.

(f) "Code" means the Internal Revenue Code of 1986, as amended.

(g) "Committee" means a committee of Directors appointed by the Board in accordance with Paragraph 5 hereof.

(h) "Common Stock" means the Company's common stock.

(i) "Company" means Conn Appliances, Inc., a Texas corporation, and any successor to the Company.

(j) "Date of Grant" means the date on which the granting of an Option is authorized pursuant to Paragraph 6 of this Plan, by the Committee or such later date as may be specified by the Committee in such authorization.

(k) "Director" means a member of the Board.

(l) "Disability" means total and permanent disability as defined in Section 22(e)(3) of the Code.

(m) "Employee" means any person, including officers, employed by the Company or any Parent or Subsidiary of the Company. A person shall not cease to be an Employee in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company, its Parent, any Subsidiary or any successor. For purposes of Incentive Stock Options, no such leave may exceed ninety (90) days, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, then three (3) months following the 91/st/ day of such leave any Incentive Stock Option held by the Optionee shall cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Non-statutory Stock Option. Neither service as a Director nor payment of a director's fee by the Company shall be sufficient to constitute "employment" by the Company.

(n) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(o) "Fair Market Value" means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system on the date of determination, as reported in The Wall Street Journal or such other source as the Administrator deems reliable;

(ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value shall be the mean between the high bid and low asked prices for the Common Stock on the date of determination; or

(iii) In the absence of an established market for the Common Stock, the Fair Market Value thereof shall be determined in good faith by the Administrator.

(p) "Incentive Stock Option" means an Option intended to qualify as an "incentive stock option" within the meaning of Section 422 of the Code.

(q) "Involuntary Termination" shall mean (i) a termination by the Company of the Optionee's status as an Employee other than for Cause; (ii) without the Optionee's consent, a material reduction of or variation in the Optionee's duties, authority or responsibilities relative to the Optionee's duties, authority or responsibilities as in effect immediately prior to such reduction or variation; (iii) without the Optionee's consent, a material reduction in the base salary of the Optionee as in effect immediately prior to such reduction; (iv) without the Optionee's consent, a material reduction by the Company in the kind or level of employee benefits to which the Optionee was entitled immediately prior to such reduction, with the result that the Optionee's overall benefits package is materially reduced; or (v) without the Optionee's consent, the relocation of the Optionee to a facility or a location more than fifty (50) miles from the Optionee's then present location.

(r) "Non-statutory Stock Option" means an Option that does not qualify as an Incentive Stock Option.

(s) "Option" means a stock option granted pursuant to this Plan.

(t) "Option Agreement" means a written agreement between the Company and an Optionee substantially in the form of Exhibit A attached hereto evidencing the terms and conditions of an individual Option grant under this Plan. The Option Agreement is subject to the terms and conditions of this Plan.

(u) "Optioned Stock" means the Common Stock subject to an Option.

(v) "Optionee" means the holder of an outstanding Option granted under this Plan.

(w) "Paragraph" means a paragraph of this Plan.

(x) "Parent" means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

(y) "Plan" means the Conn Appliances, Inc. 2003 Amended and Restated Incentive Stock Option Plan, as may be amended from time to time.

(z) "Share" means a share of the Common Stock, as may be adjusted in accordance with Paragraph 13.

(aa) "Subsidiary" means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

4. Shares Subject to this Plan. Subject to the provisions of Paragraph 13, the maximum aggregate number of Shares that may be subject to Options and sold under this Plan is 2,559,767 Shares. The Shares may be authorized but unissued or reacquired Common Stock.

If an Option expires or becomes unexercisable without having been exercised in full, the unpurchased Shares which were subject thereto shall become available for future grant under this Plan (unless this Plan has terminated). However, Shares that have actually been issued under this Plan upon exercise of an Option shall not be returned to this Plan and shall not become available for future distribution under this Plan, except that if Shares acquired by exercise of an Option and subject to a restricted stock agreement are repurchased by the Company, such Shares shall become available for future grant under this Plan.

5. Administration of this Plan.

(a) This Plan shall be administered by the Board or a Committee appointed by the Board, which Committee shall be constituted to comply with Applicable Laws.

(b) Subject to the provisions of this Plan and, in the case of a Committee, the specific duties delegated by the Board to such Committee, and subject to the approval of any relevant authorities, the Administrator shall have the authority in its sole discretion:

(i) to determine the Fair Market Value of the Common Stock;

(ii) to select the Employees to whom Options may from time to time be granted hereunder;

(iii) to determine the number of Shares subject to each Option granted hereunder;

(iv) to approve a form of Option Agreement;

(v) to determine the terms and conditions of any Option granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Options may be exercised (which may be based on performance criteria or period of employment service), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any

Option or the Common Stock relating thereto, based in each case on such factors as the Administrator, in its sole discretion, shall determine;

(vi) to determine whether and under what circumstances an Option may be settled in cash or Common Stock under Paragraph 11(e);

(vii) to prescribe, amend and rescind rules and regulations relating to this Plan, including rules and regulations relating to sub-plans, if any, established for the purpose of satisfying applicable foreign laws;

(viii) to allow or disallow one or more Optionees to satisfy withholding tax obligations by electing to have the Company withhold from the Shares to be issued upon exercise of an Option that number of Shares having a Fair Market Value equal to the minimum amount required to be withheld. The Fair Market Value of the Shares to be withheld shall be determined as of the date the amount of tax to be withheld is to be determined. All elections by Optionees to have Shares withheld for this purpose shall be made in such form and under such conditions as the Administrator may deem necessary or advisable; and

(ix) to construe and interpret the terms of this Plan and Options granted pursuant to this Plan.

(c) Effect of Administrator's Decision. All decisions, determinations and interpretations of the Administrator shall be final and binding on all Optionees.

6. Eligibility.

(a) Options may be granted only to Employees.

(b) Each Option shall be designated in the Option Agreement as an Incentive Stock Option. However, notwithstanding such designation, to the extent that the aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options are exercisable for the first time by the Optionee during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds $100,000, such Options shall be treated as Non-statutory Stock Options. For purposes of this Paragraph 6(b), Incentive Stock Options shall be taken into account in the order in which they were granted. The Fair Market Value of the Shares shall be determined as of the time the Date of Grant.

(c) Neither this Plan nor any Option shall confer upon any Optionee any right with respect to continuing the Optionee's relationship as an Employee with the Company, nor shall it interfere in any way with his right or the Company's right to terminate such relationship at any time, with or without Cause, and with or without notice.

7. Term of Plan. Subject to Paragraph 20, this Plan shall become effective upon its adoption by the Board. Unless sooner terminated under Paragraph 20, this Plan shall continue in effect for a term of ten (10) years from the later of (i) the effective date of this Plan or (ii) the

date of the most recent Board approval of an increase in the number of Shares reserved for issuance under this Plan.

8. Term of Option. The term of each Option shall be stated in the Option Agreement; provided, however, that the term shall be no more than ten (10) years from the Date of Grant. In the case of an Option granted to an Optionee who, on the Date of Grant, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Option shall be five (5) years from the Date of Grant or such shorter term as may be provided in the Option Agreement.

9. Vesting. Unless stated otherwise in the Option Agreement, Options granted under this Plan shall vest and become exercisable, subject to the other terms of this Plan, according to the following schedule:

Years from Date of Grant	Vested Amount
Less than 1 year	0%
1 year but less than 2 years	20%
2 years but less than 3 years	40%
3 years but less than 4 years	60%
4 years but less than 5 years	80%
5 years or more	100%

10. Option Exercise Price and Consideration.

(a) The per share exercise price for the Shares to be issued upon exercise of an Option shall be such price as is determined by the Administrator, but shall be subject to the following:

(i) In the case of an Option granted to an Employee who, at the Date of Grant, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the exercise price shall be not less than 110% of the Fair Market Value per Share on the Date of Grant. In the case of an Option granted to any other Employee, the per Share exercise price shall be not less than 100% of the Fair Market Value per Share on the Date of Grant.

(ii) In the case of a Non-statutory Stock Option granted to any other Employee, the per Share exercise price shall be determined by the Administrator.

(b) The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall be determined by the Administrator on the Date of Grant. Such consideration may consist of cash or check or any combination thereof.

11. Exercise of Option.

(a) Procedure for Exercise; Rights as a Shareholder. Any Option granted hereunder shall be exercisable according to the terms hereof at such times and under such

conditions as determined by the Administrator and set forth in the Option Agreement. Unless the Administrator provides otherwise, vesting of Options granted hereunder shall be suspended during any unpaid leave of absence. An Option may not be exercised for a fraction of a Share.

An Option shall be exercised when the Company receives: (i) written notice of exercise (in accordance with the Option Agreement) from the person entitled to exercise the Option and (ii) full payment for the Shares with respect to which the Option is exercised. Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Option Agreement and this Plan. Shares issued upon exercise of an Option shall be issued in the name of the Optionee or, if requested by the Optionee, in the name of the Optionee and his spouse. Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Shares, notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such Shares promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Paragraph 13.

Exercise of an Option in any manner shall result in a decrease in the number of Shares thereafter available, both for purposes of this Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(b) Termination of Relationship as an Employee. If an Optionee ceases to be an Employee other than upon such Optionee's death or Disability, such Optionee may exercise his Option within the period of time specified in the Option Agreement to the extent that the Option is vested on the date of termination (but in no event later than the expiration of the term of the Option as set forth in the Option Agreement). The Option shall remain exercisable for three (3) months following the Optionee's termination, or such shorter period as may be provided in the Option Agreement. If, on the date of termination, the Optionee is not vested as to his Optioned Stock, the unvested portion of the Optioned Stock shall revert to this Plan. If, after termination, the Optionee does not exercise his Option within the time specified by the Administrator, the Option shall terminate, and the Optioned Stock shall revert to this Plan.

(c) Disability of Optionee. If an Optionee ceases to be an Employee as a result of the Optionee's Disability, the Optionee may exercise his Option for such period of time as specified in the Option Agreement to the extent the Option is vested on the date of termination (but in no event later than the expiration of the term of such Option as set forth in the Option Agreement). The Option shall remain exercisable for one (1) year following the Optionee's termination, or such shorter period as may be provided in the Option Agreement. If, on the date of termination, the Optionee is not vested as to all of his Optioned Stock, the unvested portion of the Optioned Stock shall revert to this Plan. If, after termination, the Optionee does not exercise his Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to this Plan.

(d) Death of Optionee. If an Optionee dies while an Employee, the Option may be exercised for such period of time as specified in the Option Agreement to the extent that the Option is vested on the date of death (but in no event later than the expiration of the term of such Option as set forth in the Option Agreement) by the personal representative of the Optionee's estate or by the person(s) to whom the Option is transferred pursuant to the Optionee's will or in accordance with the laws of descent and distribution. The Option shall remain exercisable for three (3) months following the Optionee's termination, or such shorter period as may be provided in the Option Agreement. If, on the date of death, the Optionee is not vested as to all of his Optioned Stock, the unvested portion of the Optioned Stock shall immediately revert to this Plan. If the Option is not so exercised within the time specified herein, the Option shall terminate, and the Optioned Stock shall revert to this Plan.

(e) Repurchase Provisions. The Administrator may at any time offer to repurchase for a payment in cash or Shares, an Option previously granted, based on such terms and conditions as the Administrator shall establish and communicate to the Optionee at the time that such offer is made.

(f) Other Terms and Conditions. Among other conditions that may be imposed by the Committee with respect to Options granted pursuant to this Plan, if deemed appropriate, include but are not limited to (i) the period or periods and the conditions of exercisability of any Option; (ii) the minimum periods during which Participants must be Employees of the Company or its Subsidiaries, or must hold Options before they may be exercised; (iii) the minimum periods during which shares acquired upon exercise must be held before sale or transfer shall be permitted; (iv) conditions under which such Options or shares may be subject to forfeiture; (v) the frequency of exercise or the minimum or maximum number of shares that may be acquired at any one time; and (vi) the achievement by the Company of specified performance criteria.

(g) Application of Funds. The proceeds received by the Company from the sale of Common Stock issued upon the exercise of Options will be used for general corporate purposes.

12. Limited Transferability of Options. Options may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Optionee, only by the Optionee.

13. Adjustments Upon Changes in Capitalization, Merger or Asset Sale.

(a) Changes in Capitalization. Subject to any required action by the shareholders of the Company, the number and type of Shares that have been authorized for issuance under this Plan, but as to which no Options have yet been granted or which have been returned to this Plan upon cancellation or expiration of an Option or repurchase of shares acquired by exercise of an Option and subject to a restricted stock agreement, and the number and type of Shares covered by each outstanding Option, as well as the price per Share covered by each such outstanding Option, shall be

proportionately adjusted for any increase or decrease in the number or type of issued Shares resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of issued shares of Common Stock effected without receipt of consideration by the Company. The conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number, type or price of Shares subject to an Option.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Administrator shall notify each Optionee as soon as practicable prior to the effective date of such proposed transaction. The Administrator in its discretion may provide for an Optionee to have the right to exercise his Option until fifteen (15) days prior to such transaction as to all of the Optioned Stock covered thereby, including Shares as to which the Option would not otherwise be exercisable. In addition, the Administrator may provide that any of the Company's rights to repurchase any Shares purchased upon exercise of an Option shall lapse as to all such Shares, provided the proposed dissolution or liquidation takes place at the time and in the manner contemplated. To the extent an Option has not been exercised, it will terminate immediately prior to the consummation of such proposed transaction.

(c) Merger or Asset Sale. In the event of (i) a merger of the Company with or into another entity or (ii) the sale of all or substantially all of the assets of the Company (either, a "Merger Transaction"), each outstanding Option shall be assumed or an equivalent option or right substituted by the successor entity or a Parent or Subsidiary of the successor entity. In the event that the successor entity refuses to assume or substitute for the Option, the Optionee shall fully vest in and have the right to exercise the Option as to all of the Optioned Stock, including Shares as to which such Option would not otherwise be vested or exercisable. If an Option becomes fully vested and exercisable in lieu of assumption or substitution in the event of a Merger Transaction, the Administrator shall notify the Optionee in writing that the Option shall be fully exercisable for a period of fifteen (15) days from the date of such notice, and the Option shall terminate upon the expiration of such period. For the purposes of this Paragraph 13, the Option shall be considered assumed if, following the Merger Transaction, the option or right confers the right to purchase or receive, for each Share of Optioned Stock subject to the Option immediately prior to the Merger Transaction, the consideration (whether stock, cash, or other securities or property) received in the Merger Transaction by holders of Common Stock for each Share held on the effective date of the Merger Transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the Merger Transaction is not solely common stock of the successor entity or its Parent, the Administrator may, with the consent of the successor entity, provide for the consideration to be received upon the exercise of the Option, for each Share of Optioned Stock subject to the Option, to be solely common stock of the successor entity or its

Parent equal in fair market value to the per share consideration received by holders of Common Stock in the Merger Transaction.

(d) Accelerated Vesting. Following either an assumption of or substitution for Options in connection with a Merger Transaction that constitutes a Change of Control and in the event of an Involuntary Termination of an Optionee upon or during the one (1) year period after the effective date of such Change of Control, (1) each Optionee's rights to purchase Optioned Stock shall become automatically vested in their entirety on an accelerated basis and be fully exercisable as of the date immediately preceding any such Involuntary Termination and (2) all of the Company's rights to repurchase Restricted Stock from an Optionee under all restricted stock purchase agreements shall lapse in their entirety on an accelerated basis as of the date immediately preceding any such Involuntary Termination.

14. Conditions Upon Issuance of Shares.

(a) Legal Compliance. Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Shares shall comply with Applicable Laws and shall be further subject to the approval of legal counsel to the Company with respect to such compliance.

(b) Investment Representations. As a condition to the exercise of an Option, the Administrator may require the Optionee to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of legal counsel to the Company, such a representation is necessary or appropriate.

15. Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

16. Reservation of Shares. The Company, during the term of this Plan, shall at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of this Plan.

17. Reliance on Reports. Each member of the Committee and each member of the Board shall be fully justified in relying or acting in good faith upon any report made by the independent public accountants of the Company and its Subsidiaries and upon any other information furnished in connection with this Plan by any person or persons other than the Committee or Board member. In no event shall any person who is or shall have been a member of the Committee or the Board be liable for any determination made or other action taken or any failure to act in reliance upon any such report or information or for any action taken, including the furnishing of information, or failure to act, if in good faith.

18. Construction. The titles and headings of the sections in this Plan are for the convenience of reference only, and in the event of any conflict, the text of this Plan, rather than such titles or headings, shall control.

19. Governing Law. This Plan shall be governed by and construed in accordance with the laws of the State of Delaware, except as superseded by applicable federal law.

20. Approval, Amendment, and Termination of this Plan.

(a) Shareholder Approval. This Plan must be approved by a majority of the votes cast at a duly held shareholders' meeting at which a quorum representing a majority of all outstanding voting Shares is, either in person or by proxy, present and voting on the Plan within twelve (12) months after the date this Plan is adopted. The Board shall obtain similar shareholder approval of any Plan amendment to the extent necessary and desirable to comply with Applicable Laws, which shall include:

(i) an increase in the number of Shares subject to Option under this Plan;

(ii) a change in the definition of Employee affecting eligibility;

(iii) a change in the manner in which Options are issued or may be exercised; or

(iv) an extension of the term of this Plan as set forth in Paragraph 7.

(b) NASD Rules. In addition to the foregoing, the Board shall obtain similar shareholder approval for any Plan amendment which requires such approval under the rules of the National Association of Securities Dealers.

(c) Amendment and Termination. The Board may at any time amend, alter, suspend or terminate this Plan.

(d) Effect of Amendment or Termination. No amendment, alteration, suspension or termination of this Plan shall impair the rights of any Optionee, unless mutually agreed otherwise between the Optionee and the Administrator, which agreement must be in writing and signed by the Optionee and the Company. Termination of this Plan shall not affect the Administrator's ability to exercise the powers granted to it hereunder with respect to Options granted under this Plan prior to the date of such termination.

(e) Effect of Failure to Obtain Shareholder Approval.

(i) If the shareholders fail to approve the amendment and restatement of this Plan as set forth in this Paragraph 20, all Options granted under the Plan subsequent to the Board's adoption of such amendment and restatement shall expire and the amendment and restatement shall be disregarded.

(ii) If the shareholders fail to approve a Plan amendment as set forth in this Paragraph 20, the Plan amendment shall be disregarded.

EXHIBIT A

Form of Incentive Stock Option Agreement

Exhibit 10.2

CONN APPLIANCES, INC.
2003 NON-EMPLOYEE DIRECTOR STOCK OPTION PLAN

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CONN APPLIANCES, INC.
2003 NON-EMPLOYEE DIRECTOR STOCK OPTION PLAN

1. Purposes of this Plan. This Plan is established by the Company to aid in attracting and retaining persons of outstanding competence to serve on the Board of Directors who are not employed by the Company. This Plan is intended to enable such persons to acquire or increase ownership interests in the Company on a basis that will encourage them to use their best efforts to promote the growth and profitability of the Company. Consistent with these objectives, this Plan provides for the granting of Options to Non-Employee Directors on the terms and subject to the conditions set forth in this Plan. Options granted under this Plan do not qualify as "incentive stock options" within the meaning of Section 422 of the Code.

2. Establishment. This Plan is effective as of _____ __, 2003.

3. Definitions. As used herein, the following definitions shall apply:

(a) "Applicable Laws" means the requirements relating to the administration of stock option plans under U.S. state corporate laws, U.S. federal and state securities laws, the Code, any stock exchange or quotation system on which the Common Stock is listed or quoted and the applicable laws of any other country or jurisdiction where Options are granted under this Plan.

(b) "Board" means the Board of Directors of the Company.

(c) "Change of Control" means (i) the acquisition of the Company by another entity by means of any transaction or series of related transactions (including, without limitation, any reorganization, merger or consolidation, but excluding any merger effected primarily for the purpose of changing the domicile of the Company), unless the Company's shareholders of record as constituted immediately prior to such transaction or series of related transactions will, immediately after such transaction or series of related transactions hold at least a majority of the voting power of the surviving or acquiring entity or (ii) a sale of all or substantially all of the assets of the Company.

(d) "Code" means the Internal Revenue Code of 1986, as amended.

(e) "Common Stock" means the Company's common stock.

(f) "Company" means Conn Appliances, Inc., a Texas corporation, and any successor to the Company.

(g) "Date of Grant" means the date on which the granting of an Option is authorized pursuant to Paragraph 6 of this Plan, by the Board or such later date as may be specified by the Board in such authorization.

(h) "Director" means a member of the Board.

(i) "Disability" means total and permanent disability as defined in Section 22(e)(3) of the Code.

(j) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(k) "Fair Market Value" means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system on the date of determination, as reported in The Wall Street Journal or such other source as the Board deems reliable;

(ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value shall be the mean between the high bid and low asked prices for the Common Stock on the date of determination; or

(iii) In the absence of an established market for the Common Stock, the Fair Market Value thereof shall be determined in good faith by the Board.

(l) "Non-Employee Director" means a Director who, as of the Date of Grant, is not an officer or otherwise employed by the Company, a Parent, or a Subsidiary.

(m) "Option" means an option to purchase shares of Common Stock granted under Paragraph 6 of this Plan.

(n) "Option Agreement" means a written agreement between the Company and an Optionee substantially in the form of Exhibit A attached hereto evidencing the terms and conditions of an individual Option grant under this Plan. The Option Agreement is subject to the terms and conditions of this Plan.

(o) "Optioned Stock" means the Common Stock subject to an Option.

(p) "Optionee" means the holder of an outstanding Option granted under this Plan.

(q) "Paragraph" means a paragraph of this Plan.

(r) "Parent" means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

(s) "Plan" means the Conn Appliances, Inc. 2003 Non-Employee Director Stock Option Plan, as may be amended from time to time.

(t) "Share" means a share of the Common Stock, as adjusted in accordance with Paragraph 17.

(u) "Subsidiary" means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

4. Stock Subject to this Plan. Subject to the provisions of Paragraph 17, the maximum aggregate number of Shares that may be subject to Options and sold under this Plan is 300,000 Shares. The Shares may be authorized but unissued, or reacquired Common Stock.

If an Option expires or becomes unexercisable without having been exercised in full, the unpurchased Shares which were subject thereto shall become available for future grant under this Plan (unless this Plan has terminated). However, Shares that have actually been issued under this Plan upon exercise of an Option shall not be returned to this Plan and shall not become available for future distribution under this Plan.

5. Administration of this Plan. This Plan shall be administered by the Board. Subject to the provisions of this Plan, the Board shall have the authority to prescribe, amend and rescind rules and regulations relating to this Plan, including rules and regulations relating to sub-plans, if any, established for the purpose of satisfying applicable foreign laws and to construe and interpret the terms of this Plan and Options granted pursuant to this Plan. All decisions, determinations and interpretations of the Board shall be final and binding on all Optionees.

6. Stock Options.

(a) Grant of Options by the Board.

(i) As of the effective date of the Company's initial public offering of Common Stock, each Non-Employee Director shall be granted an Option to purchase 40,000 Shares. Individuals who become Non-Employee Directors after the effective date of the Company's initial public offering of Common Stock shall be granted an Option to purchase 40,000 Shares on their first day of service as a Non-Employee Director.

(ii) Subject to Section 6(a)(iv) and provided that the Non-Employee Director is then continuing in office, each Non-Employee Director shall be granted an Option to purchase 10,000 Shares immediately following each annual stockholders meeting during the term of this Plan commencing in the year in which the fourth anniversary of the Non-Employee Director's initial election or appointment to the Board occurs.

(iii) Each Option granted under this Plan shall be subject to the terms, conditions, restrictions and/or limitations, if any, applicable to the Options as set forth in the respective Option Agreements in addition to those set forth in this Plan and the administrative rules and regulations issued by the Board.

(iv) Options granted pursuant to this Paragraph that would otherwise exceed the maximum number of Shares authorized in Paragraph 4 of this Plan shall be prorated within such limitation.

(b) Vesting. Unless stated otherwise in the Option Agreement, Options granted under this Plan shall vest and become exercisable, subject to the other terms of this Plan, at the rate of 25% per annum on each anniversary of the Date of Grant.

(c) Option Exercise Price and Consideration. The Option Agreement for each Option shall state the price at which the Option may be exercised, and the consideration

to be paid for the Shares to be issued upon exercise of an Option. Such consideration may consist of cash or check.

7. Exercise of Option.

(a) Procedure for Exercise; Rights as a Shareholder. Any Option granted hereunder shall be exercisable according to the terms of the Plan at such times and under such conditions as determined by the Board and set forth in the Option Agreement. An Option may not be exercised for a fraction of a Share.

An Option shall be exercised when, and only when, the Company receives: (i) written notice of exercise (in accordance with the Option Agreement) from the person entitled to exercise the Option, and (ii) full payment for the Shares with respect to which the Option is exercised. Full payment may consist of any consideration and method of payment permitted by the Option Agreement and this Plan. Shares issued upon exercise of an Option shall be issued in the name of the Optionee or, if requested by the Optionee, in the name of the Optionee and his spouse. Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Shares, notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such Shares promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Paragraph 17.

Exercise of an Option in any manner shall result in a decrease in the number of Shares thereafter available, both for purposes of this Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(b) Exercise of Options After a Participant's Termination. Options granted to an Optionee whose service as a Director terminates during the Option period for any reason may be exercised, to the extent exercisable, until the earlier of (i) three (3) years after termination of the Optionee's service on the Board or (ii) the expiration of the Option. In the event an Optionee's membership on the Board is terminated by death, the personal representative of the deceased Optionee may so exercise any unexercised vested Option granted to the Optionee under this Plan.

(c) Withholding. Optionees may satisfy withholding tax obligations by electing to have the Company withhold from the Shares to be issued upon exercise of an Option that number of Shares having a Fair Market Value equal to the minimum amount required to be withheld. The Fair Market Value of the Shares to be withheld shall be determined as of the date the amount of tax to be withheld is to be determined. Any and all elections by Optionees to have Shares withheld for this purpose shall be made in such form and under such conditions as the Board may deem necessary or advisable.

(d) Other Terms and Conditions. In addition to the terms and conditions provided elsewhere in this Plan, Options granted under this Plan are subject to the following:

(i) Options may not be exercised until this Plan has been approved by the shareholders pursuant to Paragraph 8.

(ii) Any Option not exercised within ten (10) years from the Date of Grant shall expire.

(iii) Shares acquired from the exercise of an Option must be held for at least one year before their sale or transfer shall be permitted.

(iv) Options may not be exercised for fewer than 1,000 Shares.

(v) Optionees may not exercise Options more than once per calendar quarter.

(e) Application of Funds. The proceeds received by the Company from the sale of Common Stock issued upon the exercise of Options will be used for general corporate purposes.

8. Approval, Amendment, and Termination of this Plan.

(a) Shareholder Approval. This Plan must be approved by a majority of the votes cast at a duly held shareholders' meeting at which a quorum representing a majority of all outstanding voting Shares is, either in person or by proxy, present and voting on the Plan within twelve (12) months after the date this Plan is adopted. The Board shall obtain similar shareholder approval of any Plan amendment to the extent necessary and desirable to comply with Applicable Laws, which shall include:

(i) an increase in the number of Shares subject to Option under this Plan;

(ii) a change in the definition of Employee affecting eligibility; or

(iii) a change in the manner in which Options are issued or may be exercised.

(b) NASD Rules. In addition to the foregoing, the Board shall obtain similar shareholder approval for any Plan amendment which requires such approval under the rules of the National Association of Securities Dealers.

(c) Amendment and Termination. The Board may at any time amend, alter, suspend or terminate this Plan.

(d) Effect of Amendment or Termination. No amendment, alteration, suspension or termination of this Plan shall impair the rights of any Optionee, unless mutually agreed otherwise between the Optionee and the Board, which agreement must be in writing and signed by the Optionee and the Company. Termination of this Plan shall not affect the Board's ability to exercise the powers granted to it hereunder with respect to Options granted under this Plan prior to the date of such termination.

(e) Effect of Failure to Obtain Shareholder Approval.

(i) If the shareholders fail to approve the adoption of this Plan as set forth in this Paragraph 8, all Options granted under the Plan shall expire and the Plan shall terminate.

(ii) If the shareholders fail to approve a Plan amendment as set forth in this Paragraph 8, the Plan amendment shall be disregarded.

9. Limited Transferability of Options. Unless determined otherwise by the Board, Options may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Optionee, only by the Optionee.

10. Conditions Upon Issuance of Shares.

(a) Legal Compliance. Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Shares complies with Applicable Laws and shall be further subject to the approval of legal counsel to the Company with respect to such compliance.

(b) Investment Representations. As a condition to the exercise of an Option, the Board may require the Optionee to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of legal counsel to the Company, such a representation is necessary or appropriate.

11. Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

12. Reservation of Shares. The Company, during the term of this Plan, shall at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of this Plan.

13. Right to Continued Board Membership. Participation in this Plan shall not give any Optionee any right to remain on the Board.

14. Reliance on Reports. Each member of the Board shall be fully justified in relying or acting in good faith upon any report made by the independent public accountants of the Company, its Parents, and Subsidiaries and upon any other information furnished in connection with this Plan by any person or persons other than the Board or Board member. In no event shall any person who is or shall have been a member of the Board or of the Board be liable for any determination made or other action taken or any failure to act in reliance upon any such report or information or for any action taken, including the furnishing of information, or failure to act, if in good faith.

15. Construction. The titles and headings of the sections in this Plan are for the convenience of reference only, and in the event of any conflict, the text of this Plan, rather than such titles or headings, shall control.

16. Governing Law. This Plan shall be governed by and construed in accordance with the laws of the State of Delaware, except as superseded by applicable federal law.

17. Adjustments Upon Changes in Capitalization, Merger or Asset Sale.

(a) Changes in Capitalization. Subject to any required action by the shareholders of the Company, the number and type of Shares which have been authorized for issuance under this Plan but as to which no Options have yet been granted or which have been returned to this Plan, upon cancellation or expiration of an Option, and the number and type of Shares covered by each outstanding Option, as well as the price per Share covered by each such outstanding Option, shall be proportionately adjusted for any increase or decrease in the number or type of issued Shares resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of issued shares of Common Stock effected without receipt of consideration by the Company. The conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number, type or price of Shares subject to an Option.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Board shall notify each Optionee as soon as practicable prior to the effective date of such proposed transaction. The Optionee shall fully vest in and have the right to exercise the Option as to all of the Optioned Stock, including Shares as to which such Option would not otherwise be vested or exercisable. The Board shall notify the Optionee in writing that the Option shall be fully exercisable until fifteen (15) days prior to the proposed transaction. In addition, the Board may provide that any of the Company's rights to repurchase any Shares purchased upon exercise of an Option shall lapse as to all such Shares, provided the proposed dissolution or liquidation takes place at the time and in the manner contemplated. To the extent an Option has not been exercised, it will terminate immediately prior to the consummation of such proposed transaction.

(c) Merger or Asset Sale. In the event of (i) a merger of the Company with or into another entity or (ii) the sale of all or substantially all of the assets of the Company (either, a "Merger Transaction"), each outstanding Option shall be assumed or an equivalent option or right substituted by the successor entity or a Parent or Subsidiary of the successor entity. In the event that the successor entity refuses to assume or substitute for the Option, the Optionee shall fully vest in and have the right to exercise the Option as to all of the Optioned Stock, including Shares as to which such Option would not otherwise be vested or exercisable. If an Option becomes fully vested and exercisable in lieu of assumption or substitution in the event of a Merger Transaction, the Board shall notify the Optionee in writing that the Option shall be fully exercisable for a period of fifteen (15) days from the date of such notice, and the Option shall terminate upon the expiration of such period. For the purposes of this Paragraph 17, the Option shall be considered assumed if, following the Merger Transaction, the option or right confers the

right to purchase or receive, for each Share of Optioned Stock subject to the Option immediately prior to the Merger Transaction, the consideration (whether stock, cash, or other securities or property) received in the Merger Transaction by holders of Common Stock for each Share held on the effective date of the Merger Transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the Merger Transaction is not solely common stock of the successor entity or its Parent, the Board may, with the consent of the successor entity, provide for the consideration to be received upon the exercise of the Option, for each Share of Optioned Stock subject to the Option, to be solely common stock of the successor entity or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the Merger Transaction.

(d) Accelerated Vesting. Following either an assumption of or substitution for Options in connection with a Merger Transaction that constitutes a Change of Control and in the event of the termination of an Optionee of service on the Board ("Involuntary Termination"), upon or during the one (1) year period after the effective date of such Change of Control, each Optionee's rights to purchase Optioned Stock shall become automatically vested in their entirety on an accelerated basis and be fully exercisable as of the date immediately preceding any such Involuntary Termination.

Exhibit A

Form of Non-Qualified Stock Option Agreement

Exhibit 10.3

CONN APPLIANCES, INC.
EMPLOYEE STOCK PURCHASE PLAN

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CONN APPLIANCES, INC.
EMPLOYEE STOCK PURCHASE PLAN

1. Purposes of the Plan. The Plan is intended to advance the long-range interests of the Company by encouraging the acquisition and ownership of Company Common Stock upon the terms herein set forth by Employees of the Company, its Parents and Subsidiaries. By providing Employees with an opportunity to acquire an ownership interest in the Company, the Plan will enhance both their efforts to promote the Company's long-term performance and their continuance as Employees with the Company. This Plan is meant to qualify as an "employee stock purchase plan" under Section 423 of the Code. The provisions of this Plan shall be construed so as to extend and limit participation in a manner consistent with the requirements of that section of the Code.

2. Definitions. As used herein, the following definitions shall apply:

(a) "Board" means the Company's board of directors.

(b) "Code" means the Internal Revenue Code of 1986, as amended.

(c) "Committee" means a committee of Directors appointed by the Board in accordance with Paragraph 4 hereof. All members of the Committee shall be Directors who are not at the time they exercise discretion in administering the Plan eligible, and have not at any time within one year been eligible, to purchase Common Stock under the Plan.

(d) "Common Stock" means the Company's common stock.

(e) "Company" means Conn Appliances, Inc., a Texas corporation, and any successor to the Company.

(f) "Director" means a member of the Board.

(g) "Employee" means any person, including officers, employed by the Company or a Parent or Subsidiary of the Company. A person shall not cease to be an Employee in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company, its Parent, any Subsidiary or any successor. Neither service as a Director nor payment of a director's fee by the Company shall be sufficient to constitute "employment" by the Company.

(h) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(i) "Highly Compensated Employee" means a "highly compensated employee" within the meaning of Section 414(q) of the Code.

(j) "Offering" means an offer to eligible Employees to purchase Common Stock under the Plan.

(k) "Offering Date" means the first day of the Offering Period.

(l) "Offering Period" means the calendar quarter for which a specific Offering is made.

(m) "Paragraph" means a paragraph of this Plan.

(n) "Parent" means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

(o) "Participant" means an eligible Employee who elects Payroll Deductions for the purpose of purchasing Common Stock under the Plan.

(p) "Payroll Deduction" means an amount, as determined by the Participant, to be withheld from each paycheck for the purpose of purchasing Common Stock under the Plan.

(q) "Payroll Deduction Authorization Form" means an authorization form provided by the Company with which the Participant may elect Payroll Deductions.

(r) "Plan" means the Conn Appliances, Inc. Employee Stock Purchase Plan, as may be amended from time to time.

(s) "Plan Account" means an account maintained by the Company on its books for this Plan to record a Participant's Payroll Deductions.

(t) "Purchase Date" means the last day of an Offering Period, or such other date as required by administrative operational requirements.

(u) "Subsidiary" means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

3. Shares Offered. The total number of shares of Common Stock available under the Plan is 1,267,085 shares, which are authorized but unissued shares of Common Stock. If any Offering shall expire without the rights under such Offering having been exercised in full, such unpurchased shares covered thereby shall be added to the shares otherwise available for future Offerings.

4. Administration. This Plan shall be administered by the Committee. No member of the Board or the Committee shall be liable for any action or determination made in good faith with respect to the Plan. Subject to the express provisions of the Plan contained herein, the Committee shall have the authority to make rules and regulations for the administration of the Plan. The Committee may correct any defect or supply an omission or reconcile any inconsistency in the Plan in the manner and to the extent it shall deem necessary to carry it into

effect. All determinations reached by the Committee on matters referred to in this Paragraph 4 shall be binding and conclusive.

5. Offerings. The Company may make periodic Offerings to purchase Common Stock under the Plan, which Offerings shall not be made more often than once every calendar quarter. With respect to each Offering, the Committee, at its discretion, shall specify the Offering Period, and the maximum number of shares of Common Stock that may be purchased under such Offering. Unless otherwise specified by the Committee, the number of shares of Common Stock which may be purchased under each successive Offering shall be the balance of the 1,267,085 shares authorized, but not yet purchased, under the terms of this Plan.

6. Eligibility. The Committee shall designate the Parents and Subsidiaries of the Company whose employees are eligible to participate in the Plan. The Committee may, in its sole discretion, attach an addendum to this Plan listing such Parents and Subsidiaries participating under the Plan. Any person who is actively employed by the Company or one of the designated Parents or Subsidiaries on the first day of the calendar quarter prior to an Offering Period, shall be eligible to participate in the Plan, except that the Committee may exclude Employees who fall into one or more of the following categories: (i) Employees who customarily work twenty (20) or fewer hours per week; (ii) Employees who have been employed for less than one (1) year; (iii) Employees subject to the restriction of Section 16 of the Exchange Act; and/or (iv) Employees who are members of a collective bargaining agreement which has refused to participate in this Plan. A person shall be considered to be actively employed with the Company if the person is presently performing his regular duties with the Company or one of the designated Parents or Subsidiaries. The duration of employment with a business entity acquired by the Company or one of its Parents or Subsidiaries shall be included in determining an Employee's length of employment for the purpose of this Paragraph 6, provided that such acquired business entity is a Subsidiary on the Offering Date.

7. Offering Rights. With respect to each Offering, each eligible Employee shall be offered the opportunity to elect Payroll Deductions which shall be withheld by the Company for the purchase on behalf of such Participant the number of whole shares of the Company's Common Stock that can be purchased with the amount deducted for such purpose, but in no event may the number of whole shares which may be purchased by any Participant exceed the number of whole shares available during the Offering Period. Rights to purchase the shares of Common Stock from Payroll Deduction shall be exercisable in the manner and to the extent as hereinafter provided.

8. Participation. An eligible Employee may participate in an Offering by completing and submitting an authorization for Payroll Deduction on the Payroll Deduction Authorization Form to the Chief Financial Officer of the Company prior to the Offering Date of an Offering Period and in accordance with the rules developed by the Committee and communicated to eligible Employees. Upon filing the Payroll Deduction Authorization Form, a Participant shall elect to have deductions made for each payroll period which may be any whole percentage from 1% to a maximum of 25% of base pay in effect at the beginning of the Offering Period. A Participant who elects to participate for an Offering Period through Payroll Deductions shall be deemed to have elected to participate in the Plan on the same basis for each successive Offering

Period until such time as the Participant submits a Payroll Deduction Authorization Form changing their election or elects to withdraw from the Plan as provided in Paragraph 14.

9. Method of Payment. The Company shall maintain, or cause to have maintained, a Plan Account in the name of each Participant. For each payroll period, the amount deducted pursuant to the Payroll Deduction shall be credited to such Participant's Plan Account. As of the Purchase Date, the amount then in each Participant's Plan Account shall be applied to the purchase of shares of Common Stock. The purchase of shares may be made solely from the Participant's Plan Account, except that, upon the cessation of active employment for reasons other than short-term disability, or, if the Participant is on an approved leave of absence or a layoff with recall rights from the Company, either of which period has not exceeded ninety (90) days, the Participant may make a cash payment, in one lump sum, to the Plan to the extent that amounts payable by the Company to such Participant are insufficient to meet such Participant's authorized Plan deductions for the Offering Period. The prepayment shall be made pursuant to Paragraph 13. Should any such cash payment not be paid to the Company within fifteen (15) days after the Participant is notified such payment is required, such payment may not be made thereafter, without Committee approval.

10. Deduction Changes. A Participant may not decrease or increase their Payroll Deduction election during an Offering Period. A Participant may, however, decrease or increase their Payroll Deduction election prior to the commencement of the next Offering Period by filing a new Payroll Deduction Authorization Form with the Chief Financial Officer of the Company, within the time specified by the Committee.

11. Interest. The Company shall not credit a Participant's Plan Account with interest on any Payroll Deduction.

12. Purchase Price and Purchase of Shares. Subject to the other provisions of this Plan, the purchase price for a share of Common Stock under any Offering will be the lesser of:

(a) 85% of the mean between the highest and lowest sale price for shares of Common Stock as reported by the composite transaction reporting system for securities listed on the NASDAQ Exchange on the Offering Date for such Offering or on the most recently preceding date on which there was such a sale (the "Initial Offering Price"); or

(b) 85% of the mean between the highest and lowest sales price for shares of Common Stock as reported by the composite transaction reporting system for securities listed on the NASDAQ Exchange on the last day of the Offering Period or on the most recently preceding date on which there was such a sale (the "Alternate Offering Price").

As of the Purchase Date, the Alternate Offering Price shall be ascertained and each Participant's Plan Account shall be totaled. Shares of Common Stock subject to an Offering will be purchased with funds accumulated in each Participant's Plan Account, pursuant to the provisions of this Plan. Unless the Offering has been cancelled pursuant to Paragraph 14, and subject to the provisions of Paragraph 26, a Participant shall be deemed to have elected to purchase the shares subject to the Offering as of the Purchase Date at the lower of the Initial Offering Price or the Alternate Offering Price. Purchased shares shall be registered in the name

of the Plan, or its designee, and held on behalf of and in the name of the Participant. Stock certificates shall not be issued to Participants for the stock held on their behalf, but all rights accruing to an owner of record of such stock, including, without limitation, voting and tendering rights, shall belong to the Participant for whose account such stock is held. Notwithstanding the foregoing, a Participant may elect, at the Participant's cost, to receive a stock certificate after the purchase price for the shares has been paid in full.

13. Prepayment of Offering. In the event of a Participant's death, retirement, or, in the event the Participant is on an approved leave of absence or a layoff with recall rights from the Company which period has not exceeded ninety (90) days, during an Offering Period, prepayment may be made pursuant to Paragraph 16. The prepayment required shall be determined by multiplying the amount which would otherwise be withheld from each paycheck, by the number of remaining payroll periods in the Offering Period. No partial prepayments will be permitted.

14. Withdrawal from Offering. Each Participant shall have the right, at any time prior to the Purchase Date, to withdraw from the Offering by providing fifteen (15) days' prior written notice to the Chief Financial Officer of the Company revoking his Payroll Deduction. A Participant who elects to cease participation in the Plan by revoking his Payroll Deduction, may not resume participation in the Plan until after the expiration of one full Offering Period following the Offering Period in which he ceases participation. As promptly as is practicable following the result of a revocation notice, all Payroll Deductions credited to such Participant's Plan Account shall be returned to such Participant in cash, without interest. In the event of a Participant's termination of employment other than by reason of death or retirement, the Offering shall be cancelled without notice to the Participant (or upon fifteen (15) days written notice to the Participant if the termination is subsequent to a Change of Control). A Participant of a company included as a participating Subsidiary in this Plan which ceases to be a Subsidiary shall be deemed to have terminated employment for purposes of this Paragraph 14 as of the date such company ceases to be a Subsidiary unless, as of such date, the Participant shall become an Employee of the Company or of any Subsidiary then included in the Plan.

15. Shareholder Rights. None of the rights or privileges of a shareholder of the Company shall exist with respect to shares of Common Stock purchased under this Plan until the date as of which shares are: (i) registered in the name of the Plan or its designee; (ii) registered in the Participant's name; or (iii) certificates representing such shares are issued to the Participant or the Participant's designee.

16. Rights upon Retirement or Death. In the event of a Participant's retirement or death, Payroll Deductions shall be taken from any compensation due and owing to the Participant at such time. The amount in the Participant's Plan Account, without interest, shall at the written election of the Participant, or in the event of death, the person or persons to whom such right under the Offering passes by will, the laws of descent and distribution (including the estate during the period of administration) or by the Participant's designation pursuant to Paragraph 17, either (i) be refunded by the earlier of the Purchase Date or sixty (60) days after the occurrence of such event; or (ii) be used to purchase the shares subject to the Offering by payment of the required amount to the Participant's Plan Account in full at least fifteen (15) days prior to the Purchase Date. In the event that no such written notice of election shall be duly

received by the Chief Financial Officer, shares will be automatically purchased. The required amount shall be determined by multiplying the amount which would otherwise be withheld from each paycheck, by the number of remaining payroll periods in the Offering Period. No partial prepayments will be permitted. The purchase price of the shares of Common Stock subject to the Offering shall be determined in accordance with Paragraph 12.

17. Rights not Transferable. Except as hereinafter set forth and unless otherwise provided by law, no Participant shall have the right to sell, assign, transfer, pledge, or otherwise dispose of or encumber either the right to participate in the Plan or the interest in the fund accumulated for the Participant's benefit, and such right and interest shall not be liable for or subject to the debts, contracts, or liabilities of such Participant. If any such action is taken by the Participant, or any claim asserted by another party in respect of such right and interest, such action or claim will be treated as a notice of cancellation, and except as may otherwise be required by law, a refund will be made to such Participant as provided in Paragraph 14.

A Participant may designate in writing the person who shall have the right to purchase the shares subject to the Offering in the event of the Employee's death.

18. Application of Funds. All funds received or otherwise held by the Company pursuant to this Plan may be used for any general corporate purpose without restriction.

19. Adjustments upon Changes in Capitalization. Notwithstanding any other provision of the Plan, in the event of any change in the outstanding Common Stock by reason of a stock dividend, recapitalization, consolidation, split-up, combination or exchange of shares, or the like, the aggregate number and class of shares available under the Plan and the number and class of shares subject to outstanding Offerings and the maximum number of shares for which an individual employee may purchase and the Initial Offering Price shall be proportionately adjusted, and such other adjustments shall be made as may be deemed equitable, by the Board.

20. Amendments to the Plan. To the extent permitted by law, the Board or the Committee may at any time, and from time to time, make such changes in and additions to the Plan as the Board or Committee deem advisable, provided, however, that except as provided in this Paragraph 20, and except with respect to changes or additions in order to make the Plan comply with Section 423 of the Code, as it may be amended from time to time, neither the Board, the President of the Company, nor the Committee may, without approval by the holders of a majority of the shares of Common Stock (i) increase the maximum number of shares which may be purchased under the Plan; (ii) reduce the purchase price per share; or (iii) make any change or addition which does not meet the requirements of Section 423 of the Code, and no amendment of the Plan may, without the consent of the holder of any outstanding Offering, materially and adversely affect the Employee's rights in respect to such Offering.

21. Termination of the Plan. This Plan shall terminate at the earlier of:

(a) the date that all of the shares authorized for sale under the Plan have been purchased, except as otherwise extended by authorizing additional shares; or

(b) at any time, at the discretion of the Board, provided, however, that no termination shall affect outstanding Offerings.

Upon termination of the Plan and the exercise or lapse of all Offering rights hereunder, all amounts remaining in the Plan Accounts of participating Employees, without interest, shall be promptly refunded.

22. Allotment of Shares. If the total number of shares to be purchased by Participants through Payroll Deduction under any Offering exceeds the shares available for purchase under the Offering, the Committee may make allotments of shares among the Participants on any basis consistent with the provisions of this Plan and Offerings for any additional shares in excess of the shares so allotted shall be deemed to have lapsed.

23. Governmental and Other Regulations. The obligation of the Company to issue or transfer and deliver shares under this Plan shall be subject to (i) compliance with all applicable laws, governmental rules and regulations, and administrative action; (ii) the effectiveness of a Registration Statement under the Securities Act of 1933, as amended, with respect to such issue or transfer, if deemed necessary or appropriate by counsel for the Company; and (iii) the condition that the shares of Common Stock reserved for issuance upon the purchase of shares subject to Offering under the Plan shall have been listed (or authorized for listing upon official notice of issuance) upon each stock exchange on which outstanding shares of the same class may then be listed.

24. Shareholder Approval. The Plan was submitted to the shareholders of the Company at a meeting of shareholders held on _____ __, 2003, and was approved by vote of the holders of a majority of shares of Common Stock voted at such meeting.

25. Stock Ownership. Notwithstanding anything herein to the contrary, no Employee shall be permitted to purchase any Common Stock under the Plan if such Employee, immediately after such purchase, owns stock (including all Common Stock which may be purchased under outstanding Offerings under the Plan or outstanding options under any stock plan of the Company) possessing 5% or more of the total combined voting power or value of all classes of Common Stock of the Company or of its Subsidiary corporations or if such Employee, on the Offering Date, is eligible to participate in the Conn Appliances, Inc. Amended and Restated 2003 Incentive Stock Option Plan and is a Highly Compensated Employee. For the foregoing purposes, the rules of Section 425(d) of the Code shall apply in determining stock ownership. No Employee shall be included in an Offering which permits his right to purchase Common Stock under all employee stock purchase plans of the Company and its Subsidiaries to accrue (within the meaning of Section 423(b)(8) of the Code) at a rate which exceeds $25,000 of fair market value of such stock (determined at the Offering Date) for each calendar year in which such Offering is outstanding at any time.

26. Purchase of Stock or Payment Upon a Change of Control.

(a) Change of Control. For purposes of this Plan, a Change of Control of the Company shall mean:

(i) the acquisition of the Company by another entity by means of any transaction or series of related transactions (including, without limitation, any reorganization, merger or consolidation, but excluding any merger effected

primarily for the purpose of changing the domicile of the Company), unless the Company's shareholders of record as constituted immediately prior to such transaction or series of related transactions will, immediately after such transaction or series of related transactions hold at least a majority of the voting power of the surviving or acquiring entity;

(ii) a sale of all or substantially all of the assets of the Company; or

(iii) a liquidation or dissolution of the Company.

(b) Upon the occurrence of a Change of Control, unless otherwise determined by the Committee prior to such Change of Control:

(i) for purposes of the definition set forth in Paragraph 12 for determining the purchase price for shares of Common Stock under an Offering and the purchase of such stock under such Offering, the Purchase Date shall be the date on which the Change of Control occurs, the Purchase Period shall terminate thirty (30) days following such Purchase Date, the Alternate Offering Price shall be ascertained as of such Purchase Date, and the each Participant's Plan Account shall be totaled as of such Purchase Date; and

(ii) each Participant who is actively employed, as defined in Paragraph 6, shall have the right, for a period of thirty (30) days following the Change of Control, to prepay the Payroll Deductions equal to a dollar amount. The required amount shall be determined by multiplying the amount which would otherwise be withheld from each paycheck, by the number of remaining payroll periods in the Offering Period. Partial prepayments will not be permitted. Each such Participant may elect by submitting a notice thereof in writing to the Chief Financial Officer of the Company, or if a Participant does not make the election described in Paragraph 26(c)(i), shall be deemed to have elected, to purchase, as of the Purchase Date, the number of shares which may be purchased with funds accumulated in the Participant's Plan Account plus any funds paid on or before the end of the Purchase Period, at the lower of the Initial Offering Price or the Alternate Offering Price, all as defined in Paragraph 12. A stock certificate representing such shares shall be issued to the Participant no later than fifteen (15) days following such election.

(c) If the Committee so determines prior to or during the thirty (30) day period following the occurrence of a Change of Control:

(i) Participants shall have the right to require the Company to refund to the Participant the balance of the Participant's Plan Account within sixty (60) days following the occurrence of a Change of Control.

(ii) If a Participant requires the Company to refund the Participant's Plan Account pursuant to Paragraph 26(c)(i), the Company shall refund to such employee the balance of the Participant's Plan Account, as soon as administratively practical following such notice of refund.

27. Indemnification of the Committee. Service on the Committee shall constitute service as a member of the Board and members of the Committee shall be entitled to indemnification, advancement of expenses and reimbursements as directors of the Company pursuant to its Articles of Incorporation, Bylaws, resolutions of the Board, agreement with the Company or otherwise.

SunTrust Bank
NONSTANDARDIZED 401(K) PLAN

By executing this 401(k) plan Adoption Agreement (the "Agreement") under the SunTrust Bank Prototype I an, the Employer agrees to establish or continue a 401(k) plan for its Employees. The 401(k) plan adopted by the Employer consist of the Basic Plan Document #02 (the "BPD") and the elections made under this Agreement (collectively referred to as the "Plan") A Related Employer may jointly co-sponsor the Plan by signing a Co-Sponsor Adoption Page, which is attached to this Agreement. (See Section 22.164 of the BPD for the definition of a Related Employer.) This Plan is effective as of the Effective Date identified on the Signature Page of this Agreement.

1. Employer Information

a. Name and address of Employer executing the Signature Page of this Agreement: Conn Appliances Inc. 3295 College Street Beaumont, Texas 77701

b. Employer Identification Number (EIN) for the Employer 74-1290706

c. Business entity of Employer (optional):

[X] (1) C-Corporation [ ] (2) S-Corporation
[ ] (3) Limited Liability Corporation [ ] (4) Sole Proprietorship
[ ] (5) Partnership [ ] (6) Limited Liability Partnership
[ ] (7) Government [ ] (8) Other ---------

d. Last day of Employer's taxable year (optional): July 31

e. Does the Employer have any Related Employers (as defined in Section 22.164 of the BPD)?

[X] (1) Yes [ ] (2) No

f. If e. is yes, list the Related Employers (optional):

CAI Credit Insurance Agency, L.P, Conn CC L.P,
CAI L.P.

[Note: This Plan will cover Employees of a Related Employer only if such Related Employer executes a Co-Sponsor Adoption Page. Failure to cover the Employees of a Related Employer may result in a violation of the minimum coverage rules under Code (S)410(b). See Section 1.3 of the BPD.]

2. Plan Information

a. Name of Plan: Conn's 401(k) Retirement Savings Plan

b. Plan number (as identified on the Form 5500 series filing for the Plan): 003

c. Trust identification number (optional): ----------

d. Plan Year: [Check (1) or (2). Selection (3) may be selected in addition to (1) or (2) to identify a Short Plan Year.]

[ ] (1) The calendar year.
[X] (2) The 12-consecutive month period ending July 31.
[ ] (3) The Plan has a Short Plan Year beginning --- and ending ----.

3. Types of Contributions

The following types of contributions are authorized under this Plan. The selections made below should correspond with the selections made under Parts 4A, 4B, 4C, 4D and 4E of this Agreement.

[X] a. Section 401(k) Deferrals (see Part 4A).

[ ] b. Employer Matching Contributions (see Part 4B).

[X] c. Employer Nonelective Contributions (see Part 4C).

[ ] d. Employee After-Tax Contributions (see Part 4D).

[X] e. Safe Harbor Matching Contributions (see Part 4E, #27).

[ ] f. Safe Harbor Nonelective Contributions (see Part 4E, #28).

[ ] g. None. This Plan is a frozen Plan effective --- (see Section 2.1(d) of the BPD).

Part 1 - Eligibility Conditions

(See Article 1 of the BPD)

4. Excluded Employees. [Check a. or any combination of b. -f. for those contributions the Employer elects to make under Part 4 of this Agreement. See Section 1.2 of the BPD for rules regarding the determination of Excluded Employees for Employee After-Tax Contributions, QNECs, QMACs and Safe Harbor Contribution,.)

	(1) (S)401(k) Deferrals	(2) Employer Match	(3) Employer Nonelective	
a.	[ ]	[ ]	[ ]	No excluded categories of Employees.
b.	[ ]	[ ]	[ ]	Union Employees (see Section 22.202 of the BPD).
c.	[X]	[ ]	[X]	Nonresident Alien Employees (see Section 22.124 of the BPD).
d.	[X]	[ ]	[X]	Leased Employees (see Section 1.2(b) of the BPD).
e.	[ ]	[ ]	[ ]	Highly Compensated Employees (see Section 22.99 of the BPD).
f.	[X]	[ ]	[X]	(Describe Excluded Employees): Union Employees of less the collective bargaining agreement expressly provides for participation in the Plan.

5. Minimum age and service conditions for becoming an Eligible Participant. [Check a. or check b. and/or any one of c. -e. for those contributions the Employer elects to make under Part 4 of this Agreement. Selection f. may be checked instead of or in addition to any selections under b. -e. See Section 1.4 of the BPD for the application of the minimum age and service conditions for purposes of Employee After - Tax Contributions, QNECs, QMACs and Safe Harbor Contributions. See Part 7 of this Agreement for special service crediting rules.]

	(1) (S)401(k) Deferrals	(2) Employer Match	(3) Employer Nonelective	
a.	[ ]	[ ]	[ ]	None (conditions are met on Employment Commencement Date).
b.	[X]	[ ]	[X]	Age 21 (cannot exceed age 21).
c.	[X]	[ ]	[X]	One Year of Service.
d.	[ ]	[ ]	[ ]	consecutive months (not more --- than 12) during which the Employee completes at least --- Hours of Service (cannot exceed 1,000). If an Employee does not satisfy this requirement in the first designated period of months following his/her Employment Commencement Date, such Employee will be deemed to satisfy this condition upon completing a Year of Service (as defined in Section 1.4(b) of the BPD).
e.	N/A	[ ]	[ ]	Two Years of Service. [Full and immediate vesting must be selected under Part 6 of this Agreement.]
f.	[ ]	[ ]	[ ]	(Describe eligibility conditions): ---------- [Note: Any conditions provided under f. must be described in a manner that precludes Employer discretion and must satisfy the nondiscrimination requirements of (S)1.401(a)(4) of the regulations, and may not cause the Plan to violate the provisions of Code (S)410(a).]

[ ]6. Dual eligibility. Any Employee (other than an Excluded Employee) who is employed on the date designated under a. or b. below, as applicable, is deemed to be an Eligible Participant as of the later of the date identified under this #6 or the Effective Date of this Plan, without regard to any

Entry Date selected under Part 2. See Section, l.4(d)(2) of the BPD. [Note: If this #6 is checked, also check a. or b. If this #6 is not checked, the provisions of Section. 4(d)(1) of the BPD apply.]

[ ] a. The Effective Date of this Plan.

[ ] b. (Identify date) _____

[Note. Any date specified under b- may not cause the Plan to violate the provisions of Code (S)410 [also see Section 1.4 of the BPD.]

Part 2 - Commencement of Participation

(See Section 1.5 of the BPD)

7. Entry Date upon which participation begins after completing minimum age and service conditions under Part 1, #5 above. [Check one of a. - e. for those contributions the Employer elects to make under Part 4 of, this Agreement. See Section 1.5 of the BPD for determining the Entry Date applicable to Employee After-Tax Contributions QNECs, QMACs and Safe Harbor Contributions.]

	(1) (S)401(k) Deferrals	(2) Employer Match	(3) Employer Nonelective	
a.	[ ]	[ ]	[ ]	The next following Entry Date (as defined in #8 below).
b.	[X]	[ ]	[X]	The Entry Date (as defined in #8 below) coinciding with___ next following the completion of the age and service conditions.
c.	N/A	[ ]	[ ]	The nearest Entry Date (as defined in #8 below).
d.	N/A	[ ]	[ ]	The preceding Entry Date (as defined in #8 below).
e.	[ ]	[ ]	[ ]	The date the age and service conditions are satisfied. [A1so check #8.e. below for the same type of contribution(s) checked here.]

8. Definition of Entry Date. [Check one of a. - e. for those contributions the Employer elects to make under Part 4 of this Agreement. Selection f. may be checked instead of or in addition to a. - e. See Section 1.5 of the BPD for determining the Entry Date applicable to Employee After-Tax Contributions, QNECs, QMACs and Safe Harbor Contributions.]

	(1) (S)401(k) Deferrals	(2) Employer Match	(3) Employer Nonelective	
a.	[ ]	[ ]	[ ]	The first day of the Plan Year and the first day of 7th month of the Plan Year.
b.	[X]	[ ]	[X]	The first day of each quarter of the Plan Year.
c.	[ ]	[ ]	[ ]	The first day of each month of the Plan Year.
d.	[ ]	[ ]	[ ]	The first day of the Plan Year. [If #7.a. or #7.b. above is checked for the same type of contribution as checked here, see the restrictions in Section 1.5(b) of the BPD.]
e.	[ ]	[ ]	[ ]	The date the conditions in Part 1, #5. above are satisfied. [This e. should be checked for a particular type of contribution only if #7.a above is also checked for that type of contribution.]
f.	[ ]	[ ]	[ ]	(Describe Entry Date) _____ [Note: Any Entry Date designated in f. must comply with the requirements of Code (S)410(a)(4) and must satisfy the nondiscrimination requirements under (S)1.401 (a)(4) of the regulations. See Section 1.5(a) of the BPD.]

Part 3 - Compensation Definitions

(See Sections 22.102 and 22.197 of the BPD)

9. Definition of Total Compensation:

[ ] a. W-2 Wages.

[X] b. Withholding Wages.

[ ] c. Code (S)415 Safe Harbor Compensation.

[Note: Each of the above definitions is increased for Elective Deferrals (as defined in Section 22.6_ of the BPD, for pre-tax contributions to a cafeteria plan or a Code (S)457 plan, and for qualified transportation fringes under Code (S)132(f)(4). See Section 22.197 of the BPD.]

10. Definition of Included Compensation for allocation of contributions or forfeitures: [Check a. or b. for those contributions the Employer elects under Part 4 of this Agreement. If b. is selected for a particular contribution, also check any combination of c. through j. for that type of contribution. See Section 22.102 of the BPD for determining Included Compensation for Employee After-Tax Contributions, QNECs, QMACs and Safe Harbor Contributions.]

	(1) (S)401(k) Deferrals	(2) Employer Match	(3) Employer Nonelective	
a.	[ ]	[ ]	[ ]	Total Compensation, as defined in #9 above.
b.	[X]	[ ]	[X]	Total Compensation, as defined in #9 above, with the following exclusions:
c.	N/A	[ ]	[ ]	Elective Deferrals, pre-tax contributions to a cafeteria plan or a Code (S)457 plan, and qualified transportation fringes under Code (S)132(f)(4) are excluded. See Section 22.102 of the BPD.
d.	[X]	[ ]	[X]	Fringe benefits, expense reimbursements, deferred compensation, and welfare benefits are excluded.
e.	[ ]	[ ]	[ ]	Compensation above $ ------ is excluded.
f.	[ ]	[ ]	[ ]	Bonuses are excluded.
g.	[ ]	[ ]	[ ]	Commissions are excluded.
h.	[ ]	[ ]	[ ]	Overtime is excluded.
i.	[ ]	[ ]	[ ]	Amounts paid for services performed for a Related Employer that does not execute the Co-Sponsor Adoption Page under this Agreement are excluded.
j.	[ ]	[ ]	[ ]	(Describe modifications to Included Compensation): ------

[Note: Unless otherwise provided under j., any exclusions selected under f. through j. above do not apply to Nonhighly Compensated Employees in determining allocations under the Permitted Disparity Method under Part 4C, #21.b. of this Agreement or for purposes of applying the Safe Harbor 401(k) Plan provisions under Part 4E of this Agreement.]

[ ] 11. Special rules.

[ ] a. Highly Compensated Employees only. For all purposes under the Plan, the modifications to Included Compensation elected in #10.f. through #l0.j. above will apply only to Highly Compensated Employees.

[ ] b. Measurement period (see the operating rules under Section 2.2(c)(3) of the BPD). Instead of the Plan Year, Included Compensation is determined on the basis of the period elected under (1) or (2) below.

[ ] (1) The calendar year ending in the Plan Year.

[ ] (2) The 12-month period ending on ----- which ends during the Plan Year.

[Note: If this selection b. is checked, Included Compensation will be determined on the basis of the period designated in (1) or (2) for all contribution types. If this selection b. is not checked, Included Compensation is based on the Plan Year. See Part 4 for the ability to use partial year Included Compensation.]

[Practitioner Tip: If #11.b is checked, it is recommended that the Limitation Year for purposes of applying the Annual Additions Limitation under Code (S)415 correspond to the period used to determine Included Compensation. This modification to the Limitation Year may be made in Part 13, #69.a. of this Agreement.]

Part 4A - Section 401(k) Deferrals

(See Section 2.3(a) of the BPD)

[X] Check this selection and complete the applicable sections of this Part 4A to allow for Section 401(k) Deferrals under the Plan.

[X] 12. Section 401(k) Deferral limit. 20% of Included Compensation. [If this #12 is not checked, the Code (S)402(g) deferral limit described in Section 17.1 of the BPD and the Annual Additions Limitation under Article V of the BPD still apply.]

[X] a. Applicable period. The limitation selected under #12 applies with respect to Included Compensation earned during:

[X] (1) the Plan Year.

[ ] (2) the portion of the Plan Year in which the Employee is an Eligible Participant.

[ ] (3) each separate payroll period during which the Employee is an Eligible Participant.

[Note: If Part 3, #11.b. is checked, any period selected under this a. will be determined as if the Plan Year were the period designated under Part 3, #11.b. See Section 2.2(c)(3) of the BPD.]

[ ] b. Limit applicable only to Highly Compensated Employees. [If this b. is not checked, any limitation selected under #12 applies to all Eligible Participants.]

[ ] (1) The limitation selected under #12 applies only to Highly Compensated Employees.

[ ] (2) The limitation selected under #12 applies only to Nonhighly Compensated Employees. Highly Compensated Employees may defer up to ___ % of Included Compensation (as determined under a. above). [The percentage inserted in this (2) for Highly Compensated Employees must be lower than the percentage inserted in #12 for Nonhighly Compensated Employees.]

[X] 13. Minimum deferral rate: [If this #13 is not checked, no minimum deferral rate applies to Section 401(k) Deferrals under the Plan.]

[X] a. 1% of Included Compensation for a payroll period.

[ ] b. $ ___ for a payroll period.

[ ] 14. Automatic deferral election. (See Section 2.3(a)(2) of the BPD.) An Eligible Participant will automatically defer ___ % of Included Compensation for each payroll period, unless the Eligible Participant makes a contrary Salary Reduction Agreement election on or after ____.

This automatic deferral election will apply to:

[ ] a. all Eligible Participants.

[ ] b. only those Employees who become Eligible Participants on or after the following date: _____

[ ] 15. Effective Date. If this Plan is being adopted as a new 401(k) plan or to add a 401(k) feature to an existing plan, Eligible Participants may begin making Section 401(k) Deferrals as of: _____

Part 4B - Employer Matching Contributions

(See Sections 2.3(b) and (c) of the BPD)

[ ] Check this selection and complete this Part 4B to allow for Employer Matching Contributions. Each formula allows for Employer Matching Contributions to be allocated to Section 401(k) Deferrals and/or Employee After-Tax Contributions (referred to as "applicable contributions"). If a matching formula applies to both types of contributions, such contributions are aggregated to determine the Employer Matching Contribution allocated under the formula. If any formula applies to Employee After-Tax Contributions, Part 4D must be completed. [Note: Do not check this selection if the only Employer Matching Contributions authorized under the Plan are Safe Harbor Matching Contributions. Instead, complete the applicable elections under Part 4E of this Agreement. If a "regular" Employer Matching Contribution will be made in addition to a Safe Harbor Matching Contribution, complete this Part 4B for the "regular" Employer Matching Contribution and Part 4E for the Safe Harbor Matching Contribution. To avoid ACP Testing with respect to any "regular" Employer Matching Contributions, such contributions may not be based on applicable

contributions in excess of 6% of Included Compensation and any discretionary "regular" Employer Matching Contributions may not exceed 4% of Included Compensation.]

16. Employer Matching Contribution formula(s): [See the operating rules under #17 below.]

	(1) (S)401(k) Deferrals	(2) Employee After-Tax	
a.	[ ]	[ ]	Fixed matching contribution. ___ % of each Eligible Participant's applicable contributions. The Employer Matching Contribution does not apply to applicable contributions that exceed: [ ] (a) ___ % of Included Compensation. [ ] (b) $ ___ . [Note: If neither (a) nor (b) is checked, all applicable contributions are eligible for the Employer Matching Contribution under this formula.]
b.	[ ]	[ ]	Discretionary matching contribution. A uniform percentage, as determined by the Employer, of each Eligible Participant's applicable contributions. [ ] (a) The Employer Matching Contribution allocated to any Eligible Participant may not exceed ___ % of Included Compensation. [ ] (b) The Employer Matching Contribution will apply only to a Participant's applicable contributions that do not exceed: [ ] 1. ___ % of Included Compensation. [ ] 2. $ ___ . [ ] 3. a dollar amount or percentage of Included Compensation that is uniformly determined by the Employer for all Eligible Participants. [Note: If none of the selections 1. - 3. is checked, all applicable contributions are eligible for the Employer Matching Contribution under this formula.]
c.	[ ]	[ ]	Tiered matching contribution. A uniform percentage of each tier of each Eligible Participant's applicable contributions, determined as follows: Tiers of contributions (indicate $ or %) / Matching percentage (a) First ___ (b) ___ (c) Next ___ (d) ___ (e) Next ___ (f) ___ (g) Next ___ (h) ___ [Note: Fill in only percentages or dollar amounts, but not both. If percentages are used, each tier represents the amount of the Participant's applicable contributions that equals the specified percentage of the Participant's Included Compensation.]

d. [ ] [ ] Discretionary tiered matching contribution. The Employer will determine a matching percentage for each tier of each Eligible Participant's applicable contributions. Tiers are determined in increments of:

Tiers of contributions
(indicate $ or %)

(a) First _____
(b) Next _____
(c) Next _____
(d) Next _____

[Note: Fill in only percentages or dollar amounts, but not both. If percentages are used, each tier represents the amount of the Participant's applicable contributions that equals the specified percentage of the Participant's Included Compensation.]

e. [ ] [ ] Year of Service matching contribution. A uniform percentage of cash Eligible Participant's applicable contributions based on Years of Service with the Employer, determined as follows:

Years of Service	Matching Percentage
(a) _____	(b) _____ %
(c) _____	(d) _____ %
(e) _____	(f) _____ %

[ ] 1. In applying the Year of Service matching contribution formula, a Year of Service is: [If not checked, a Year of Service is 1,000 Hours of Service during the Plan Year.]

[ ] a. as defined for purposes of eligibility under Part 7.

[ ] b. as defined for purposes of vesting under Part 7.

[ ] 2. Special limits on Employer Matching Contributions under the Year of Service formula:

[ ] a. The Employer Matching Contribution allocated to any Eligible Participant may not exceed ____ % of Included Compensation.

[ ] b. The Employer Matching Contribution will apply only to a Participant's applicable contributions that do not exceed:

[ ] (1) ___ % of Included Compensation.

[ ] (2) $ ____ .

f. [ ] [ ] Net Profits. Any Employer Matching Contributions made in accordance with the elections under this #16 are limited to Net Profits. [If this f. is checked, also select (a) or (b) below.]

[ ] (a) Default definition of Net Profits. For purposes of this selection e., Net Profits is defined in accordance with Section 2.2(a)(2) of the BPD

[ ] (b) Modified definition of Net Profits. For purposes of this selection f., Net Profits is defined as

follows:

[Note: Any definition of Net Profits under this (b) must be described in a manner that precludes Employer discretion and must satisfy the nondiscrimination requirements of (S)1.401(a)(4) of the regulations and must apply uniformly to all Participants.]

17. Operating rules for applying the matching contribution formulas:

a. Applicable contributions taken into account: (See Section 2.3(b)(3) of the BPD.) The matching contribution formula(s) elected in #16. above (and any limitations on the amount of a Participant's applicable contributions considered under such formula(s)) are applied separately for each:

[ ] (1) Plan Year. [ ] (2) Plan Year quarter.

[ ] (3) calendar month. [ ] (4) payroll period.

[Note: If Part 3, #11.b. is checked, the period selected under this a. (to the extent such period refers to the Plan Year) will be determined as if the Plan Year were the period designated under Part 3, #11.b. See Section 2.2(c)(3) of the BPD.]

b. Special rule for partial period of participation. If an Employee is an Eligible Participant for only part of the period designated in a. above, Included Compensation is taken into account for:

[ ] (1) the entire period, including the portion of the period during which the Employee is not an Eligible Participant.

[ ] (2) the portion of the period in which the Employee is an Eligible Participant.

[ ] (3) the portion of the period during which the Employee's election to make the applicable contributions is in effect.

[ ] 18. Qualified Matching Contributions (QMACs): [Note: Regardless of any elections under this #18 the Employer may make a QMAC to the Plan to correct a failed ADP or ACP Test, as authorized under Sections 17_(d)(2) and 17.3(d)(2) of the BPD. Any QMAC allocated to correct the ADP or ACP Test which is not specifically authorized under this #18 will be allocated to all Eligible Participants who are Nonhighly Compensated Employees as a uniform percentage of Section 401(k) Deferrals made during the Plan Year. See Section 2.3(c) of the BPD.]

[ ] a. All Employer Matching Contributions are designated as QMACs.

[ ] b. Only Employer Matching Contributions described in selection(s) under #16 above are designated as QMACs.

[ ] c. In addition to any Employer Matching Contribution provided under #16 above, the Employer may make a discretionary QMAC that is allocated equally as a percentage of Section 401(k) Deferrals made during the Plan Year. The Employer may allocate QMACs only on Section 401(k) Deferrals that do not exceed a specific dollar amount or a percentage of Included Compensation that is uniformly determined by the Employer. QMACs will be allocated to:

[ ] (1) Eligible Participants who are Nonhighly Compensated Employees.

[ ] (2) all Eligible Participants.

19. Allocation conditions. An Eligible Participant must satisfy the following allocation conditions for an Employer Matching Contribution: [Check a. or b. or any combination of c. - f. Selection e. may not be checked if b. or d. is checked Selection g. and/or h. may be checked in addition to b. - f.]

[ ] a. None.

[ ] b. Safe harbor allocation condition. An Employee must be employed by the Employer on the last day of the Plan Year OR must have more than ___ (not more than 500) Hours of Service for the Plan Year.

[ ] c. Last day of employment condition. An Employee must be employed with the Employer on the last day of the Plan Year.

[ ] d. Hours of Service condition. An Employee must be credited with at least ___ Hours of Service (may not exceed 1,000) during the Plan Year.

[ ] e. Elapsed Time Method. (See Section 2.6(d) of the BPD.)

[ ] (1) Safe harbor allocation condition. An Employee must be employed by the Employer on the last day of the Plan Year OR must have more than ____ (not more than 91) consecutive five days of employment with the Employer during the Plan Year.

[ ] (2) Service condition. An Employee must have more than more than ____ (not more than 182) consecutive days of employment with the Employer during the Plan Year.

[ ] f. Distribution restriction. An Employee must not have taken a distribution of the applicable contributions eligible for an Employer Matching Contribution prior to the end of the period for which the Employer Matching Contribution is being made (as defined in #17.a. above). See Section 2.6(c) of the EPD.

[ ] g. Application to a specified period. In applying the allocation condition(s) designated under b. through e. above, the allocation condition(s) will be based on the period designated under #17.a. above. In applying an Hours of Service condition under d. above, the following method will be used: [This g. should be checked only if a period other than the Plan Year is selected under #17.a.above. Selection (1) or (2) must be selected only if d. above is also checked.]

[ ] (1) Fractional method (see Section 2.6(e)(2)(i) of the BPD).

[ ] (2) Period-by-period method (see Section 2.6(c)(2)(ii) of the BPD).

[Practitioner Note: If this g, is not checked, any allocation condition(s) selected under b through e. above will apply with respect to the Plan Year, regardless of the period selected under #17.a. above See Section 2.6(e) of the BPD for procedural rules for applying allocation conditions for a period over than the Plan Year.]

[ ] h. The above allocation condition(s) will not apply if:

[ ] (1) the Participant dies during the Plan Year.

[ ] (2) the Participant is Disabled.

[ ] (3) the Participant, by the end of the Plan Year, has reached:

[ ] (a) Normal Retirement Age.

[ ] (b) Early Retirement Age.

Part 4C - Employer Nonelective Contributions

(See Sections 2.3(d) and (c) of the BPD)

[X] Check this selection and complete this Part 4C to allow for Employer Nonelective Contributions. [Note: Do not check this selection if the only Employer Nonelective Contributions authorized under the Plan are _____ Harbor Nonelective Contributions. Instead, complete the applicable elections under Part 4E of this Agreement.]

[X] 20. Employer Nonelective Contribution (other than QNECs):

[X] a. Discretionary. Discretionary with the Employer.

[ ] b. Fixed uniform percentage. % of each Eligible Participant's Included Compensation.

[ ] c. Uniform dollar amount.

[ ] (1) A uniform discretionary dollar amount for each Eligible Participant.

[ ] (2) $ for each Eligible Participant.

[ ] d. Davis-Bacon Contribution Formula. (See Section 2.2(a)(1) of the BPD for rules regarding the application of the Davis-Bacon Contribution Formula.) The Employer will make a contribution for each Eligible Participant's Davis-Bacon Act Service based on the hourly contribution rate for the Participant's employment classification, as designated under Schedule A of this Agreement. The contributions under this formula will be allocated under the Pro Rata Allocation Formula under #21.a. below, but based on the amounts designated in Schedule A as attached to this Agreement. [If this d. is selected, #21.a. below also must be selected.]

[ ] (1) The contributions under the Davis-Bacon Contribution Formula will offset the following contributions under the Plan: [Check (a) and/or (b). If this (1) is not checked, contributions under the Davis Bacon Contribution Formula will not offset any other Employer Contributions under the Plan.]

[ ] (a) Employer Nonelective Contributions

[ ] (b) Employer Matching Contributions

[ ] (2) The default provisions under Section 2.2(a) (1) are modified as follows:

[Note: Any modification to the default provisions under (2) must satisfy the nondiscrimination requirements under (S)1.401(a)(4) of the regulations. Any modification under (2) will not allow the offset of any contributions to any other Plan.]

[ ] e. Net Profits. Check this e. if the contribution selected above is

limited to Net Profits. [If this e. is checked, also select (1) or (2) below.]

[ ] (1) Default definition of Net Profits. For purposes of this subsection e., Net Profits is defined in accordance with Section 2.2(a)(2) of the BPD.

[ ] (2) Modified definition of Net Profits. For purposes of this subsection e., Net Profit is defined as follows:
_____

[Note: Any definition of Net Profits under this (2) must be described in a manner that precludes Employer discretion, must satisfy the nondiscrimination requirements of (S)1.40 (a)(4) of the regulations, and must apply uniformly to all Participants.]

[X] 21. Allocation formula for Employer Nonelective Contributions (other than QNECs): (See Section 2.3(d) of the BPD.)

[X] a. Pro Rata Allocation Method. The allocation for each Eligible Participant is a uniform percentage of Included Compensation (or a uniform dollar amount if #20.c. is selected above).

[ ] b. Permitted Disparity Method. The allocation for each Eligible Participant is determined under the following formula: [Selection #20.a. above must also be checked.]

[ ] (1) Two-Step Formula.

[ ] (2) Four-Step Formula.

[ ] c. Uniform points allocation. The allocation for each Eligible Participant is determined based on the Eligible Participant's points. Each Eligible Participant's allocation shall bear the same relationship to the Employer Contribution as his/her total points bears to all points awarded. An Eligible Participant will receive: [Check (1) and/or (2). Selection (3) may be checked in addition to (1) and (2). Selection #20.a. above also must be checked.]

[ ] (1) ____ points for each ____ year(s) of age (attained as of the end of the Plan Year)

[ ] (2) ____ points for each ____ Year(s) of Service, determined as follows: [Check(a) or (b) Selection (c) may be checked in addition to (a) or (b).]

[ ] (a) In the same manner as determined for eligibility.

[ ] (b) In the same manner as determined for vesting

[ ] (e) Points will not be provided with respect to Years of Service in excess of ____.

[ ] (3) ____ points for each $____ (not to exceed $200) of Included Compensation.

[ ] d. Allocation based on service. The Employer Nonelective Contribution will be allocated in each Eligible Participant as: [Check (1) or (2). Also check (a), (b), and/or (c), Selection (3) may be checked in addition to (1) or (2).]

[ ] (1) a uniform dollar amount [ ] (2) a uniform percentage of Included Compensation for the following periods of service:

[ ] (a) Each Hour of Service.

[ ] (b) Each week of employment.

[ ] (c) (Describe period)
_____

[ ] (3) The contribution is subject to the following minimum and/or maximum benefit limitations:
_____

[Practitioner Note. If#20.b. or #20.c. is checked, the selection in (1) or (2) must conform to the selection made in #20.b. or #20.c. Thus, if #20.b. is checked along with this subsection d., the allocation must be a uniform percentage of Included Compensation under (2). If #20.c. is checked along with this subsection d. the allocation must be a uniform dollar amount under (1).]

[ ] e. Top-heavy minimum contribution. In applying the Top-Heavy Plan requirements under Article 16 of the BPD, the top-heavy minimum contribution will be allocated to all Eligible Participants, in accordance with Section 16.2(a) of the BPD. [Note: If this e. is not checked, any top-heavy minimum contribution will be allocated only to Non-Key Employees, in accordance with Section 16.2(a) of the BPD.]

[X] 22. Qualified Nonelective Contribution (QNEC). The Employer may make a discretionary QNEC that is allocated under the following method. [Note: Regardless of any elections under this #22, the Employer may make a QNEC to the Plan to correct a failed ADP or ACP Test, as authorized under Sections 17.2(d)(2) and 17.3(d)(2) of the BPD Any QNEC allocated to correct the ADP or ACP Test which is not specifically authorized under this #22 will be allocated as a uniform percentage of Included Compensation to all Eligible Participants who are Nonhighly Compensated Employees. See Section 2.3(e) of the BPD.]

[X] a. Pro Rata Allocation Method. (See Section 2.3(e)(1) of the BPD.) The QNEC will be allocated as a uniform percentage of Included Compensation to:

[X] (1) all Eligible Participants who are Nonhighly Compensated Employees.

[ ] (2) all Eligible Participants.

[ ] b. Bottom-up QNEC method. The QNEC will be allocated to Eligible Participants who are Nonhighly Compensated Employees in reverse order of Included Compensation. (See Section 2.3(e)(2) of the BPD.)

[ ] c. Application of allocation conditions. If this c. is checked, QNECs will be allocated only to Eligible Participants who have satisfied the allocation conditions under #24 below. [If this c. is not checked, QNECs will be allocated without regard to the allocation conditions under #24 below.]

23. Operating rules for determining amount of Employer Nonelective Contributions.

a. Special rules regarding Included Compensation.

(1) Applicable period for determining Included Compensation. In determining the amount of Employer Nonelective Contributions to be allocated to an Eligible Participant under this Part 4C, Included Compensation is determined separately for each: [If #21.b. above is checked, the Plan Year must be selected under (a) below.]

[X] (a) Plan Year. [ ] (b) Plan Year quarter.

[ ] (c) calendar month. [ ] (d) payroll period.

[Note: If Part 3, #11.b. is checked, the period selected under this (1) (to the extent such period refers to the Plan Year) will be determined as if the Plan Year were the period designated under Part 3, #11.b. See Section 2.2(c)(3) of the BPD.]

[ ] (2) Special rule for partial period of participation. If an Employee is an Eligible Participant for only part of the period designated under (1) above, Included Compensation is taken into account for the entire period, including the portion of the period during which the Employee is not an Eligible Participant. [If this selection (2) is not checked, Included Compensation is taken into account only for the portion of the period during which the Employee is an Eligible Participant.]

[ ] b. Special rules for applying the Permitted Disparity Method. [Complete this b. only if #21.b. above is also checked.]

[ ] (1) Application of Four-Step Formula for Top-Heavy Plans. If this (1) is checked, the Four-Step Formula applies instead of the Two-Step Formula for any Plan Year in which the Plan is a Top Heavy Plan. [This (1) may only be checked if #21.b.(1) above is also checked.]

[ ] (2) Excess Compensation under the Permitted Disparity Method is the amount of Included Compensation that exceeds: [If this selection (2) is not checked, Excess Compensation under the Permitted Disparity Method is the amount of Included Compensation that exceeds the Taxable Wage Base.]

[ ] (a) ___ % (may not exceed 100%) of the Taxable Wage Base.

[ ] 1. The amount determined under (a) is not rounded.

[ ] 2. The amount determined under (a) is rounded (but not above the Taxable Wage Base) to the next higher.

[ ] a. $1.

[ ] b. $100.

[ ] c. $1,000.

[ ] (b) _____ (may not exceed the Taxable Wage Base).

[Note: The maximum integration percentage of 5.7% must be reduced to (i) 5.4% if Excess Compensation is based on an amount that is greater than 80% but less than 100% of the Taxable Wage Base or (ii) 4.3% if Excess Compensation is based on an amount that is greater than 20% but less than or equal to 80% of the Taxable Wage Base. See Section

2.2(b)(2) of the BPD.)

24. Allocation conditions. An Eligible Participant must satisfy the following allocation conditions for an Employer Nonelective Contribution: [Check a. or b. or any combination of c. - e. Selection e. may not be checked if b. or d. is checked. Selection f. and/or g. may be checked in addition to b. -e.]

[ ] a. None.

[ ] b. Safe harbor allocation condition. An Employee must be employed by the Employer on the last day of the Plan Year OR must have more than ____ (not more than 500) Hours of Service for the Plan Year.

[X] c. Last day of employment condition. An Employee must be employed with the Employer on the last day of the Plan Year.

[X] d. Hours of Service condition. An Employee must be credited with at least 1000 Hours of Service (may not exceed 1,000) during the Plan Year.

[ ] e. Elapsed Time Method. (See Section 2.6(d) of the BPD.)

[ ] (1) Safe harbor allocation condition. An Employee must be employed by the Employer on the last day of the Plan Year OR must have more than ____ (not more than 91) consecutive days of employment with the Employer during the Plan Year.

[ ] (2) Service condition. An Employee must have more than ____ (not more than 182 consecutive days of employment with the Employer during the Plan Year.

[ ] f. Application to a specified period. In applying the allocation condition(s) designated under b. through e. above, the allocation condition(s) will be based on the period designated under #23.a.(1) above. In applying an Hours of Service condition under d. above, the following method will be used: [This f. should be checked only if a period other than the Plan Year is selected under #23.a.(1) above. Selection (1) or (2) must be selected only if d. above is also checked.]

[ ] (1) Fractional method (see Section 2.6(e)(2)(i) of the BPD).

[ ] (2) Period-by-period method (see Section 2.6(e)(2)(ii) of the BPD).

[Practitioner Note. If this f. is not checked, any allocation condition(s) selected under b. through e. above will apply with respect to the Plan Year, regardless of the period selected under #23, a. (1) above. See Section 2.6(e) of the BPD for procedural rules for applying allocation conditions for a period other than the Plan Year.]

[ ] g. The above allocation condition(s) will not apply if:

[ ] (1) the Participant dies during the Plan Year.

[ ] (2) the Participant is Disabled.

[ ] (3) the Participant, by the end of the Plan Year, has reached:

[ ] (a) Normal Retirement Age.

[ ] (b) Early Retirement Age.

Part 4D - Employee After-Tax Contributions

(See Section 3.1 of the BPD)

[ ] Check this selection to allow for Employee After-Tax Contributions. If Employee After-Tax Contributions will not be permitted under the Plan, do not check this selection and skip the remainder of this Part 4D. [Note: The eligibility conditions for making Employee After-Tax Contributions are listed in Part 1 of this Agreement under "(S) 401(k) Deferrals".]

[ ]25. Maximum. ____ % of Included Compensation for:

[ ] a. the entire Plan Year.

[ ] b. the portion of the Plan Year during which the Employee is an Eligible Participant.

[ ] c. each separate payroll period during which the Employee is an Eligible Participant.

[Note: If this #25 is not checked, the only limit on Employee After-Tax Contributions is the Annual Additions Limitation under Article 7 of the BPD. If Part 3, #11.b. is checked, any period selected under this #25 will be determined as if the Plan Year were the period designated under Part 3, #11. b. See Section 2.2(c)(3) of the BPD.]

[ ]26. Minimum. For any payroll period, no less than:

[ ] a. ____ % of Included Compensation.

[ ] b. $.

Part 4E - Safe Harbor 401(k) Plan Election

(See Section 17.6 of the BPD)

[X] Check this selection and complete this Part 4E if the Plan is designed to be a Safe Harbor 401(k) Plan.

[X] 27. Safe Harbor Matching Contribution: The Employer will make an Employer Matching Contribution with respect to an Eligible Participant's Section 401(k) Deferrals and/or Employee After-Tax Contributions ("applicable contributions") under the following formula: [Complete selection a. or b. In addition, complete selection c. Selection d. may be checked in addition to a. or b. and c.]

[X] a. Basic formula: 100% of applicable contributions up to the first 3% of Included Compensation, plus 50% of applicable contributions up to the next 2% of Included Compensation.

[ ] b. Enhanced formula:

[ ] (1) ___ % (not less than 100%) of applicable contributions up to ___ % of Included Compensation (not less than 4% and not more than 6%).

[ ] (2) The sum of: [The contributions under this (2) must not be less than the contributions that would be calculated under a. at each level of applicable contributions.]

[ ] (a) ___ % of applicable contributions up to the first (b) ___ % of Included Compensation, plus

[ ] (c) ___ % of applicable contributions up to the next (d) ___ % of Included Compensation.

[Note: The percentage in (c) may not be greater than the percentage in (a). In addition, the sum of the percentages in (b) and (d) may not exceed 6%.]

c. Applicable contributions taken into account: (See Section 17.6(a)(1)(i) of the BPD.) The Safe Harbor Matching Contribution formula elected in a. or b. above (and any limitations on the amount of a Participant's applicable contributions considered under such formula(s)) are applied separately for each:

[ ] (1) Plan Year. [ ] (2) Plan Year quarter.

[ ] (3) calendar month. [X] (4) payroll period.

[Note: If Part 3, #11.b, is checked, any period selected under this #25 will be determined as if the Plan Year were the period designated under Part 3, #11.b. See Section 2.2(c)(3) of the BPD.]

[ ] d. Definition of applicable contributions. Check this d. if the Plan permits Employee After-Tax Contributions but the Safe Harbor Matching Contribution formula selected under a. or b. above does not apply to such Employee After-Tax Contributions.

[ ] 28. Safe Harbor Nonelective Contribution: ___ % (no less than 3%) of Included Compensation.

[ ] a. Check this selection if the Employer will make this Safe Harbor Nonelective Contribution pursuant to a supplemental notice as described in Section 17.6(a)(1)(ii) of the BPD. If this a. is checked the Safe Harbor Nonelective Contribution will be required only for a Plan Year for which the appropriate supplemental notice is provided. For any Plan Year in which the supplemental notice is not provided, the Plan is not a Safe Harbor 401(k) Plan.

[ ] b. Check this selection to provide the Employer with the discretion to increase the above percentage to a higher percentage.

[ ] c. Check this selection if the Safe Harbor Nonelective Contribution will be made under another plan maintained by the Employer and identify the plan:

_____

[ ] d. Check this d. if the Safe Harbor Nonelective Contribution offsets the allocation that wou1d otherwise be made to the Participant under Part 4C, #21 above. If the Permitted Disparity Method is elected under Part 4C, #21.b., this offset applies only to the second step of the Two-Step Formula or the fourth step of the Four-Step Formula, as applicable.

[ ] 29. Special rule for partial period of participation. If an Employee is an Eligible Participant for only part of a Plan Year, Included Compensation is taken into account for the entire Plan Year, including the portion of the Plan Year during which the Employee is not an Eligible Participant. [1f this #29 is not checked, Included Compensation is taken into account only for the portion of the Plan Year in which the Employee is an Eligible Participant.]

30. Eligible Participant. For purposes of the Safe Harbor Contributions elected above, "Eligible Participant" means: [Check a., b. or c. Selection d. may be checked in addition to a., b, or c.]

[X] a. All Eligible participants (as determined for Section 401(k) Deferrals).

[ ] b. All Nonhighly Compensated Employees who are Eligible Participants (as determined for Section 401(k) Deferrals).

[ ] c. All Nonhighly Compensated Employees who are Eligible Participants (as determined for Section 401(k) Deferrals) and all Highly Compensated Employees who are Eligible Participants (as determined for Section 401(k) Deferrals) but who are not Key Employees.

[ ] d. Check this d. if the selection under a., b, or c., as applicable, applies only to Employees who would be Eligible Participants for any portion of the Plan Year if the eligibility conditions selected for Section 401(k) Deferrals in Part 1, #5 of this Agreement were one Year of Service and age 21. (See Section 1_6(a)(1) of the BPD.)

Part 4F - Special 401(k) Plan Elections

(See Article 17 of the BPD)

31. ADP/ACP testing method. In performing the ADP and ACP tests, the Employer will use the following method: (See Sections 17.2 and 17.3 of the BPD for an explanation of the ADP/ACP testing methods.)

[ ] a. Prior Year Testing Method.

[X] b. Current Year Testing Method.

[Practitioner Note: If this Plan is intended to be a Safe-Harbor 401(k) Plan under Part 4E above, the Current Year Testing Method must be elected under b. See Section 17.6 of the BPD.]

[ ] 32. First Plan Year for Section 401(k) Deferrals. (See Section 17.2(b) of the BPD.) Check this selection if this Agreement covers the first Plan Year that the Plan permits Section 401(k) Deferrals. The ADP for the Nonhighly Compensated Employee Group for such first Plan Year is determined under the following method:

[ ] a. the Prior Year Testing Method, assuming a 3% deferral percentage for the Nonhighly Compensated Employee Group.

[ ] b. the Current Year Testing Method using the actual deferral percentages of the Nonhighly Compensated Employee Group.

[ ]33. First Plan Year for Employer Matching Contributions or Employee After-Tax Contributions, (See Section 17.3(b) of the BPD.) Check this selection if this Agreement covers the first Plan Year that the Plan includes either an Employer Matching Contribution formula or permits Employee After-Tax Contributions. The ACP for the Nonhighly Compensated Employee Group for such first Plan Year is determined under the following method:

[ ] a. the Prior Year Testing Method, assuming a 3% contribution percentage for the Nonhighly Compensated Employee Group.

[ ] b. the Current Year Testing Method using the actual contribution percentages of the Nonhighly Compensated Employee Group.

Part 5 - Retirement Ages

(See Sections 22.57 and 22.126 of the BPD)

34. Normal Retirement Age:

[X] a. Age 65 (not to exceed 65).

[ ] b. The later of (1) age ____ (not to exceed 65) or (2) the ____ (not to exceed 5th) anniversary if the date the Employee commenced participation in the Plan.

[ ] c. _____ (may not be later than the maximum age permitted under b.)

35. Early Retirement Age: [Check a. or check b. and/or c.

[X] a. Not applicable.

[ ] b. Age ___.

[ ] c. Completion of ___ Years of Service, determined as follows:

[ ] (1) Same as for eligibility.

[ ] (2) Same as for vesting.

Part 6 - Vesting Rules

(See Article 4 of the BPD)

.. Complete this Part 6 only if the Employer has elected to make Employer Matching Contributions under Part 4B or Employer Nonelective Contributions under Part 4C Section 401(k) Deferrals, Employee After-Tax Contributions, QMACs, QNECs, Safe Harbor Contributions, and Rollover Contributions are always 100% vested. (See Section 4.2 of the BPD for the definitions of the various vesting schedules.)

36. Normal vesting schedule: [Check one of a. - f. for those contributions the Employer elects to make under Part 4 of this Agreement.]

	(1) Employer Match	(2) Employer Nonelective	
a.	[ ]	[X]	Full and immediate vesting
b.	[ ]	[ ]	7-year graded vesting schedule.
c.	[ ]	[ ]	6-year graded vesting schedule.
d.	[ ]	[ ]	5-year cliff vesting schedule.
e.	[ ]	[ ]	3-year cliff vesting schedule.
f.	[ ]	[ ]	Modified vesting schedule:

(1) ____ % after 1 Year of Service
(2) ____ % after 2 Years of Service
(3) ____ % after 3 Years of Service
(4) ____ % after 4 Years of Service
(5) ____ % after 5 Years of Service
(6) ____ % after 6 Years of Service,
and
(7) 100% after 7 Years of Service.

[Note: The percentages selected under the modified vesting schedule must not be less than the percentages that would be required under the 7-year graded vesting schedule, unless 100% vesting occurs after no more than 5 Years of Service.]

37. Vesting schedule when Plan is top-heavy: [Check one of a. - d. for those contributions the Employer elects to make under Part 4 of this Agreement.]

	(1) Employer Match	(2) Employer Nonelective	
a.	[ ]	[X]	Full and immediate vesting.
b.	[ ]	[ ]	6-year graded vesting schedule.
c.	[ ]	[ ]	3-year cliff vesting schedule.
d.	[ ]	[ ]	Modified vesting schedule:

(1) ____ % after 1 Year of Service
(2) ____ % after 2 Years of Service
(3) ____ % after 3 Years of Service
(4) ____ % after 4 Years of Service
(5) ____ % after 5 Years of Service,
and
(6) 100% after 6 Years of Service.

[Note: The percentages selected under the modified vesting schedule must not be less than the percentages that would be required under the 6-year graded vesting schedule, unless 100% vesting occurs after no more than 3 Years of Service.]

[ ]38. Service excluded under the above vesting schedule(s):

[ ] a. Service before the original Effective Date of this Plan, (See Section 4.5(b)(1) of the BPD for rules that require service under a Predecessor Plan to be counted.)

[ ] b. Years of Service completed before the Employee's _____ birthday (cannot exceed the 18th birthday).

[ ]39. Special 100% vesting. An Employee's vesting percentage increases to 100% if, while employed with the Employer, the Employee:

[ ] a. dies.

[ ] b. becomes Disabled (as defined in Section 22.53 of the BPD).

[ ] c. reaches Early Retirement Age (as defined in Part 5, #35 above).

[ ]40. Special vesting provisions: _____

[Note: Any special vesting provision designated in #40 must satisfy the requirements of Code (S)4__(a) and must satisfy the nondiscrimination requirements under (S)1.401(a)(4) of the regulations.]

Part 7 - Special Service Crediting Rules

(See Article 6 of the BPD)

If no minimum service requirement applies under Part 1, #5 of this Agreement and all contributions are 100% vested under Part 6, skip this Part 7.

.. Year of Service - Eligibility. 1,000 Hours of Service during an Eligibility Computation Period. Hours of Service are calculated using the Actual Hours Crediting Method. [To modify, complete #41 below.]

.. Eligibility Computation Period. If one Year of Service is required for eligibility, the Shift-to-Plan Year Method is used. If two Years of Service are required for eligibility, the Anniversary Year Method is used. [To modify, complete #42 below.]

.. Year of Service - Vesting. 1,000 Hours of Service during a Vesting Computation Period. Hours of Service are calculated using the Actual Hours Crediting Method. [To modify, complete #43 below.]

.. Vesting Computation Period. The Plan Year. [To modify, complete #44 below.]

.. Break in Service Rules. The Rule of Parity Break in Service rule applies for both eligibility and vesting but the one-year holdout Break in Service rule is NOT used for eligibility or vesting. [To modify, complete #45 below.]

[ ]41. Alternative definition of Year of Service for eligibility.

[ ] a. A Year of Service is ____ Hours of Service (may not exceed 1,000) during an Eligibility Computation Period.

[ ] b. Use the Equivalency Method (as defined in Section 6.5(a) of the BPD) to count Hours of Service. If this b. is checked, each Employee will be credited with 190 Hours of Service for each calendar month for which the Employee completes at least one Hour of Service, unless a different Equivalency Method is selected under #46 below. The Equivalency Method applies to:

[ ] (1) All Employees.

[ ] (2) Employees who are not paid on an hourly basis. For hourly Employees, the Actual Hours Method will be used.

[ ] c. Use the Elapsed Time Method instead of counting Hours of Service. (See Section 6.5(b) of the BPD.)

[ ]42. Alternative method for determining Eligibility Computation Periods. (See Section 1.4(c) of the BPD.)

[ ] a. One Year of Service eligibility. Eligibility Computation Periods are determined using the Anniversary Year Method instead of the Shift-to-Plan-Year Method.

[ ] b. Two Years of Service eligibility. Eligibility Computation Periods are determined using the Shift-to-Plan-Year Method instead of the Anniversary Year Method.

[ ] 43. Alternative definition of Year of Service for vesting.

[ ] a. A Year of Service is _____ Hours of Service (may not exceed 1,000) during a Vesting Computation Period.

[ ] b. Use the Equivalency Method (as defined in Section 6.5(a) of the BPD) to count Hours of Service. If this b, is checked, each Employee will be credited with 190 Hours of Service for each calendar month for which the Employee completes at least one Hour of Service, unless a different Equivalency Method is selected under #46 below. The Equivalency Method applies to:

[ ] (1) All Employees.

[ ] (2) Employees who are not paid on an hourly basis. For hourly Employees, the Actual Hours Method will be used.

[ ] c. Use the Elapsed Time Method instead of counting Hours of Service. (See Section 6.5(b) of the BPD.)

[ ] 44. Alternative method for determining Vesting Computation Periods. Instead of Plan Years, use:

[ ] a. Anniversary Years. (See Section 4.4 of the BPD.)

[ ] b. (Describe Vesting Computation Period); _____

_____

[Practitioner Note: Any Vesting Computation Period described in b. must be a 12-consecutive month period and must apply uniformly to all Participants.]

[X] 45. Break in Service rules.

[X] a. The Rule of Parity Break in Service rule does not apply for purposes of determining eligibility or vesting under the Plan. [If this selection a. is not checked, the Rule of Parity Break in Service Rule applies for purposes of eligibility and vesting. (See Sections 1.6 and 4.6 of the BPD.)]

[ ] b. One-year holdout Break in Service rule.

[ ] (1) Applies to determine eligibility for. [Check one or both.]

[ ] (a) Employer Contributions (other than Section 401(k) Deferrals).

[ ] (b) Section 401(k) Deferrals. (See Section 1.6(c) of the BPD.)

[ ] (2) Applies to determine vesting. (See Section 4.6(a) of the BPD.)

[ ]46. Special rules for applying Equivalency Method. [This #46 may only be checked if #41.b. and/or #43.b.is checked above.]

[ ] a. Alternative method. Instead of applying the Equivalency Method on the basis of months worked, the following method will apply. (See Section 6.5(a) of the BPD.)

[ ] (1) Daily method. Each Employee will be credited with 10 Hours of Service for each day worked.

[ ] (2) Weekly method. Each Employee will be credited with 45 Hours of Service for each week worked

[ ] (3) Semi-monthly method. Each Employee will be credited with 95 Hours of Service for each semi-monthly payroll period worked.

[ ] b. Application of special rules. The alternative method elected in a applies for purposes of [Check (1) and/or (2).]

[ ] (1) Eligibility.[Check this (1)only if #41.b. is checked above.]

[ ] (2) Vesting. [Check this (2) only if #43.b. is checked above.]

Part 8 - Allocation of Forfeitures

(See Article 5 of the BPD)

[X] Check this selection if ALL contributions under the Plan are 100% vested and skip this Part 8. (See Section 5.5 of the BPD for the default forfeiture rules if no forfeiture allocation method is selected under this Part 8.)

47. Timing of forfeiture allocations:

	(1) Employer Match	(2) Employer Nonelective	
a.	[ ]	[ ]	In the same Plan Year in which the forfeitures occur.
b.	[ ]	[ ]	In the Plan Year following the Plan Year in which the forfeitures occur.

48. Method of allocating forfeitures: (See the operating rules in Section 5.5 of the BPD.)

	(1) Employer Match	(2) Employer Nonelective	
a.	[ ]	[ ]	Reallocate as additional Employer Nonelective Contributions using the allocation method specified in Part 4C, #21 of this Agreement. If no allocation method is specified, use the Pro Rata Allocation Method under Part 4C, #21.a. of this Agreement.
b.	[ ]	[ ]	Reallocate as additional Employer Matching Contributions using the discretionary allocation method in Part 4B, #16.b. of this Agreement.
c.	[ ]	[ ]	Reduce the: [Check one or both.] [ ] (a) Employer Matching Contributions [ ] (b) Employer Nonelective Contributions the Employer would otherwise make for the Plan Year in which the forfeitures are allocated. [Note: If both (a) and (b) are checked, the Employer may adjust its contribution deposits in any manner, provided the total Employer Matching Contributions and Employer Nonelective Contributions (as applicable) properly take into account the forfeitures used to reduce such contributions for that Plan Year.]

[ ]49. Payment of Plan expenses. Forfeitures are first used to pay Plan expenses for the Plan Year in which the forfeitures are to be allocated. (See Section 5.5(c) of the BPD.) Any remaining forfeitures are allocated as provided in #48 above.

[ ]50. Modification of cash-out rules. The Cash-Out Distribution rules are modified in accordance with Sections 5.3(a)(1)(i)(C) and 5.3(a)(1)(ii)(C) of the BPD to allow for an immediate forfeiture, regardless of any additional allocations during the Plan Year.

Part 9 - Distributions After Termination of Employment

(See Section 8.3 of the BPD)

.. The elections in this Part 9 are subject to the operating rules in Articles 8 and 9 of the BPD.

51. Vested account balances in excess of $5,000. Distribution is first available as soon as administratively feasible following:

[X] a. the Participant's employment termination date.

[ ] b. the end of the Plan Year that contains the Participant's employment termination date.

[ ] c. the first Valuation Date following the Participant's termination of employment.

[ ] d. the Participant's Normal Retirement Age (or Early Retirement Age, if applicable) or, if later, the Participant's employment termination date.

[ ] e. (Describe distribution event)
_____
_____

[Practitioner Note: Any distribution event described in e. will apply uniformly to all Participants under the Plan.]

52. Vested account balances of $5,000 or less. Distribution will be made in a lump sum as soon as administratively feasible following:

[X] a. the Participant's employment termination date.

[ ] b. the end of the Plan Year that contains the Participant's employment termination date.

[ ] c. the first Valuation Date following the Participant's termination of employment.

[ ] d. (Describe distribution event): ----------

[Practitioner Note: Any distribution event described in d. will apply uniformly to all Participants under the Plan.]

[ ] 53. Disabled Participant. A Disabled Participant (as defined in Section 22.53 of the BPD) may request a distribution (if earlier than otherwise permitted under #51 or #52 (as applicable)) as soon as administratively feasible following:

[ ] a. the date the Participant becomes Disabled.

[ ] b. the end of the Plan Year in which the Participant becomes Disabled.

[ ] c. (Describe distribution event): ----------

[Practitioner Note: Any distribution event described in c. will apply uniformly to all Participants under the Plan.]

[ ] 54. Hardship withdrawals following termination of employment. A terminated Participant may request a Hardship withdrawal (as defined in Section 8.6 of the BPD) before the date selected in #51 or #52 above, as applicable.

[ ] 55. Special operating rules.

[ ] a. Modification of Participant's consent requirement. A Participant must consent to a distribution from the Plan, even if the Participant's vested Account Balance does not exceed $5,000. See Section 8.3(b) of the BPD. [Note: If this a. is not checked, the involuntary distribution rules under Section 8.3(b) of the BPD apply.]

[ ] b. Distribution upon attainment of Normal Retirement Age (or age 62, if later). A distribution from the Plan will be made without a Participant's consent if such Participant has terminated employment and has attained Normal Retirement Age (or age 62, if later). See Section 8.7 of the BPD.

Part 10 - In-Service Distributions

(See Section 8.5 of the BPD)

.. The elections in this Part 10 are subject to the operating rules in Articles 8 and 9 of the BPD.

56. Permitted in-service distribution events: [Elections under the (S)401(k) Deferrals column also app1y to any QNECs, QMACs, and Safe Harbor Contributions unless otherwise specified in d. below.]

	(1) (S)401(k) Deferrals	(2) Employer Match	(3) Employer Nonelective	
a.	[ ]	[ ]	[ ]	In-service distributions are not available.
b.	[X]	[ ]	[X]	After age 59.5. [If earlier than age 59 1/2 age is deemed to be age 59 1/2 for Section 401(k) Deferrals if the selection is checked under that column.]
c.	[X]	[ ]	[X]	A safe harbor Hardship described in Section 8.6(a) of the BPD. [Note: Not applicable to QNECs, QMACs and Safe Harbor Contributions.]
d.	N/A	[ ]	[ ]	A Hardship described in Section 8.6 (b) of the BPD.
e.	N/A	[ ]	[ ]	After the Participant has participated in the Plan for at least _____ years (cannot be less than 5 years).
f.	N/A	[ ]	[ ]	At any time with respect to the portion of the vested account Balance derived from contributions accumulated in the Plan for at least 2 years.
g.	[ ]	[ ]	[ ]	Upon a Participant becoming Disabled (as defined in Section 22.53).
h.	[X]	[ ]	[X]	Attainment of Normal Retirement Age. [If earlier than age 59 1/2, age is deemed to be 59 1/2 for Section 401(k) Deferrals if the selection is checked under that column.]
i.	N/A	[ ]	[ ]	Attainment of Early Retirement Age.

57. Limitations that apply to in-service distributions:

[ ] a. Available only if the Account which is subject to withdrawal is 100% vested. (See Section 4.8 of the BPD for special vesting rules if not checked.)

[ ] b. No more than ____ in-service distribution(s) in a Plan Year.

[ ] c. The minimum amount of any in-service distribution will be $____ (may not exceed $1,000)

[ ] d. (Describe limitations on in-service distributions) _____

[Practitioner Note: Any limitations described in d. will apply uniformly to all Participants under the Plan.]

Part 11 - Distribution Options

(See Section 8.1 of the BPD)

58. Optional forms of payment available upon termination of employment:

[X] a. Lump sum distribution of entire vested Account Balance.

[X] b. Single sum distribution of a portion of vested Account Balance.

[ ] c. Installments for a specified term.

[ ] d. Installments for required minimum distributions only.

[ ] e. Annuity payments (see Section 8.1 of the BPD).

[ ] f. (Describe optional forms or limitations on available forms)

[Practitioner Note: Unless specified otherwise in f., a Participant may receive a distribution in any combination of the forms of payment selected in a. - f. Any optional forms or limitations described in f. will apply uniformly to all Participants under the Plan.]

59. Application of the Qualified Joint and Survivor Annuity (QJSA) and Qualified Preretirement Survivor Annuity (QPSA) provisions: (See Article 9 of the BPD.)

[X] a. Do not apply. [Note: The QJSA and QPSA provisions automatically apply to any assets if the Plan that were received as a transfer from another plan that was subject to the QJSA and QPSA rules. If this _, is checked, the QJSA and QPSA rules generally will apply only with respect to transferred assets or distribution is made in the form of life annuity. See Section 9.1(b) of the BPD.]

[ ] b. Apply, with the following modifications: [Check this b. to have all assets under the Plan be subject to the QJSA and QPSA requirements. See Section 9.1(a) of the BPD.]

[ ] (1) No modifications.

[ ] (2) Modified QJSA benefit. Instead of a 50% survivor benefit, the normal form of the QJSA provides the following survivor benefit to the spouse:

[ ] (a) 100%.

[ ] (b) 75%.

[ ] (c) 66 2/3%.

[ ] (3) Modified QPSA benefit. Instead of a 50% QPSA benefit, the QPSA benefit is _00% of the Participant's vested Account Balance.

[ ] c. One-year marriage rule. The one-year marriage rule under Sections 8.4(c)(4) and 9.3 of the BPD applies. Under this rule, a Participant's spouse will not be treated as a surviving spouse unless the Participant and spouse were married for at least one year at the time of the Participant's death.

Part 12 - Administrative Elections

.. Use this Part 12 to identify administrative elections authorized by the BPD. These elections may be changed without reexecuting this Agreement by substituting a replacement of this page with new elections. To the extent this Part 12 is not completed, the default provisions in the BPD apply.

60. Are Participant loans permitted? (See Article 14 of the BPD.)

[ ] a. No

[X] b. Yes

[ ] (1) Use the default loan procedures under Article 14 of the BPD.

[X] (2) Use a separate written loan policy to modify the default loan procedures under Article 14 of the BPD.

61. Are Participants permitted to direct investments? (See Section 13.5(c) of the BPD.)

[ ] a. No

[X] b. Yes

[X] (1) Specify Accounts: All Accounts

[X] (2) Check this selection if the Plan is intended to comply with ERISA (S)404(c). (See Section 13.5(c)(2) of the BPD.)

62. Is any portion of die Plan daily valued? (See Section 13.2(b) of the BPD.)

[ ] a. No

[X] b. Yes. Specify Accounts and/or investment options: All Accounts

63. Is any portion of the Plan valued periodically (other than daily)? (See Section 13.2(a) of the BPD.

[X] a. No

[ ] b. Yes

[ ] (1) Specify Accounts and/or investment options: ------

[ ] (2) Specify valuation date(s): ---------

[ ] (3) The following special allocation rules apply: [If this (3) is not checked, the Balance Forward Method under Section 13.4(a) of the BPD applies.]

[ ] (a) Weighted average method. (See Section 13.4(a)(2)(i) of the BPD.)

[ ] (b) Adjusted percentage method, taking into account ---- % of contributions made during the valuation period. (See Section 13.4(a)(2)(ii) of the BPD.)

[ ] (c) (Describe allocation rules) ------------

[Practitioner Note: Any allocation rules described in (c) must be in accordance with a definite predetermined formula that is not based on compensation, that satisfies the non discrimination requirements of (S)1.401(a)(4) of the regulations, and that is applied uniformly to all Participants.]

64. Does the Plan accept Rollover Contributions? (See Section 3.2 of the BPD.)

[ ] a. No [X] b. Yes

65. Are life insurance investments permitted? (See Article 15 of the BPD.)

[X] a. No [ ] b. Yes

66. Do the default QDRO procedures under Section 11.5 of the BPD apply?

[ ] a. No [X] b. Yes

67. Do the default claims procedures under Section 11.6 of the BPD apply?

[ ] a. No [X] b. Yes

Part 13 - Miscellaneous Elections

.. The following elections override certain default provisions under the BPD and provide special rules for administering the Plan. Complete the following elections to the extent they apply to the Plan.

[ ] 68. Determination of Highly Compensated Employees.

[ ] a. The Top-Paid Group Test applies. [If this selection a. is not checked, the Top-Paid Group Test will not apply. See Section 22.99(b)(4) of the BPD.]

[ ] b. The Calendar Year Election applies. [This selection b. may only be chosen if the Plan Year is not the calendar year. See Section 22.99(b)(5) of the BPD.]

[ ] 69. Special elections for applying the Annual Additions Limitation under Code (S)415.

[ ] a. The Limitation Year is the 12-month period ending _____. [If this selection a is not checked, the Limitation Year is the same as the Plan Year.]

[ ] b. Total Compensation includes imputed compensation for a terminated Participant who is permanently and totally Disabled. (See Section 7.4(g)(3) of the BPD.)

[ ] c. Operating rules. Instead of the default provisions under Article 7 of the BPD, the following rules apply: _____

[ ] 70. Election to use Old-Law Required Beginning Date. The Old-Law Required Beginning Date (as defined in Section 10.3(a)(2) of the BPD) applies instead of the Required Beginning Date rules under Section 10.3(a)(1) of the BPD.

[ ] 71. Service credited with Predecessor Employers: (See Section 6.7 of the BPD.)

[ ] a. (Identify Predecessor Employers) _____.

[ ] b. Service is credited with these Predecessor Employers for the following purposes:

[ ] (1) The eligibility service requirements elected in Part 1 of this Agreement.

[ ] (2) The vesting schedule(s) elected in Part 6 of this Agreement.

[ ] (3) The allocation requirements elected in Part 4 of this Agreement.

[ ] c. The following service will not be recognized: _____

[Note: If the Employer is maintaining the Plan of a Predecessor Employer, service with such Predecessor Employer must be counted for all purposes under the Plan. This #71 may be completed with respect to such Predecessor Employer indicating all service under selections (1),(2) and (3) will be created. The failure to complete this #71 where the Employer is maintaining the Plan of a Predecessor Employee, will not override the requirement that such predecessor service be credited for all purposes under the Plan (See Section 6.7 of the BPD.) If the Employer is not maintaining the Plan of a Predecessor Employer, service with such Predecessor Employer will be credited under this Plan only if specifically elected under _ is # '1. If the above crediting rules are to apply differently to service with different Predecessor Employers, _____ separately completed elections for this item, using the same format as above but listing only those Predecessor Employers to which the separate attachment relates.]

[ ] 72. Special rules where Employer maintains more than one plan.

[ ] a. Top-heavy minimum contribution - Employer maintains this Plan and one or more Defined Contribution Plans. If this Plan is a Top-Heavy Plan, the Employer will provide any required top-heavy minimum contribution under: (Sec Section 16.2(a)(5)(i) of the BPD.)

[ ] (1) This Plan.

[ ] (2) The following Defined Contribution Plan maintained by the Employer: _____

[ ] (3) Describe method for providing the top-heavy minimum contribution: _____

[ ] b. Top-heavy minimum benefit - Employer maintains this Plan and one or more Defined Benefit Plans. If this Plan is a Top-Heavy Plan, the Employer will provide any required top-heavy minimum contribution or benefit under: (See Section 16.2(a)(5)(ii) of the BPD.)

[ ] (1) This Plan, but the minimum required contribution is increased from 3% to 5% of Total Compensation for the Plan Year.

[ ] (2) The following Defined Benefit Plan maintained by the Employer: _____

[ ] (3) Describe method for providing the top-heavy minimum

contribution:

[ ] c. Limitation on Annual Additions. This c. should be checked only if the Employer maintains another Defined Contribution Plan in which any Participant is a participant, and the Employer will not apply the rules set forth under Section 7.2 of the BPD. Instead, the Employer will limit Annual Additions in the following manner.

[X] 73. Special definition of Disabled. In applying the allocation conditions under Parts 4B and 4C, the special vesting provisions under Part 6, and the distribution provisions under Parts 9 and 10 of this Agreement, the following definition of Disabled applies instead of the definition under Section 22.53 of the BPD: An illness or injury of a potentially permanent nature, expected to last for a continuous period of not less than 12 months, certified by a physician selected by or satisfactory to the Employer, which prevents the Employee from engaging in any occupation for wage or profit for which the Employee is reasonably fitted by training, education, or experience.

[Note: Any definition included under this #73 must satisfy the requirements of (S)l.401(a)(4) of the regulations and must be applied uniformly to all Participants.]

[X] 74. Fail-Safe Coverage Provision. [This selection #74 must be checked to apply the Fail-Safe Coverage Provision under Section 2.7 of the BPD.]

[X] a. The Fail-Safe Coverage Provision described in Section 2.7 of the BPD applies without modification.

[ ] b. The Fail-Safe Coverage Provisions described in Section 2.7 of the BPD applies with the following modifications:

[ ] (1) The special rule for Top-Heavy Plans under Section 2.7(a) of the BPD does not apply.

[ ] (2) The Fail-Safe Coverage Provision is based on Included Compensation as described under Section 2.7(d) of the BPD.

[ ] 75. Election not to participate (see Section 1.10 of the BPD). An Employee may make a one-time irrevocable election not to participate under the Plan upon inception of the Plan or at any time prior to the time the Employee first becomes eligible to participate under any plan maintained by the Employer. [Note: Use of this provision could result in a violation of the minimum coverage rules under Code (S)410(b).]

[ ] 76. Protected Benefits. If there are any Protected Benefits provided under this Plan that are not specifically provided for under this Agreement, check this #76 and attach an addendum to this Agreement describing the Protected Benefits

Signature Page

By signing this page, the Employer agrees to adopt (or amend) the Plan which consists of BPD #02 and the provisions elected in this Agreement. The Employer agrees that the Prototype Sponsor has no responsibility or liability regarding the suitability of the Plan for the Employer's needs or the options elected under this Agreement. It is recommended that the Employer consult with legal counsel before executing this Agreement.

77.	Name and tit1e of authorized representative(s):	Signature(s):	Date:
	C. W. FRANK, EVP and CFO	/s/ C. W. Frank	7/7/03
	Thomas H. Shields, Jr. VP Human Resources	/s/ Thomas H. Shields, Jr.	7/7/03

78. Effective Date of this Agreement:

[ ] a. New Plan. Check this selection if this is a new Plan. Effective Date of the Plan is: ----------

[X] b. Restated Plan. Check this selection if this is a restatement of an existing plan. Effective Date of the restatement is: August 1, 2002

(1) Designate the plan(s) being amended by this restatement: Conn's 401(k) Retirement Savings Plan

(2) Designate the original Effective Date of this Plan (optional): February 1, 1995

[ ] c. Amendment by page substitution. Check this selection if this is an amendment by substitution of certain pages of this Adoption Agreement. [If this c. is checked, complete the remainder of this Signature Page in the same manner as the Signature Page being replaced.]

(1) Identify the page(s) being replaced: ----------

(2) Effective Date(s) of such changes: ----------

[ ] d. Substitution of sponsor. Check this selection if a successor to the original plan sponsor is continuing this Plan as a successor sponsor, and substitute page 1 to identify the successor as the Employer.

(1) Effective Date of the amendment is: ----------

[X]79. Check this #79 if any special Effective Dates apply under Appendix A of this Agreement and complete the relevant sections of Appendix A.

80. Prototype Sponsor information. The Prototype Sponsor will inform the Employer of any amendments made to the Plan and will notify the Employer if it discontinues or abandons the Plan. The Employer may direct inquiries regarding the Plan or the effect of the Favorable IRS Letter to the Prototype Sponsor or its authorized representative at the following location:

a. Name of Prototype Sponsor (or authorized representative): SunTrust Bank

b. Address of Prototype Sponsor (or authorized representative): 8515 E. Orchard Rd. Greenwood Village, CO 80111

c. Telephone number of Prototype Sponsor (or authorized representative): 1-800-211-8757

Important information about this Prototype Plan. A failure to properly complete the elections in this Agreement or to operate the Plan in accordance with applicable law may result in disqualification of the Plan. The Employer may rely in the Favorable IRS Letter issued by the National Office of the Internal Revenue Service to the Prototype Sponsor as evidence, that the Plan is qualified under (S)401 of the Code, to the extent provided in Announcement 2001-77. The Employer may not only on the Favorable IRS Letter in certain circumstances or with respect to certain qualification requirements, which are specified in the Favorable IRS Letter issued with respect to the Plan and in Announcement 2001-77. In order to obtain reliance in such circumstances or with respect to such qualification requirements, the Employer must apply to the office of Employee Plans Determinations of the Internal Revenue Service for a determination letter. See Section 22.87 of the BPD.

Trustee Declaration

By signing this Trustee Declaration, the Trustee agrees to the duties, responsibilities and liabilities imposed on the Trustee by the BPD #02 and this Agreement.

81. Name(s) of Trustee(s): Signature(s) of Trustee(s): Date:

Name(s) of Trustee(s):	Signature(s) of Trustee(s):	Date:
SunTrust Bank	Karen C. Miracee	7/14/03

82. Effective date of this Trustee Declaration: August 1, 2002

83. The Trustee's investment powers are:

[ ] a. Discretionary Trustee. The Trustee has discretion to invest Plan assets. This discretion is limited to the extent Participants are permitted to give investment direction, or to the extent the Trustee is subject to direction from the Plan Administrator, the Employer, an Investment Manager or other Named Fiduciary.

[X] b. Directed Trustee only. The Trustee may only invest Plan assets as directed by Participants or by the Plan Administrator, the Employer, an Investment Manager or other Named Fiduciary.

[ ] c. Separate trust agreement. The Trustee's investment powers are determined under a separate trust document which replaces (or is adopted in conjunction with) the trust provisions under the BPD. [Note: The separate trust document is incorporated as part of this Plan and must be attached hereto. The responsibilities, rights and powers of the Trustee are those specified in the separate trust agreement. If this c. is checked, the Trustee need not sign or date this Trustee Declaration under #81 above.]

Co-Sponsor Adoption Page #1

[X] Check this selection and complete the remainder of this page if a Related Employer will execute this Plan as a Co-Sponsor. [Note: Only a Related Employer (as defined in Section 22.164 of the BPD) that executes this Co-Sponsor Adoption Page may adopt the Plan as a Co-Sponsor. See Article 21 of the BPD for rules relating to the adoption of the Plan by a Co-Sponsor. If there is more than one Co-Sponsor, each one should execute a separate Co-Sponsor Adoption Page. Any reference to the "Employer" in this Agreement is also a reference to the Co-Sponsor, unless otherwise noted.]

84. Name of Co-Sponsor: CAI Credit Insurance Agency, L.P.

85. Employer Identification Number (EIN) of the Co-Sponsor: 76-0612667

By signing this page, the Co-Sponsor agrees to adopt (or to continue its participation in) the Plan identified on page 1 of this Agrement. The Plan consists of the BPD #02 and the provisions elected in this Agreement.

86.	Name and title of authorized representative(s):	Signature(s):	Date:
	C. W. Frank EVP and CFO of GENERAL PARTNER	/s/ C.W.Frank	7/7/03

87. Effective date of this Co-Sponsor Adoption Page: August 1, 2002

[ ] a. Check here if this is the initial adoption of a new Plan by the Co-Sponsor.

[ ] b. Check here if this is an amendment or restatement of an existing plan maintained by the Co-Sponsor, which is merging into the Plan being adopted.

(1) Designate the plan(s) being amended by this restatement:

---

(2) Designate the original Effective Date of the Co-Sponsor's Plan (optional):

[ ] 88. Allocation of contributions. If this #88 is checked, contributions made by the Related Employer signing this Co-Sponsor Adoption Page (and any forfeitures relating to such contributions) will be allocated only to Participants actually employed by the Related Employer making the contribution and Employees of the Related Employer will not share in an allocation of contributions (or forfeitures relating to such contributions) made by the Employer or any other Related Employer. [Note: The selection of this #88 may require additional testing of the Plan. See Section 21.3 of the BPD.]

[ ] 89. Describe any special Effective Dates:

Co-Sponsor Adoption Page #2

[X] Check this selection and complete the remainder of this page if a Related Employer will execute this Plan as a Co-Sponsor. [Note: Only a Related Employer (as defined in Section 22.164 of the BPD) that executes this Co-Sponsor Adoption Page may adopt the Plan as a Co-Sponsor. See Article 21 of the BPD for rules relating to the adoption of the Plan by a Co-Sponsor. If there is more than one Co-Sponsor, each one should execute a separate Co-Sponsor Adoption Page. Any reference to the "Employer" in this Agreement is also a reference to the Co-Sponsor, unless otherwise noted.]

90. Name of Co-Sponsor: Conn CC L.P.

91. Employer Identification Number (EIN) of the Co-Sponsor: 76-0612666

By signing this page, the Co-Sponsor agrees to adopt (or to continue its participation in) the Plan identified on page 1 of this Agreement. The Plan consists of the BPD #02 and the provisions elected in this Agreement.

92.	Name and title of authorized representative(s):	Signature(s):	Date:
	C. W. Frank EVP and CFO of GENERAL PTR	/s/ C.W.Frank	7/7/03

93. Effective date of this Co-Sponsor Adoption Page: August 1, 2002

[ ] a. Check here if this is the initial adoption of a new plan by the Co-Sponsor.

[ ] b. Check here if this is an amendment or restatement of an existing plan maintained by the Co-Sponsor, which is merging into the Plan being adopted.

(1) Designate the plan(s) being amended by this restatement:

---

(2) Designate the original Effective Date of the Co-Sponsor's Plan (optional):

[ ] 94. Allocation of contributions. If this #94 is checked, contributions made by the Related Employer signing this Co-Sponsor Adoption Page (and any forfeitures relating to such contributions) will be allocated only to Participants actually employed by the Related Employer making the contribution and Employees of the Related Employer will not share in an allocation of contributions (or forfeitures relating to such contributions) made by the Employer or any other Related Employer. [Note: The selection of this #94 may require additional testing of the Plan. See Section 21.3 of the BPD.]

[ ] 95. Describe any special Effective Dates:

Co-Sponsor Adoption Page #3

[X] Check this selection and complete the remainder of this page if a Related Employer will execute this Plan as a Co-Sponsor. [Note: Only a Related Employer (as defined in Section 22.164 of the BPD) that executes this Co-Sponsor Adoption Page may adopt the Plan as a Co-Sponsor. See Article 21 of the BPD for rules relating to the adoption of the Plan by a Co-Sponsor. If there is more than one Co-Sponsor, each one should execute a separate Co-Sponsor Adoption Page. Any reference to the "Employer" in this Agreement is also a reference to the Co-Sponsor, unless otherwise noted.]

96. Name of Co-Sponsor: CAI L.P.

97. Employer Identification Number (EIN) of the Co-Sponsor: 76-0612662

By signing this page, the Co-Sponsor agrees to adopt (or to continue its participation in) the Plan identified of page 1 of this Agreement. The Plan consists of the BPD #02 and the provisions elected in this Agreement.

98. Name and title of authorized representative(s):	Siganture(s):	Date
C. W. FRANK EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER CONN APPLIANCES, INC. ACTING AS GENERAL PARTNER OF CAI, LP	/s/ C.W. Frank	7/2/03

99. Effective date of this Co-Sponsor Adoption Page: August 1, 2002

[ ] a. Check here if this is the initial adoption of a new Plan by the Co-Sponsor.

[ ] b. Check here if this is an amendment or restatement of an existing plan maintained by the Co-Sponsor, which is merging into the Plan being adopted.

(1) Designate the plan(s) being amended by this restatement:

(2) Designate the original Effective Date of the Co-Sponsor's Plan (optional): _____

[ ] 100. Allocation of contributions. If this #100 is checked, contributions made by the Related Employer signing this Co-Sponsor Adoption Page (and any forfeitures relating to such contributions) will be allocated only to Participants actually employed by the Related Employer making the contribution and Employees of the Related Employer will not share in an allocation of contributions (or forfeitures relating to such contributions) made by the Employer or any other Related Employer. [Note: The selection of this #100 may require additional testing of the Plan. See Section 21.3 of the BPD.]

[ ]101. Describe any special Effective Dates: _____

Appendix A - Special Effective Dates

A-1 [ ] Eligibility conditions. The eligibility conditions specified in Part 1 of this Agreement are effective _____

A-2 [ ] Entry Date. The Entry Date provisions specified in Part 2 of this Agreement are effective: _____

A-3 [ ] Section 401(k) Deferrals. The provisions regarding Section 401(k) Deferrals selected under Part 4A of this Agreement are effective: _____

A-4 [ ] Matching contribution formula. The Employer Matching Contribution formula(s) selected under Part 4B of this Agreement are effective: _____

A-5 [ ] Employer contribution formula. The Employer Nonelective Contribution formula(s) selected under Part 4C of this Agreement are effective: _____

A-6 [ ] Allocation conditions for receiving an Employer Matching Contribution. The allocation conditions designated under Part 4B, #19 of this Agreement are effective: _____

A-7 [ ] Allocation conditions for receiving an Employer Nonelective Contribution. The allocation conditions designated under Part 4C, #24 of this Agreement are effective: _____

A-8 [ ] Safe Harbor 401(k) Plan provisions. The Safe Harbor 401(k) Plan provisions under Part 4E of this Agreement are effective:

_____

A-9 [ ] Vesting rules. The vesting schedules selected under Part 6 of this Agreement are effective: _____

A-l0 [ ] Service crediting rules for eligibility. The service crediting rules for determining a Year of Service for eligibility purposes under Section 1.4 of the BPD and Part 7 of this Agreement are effective. _____

A-l1 [ ] Service crediting rules for vesting. The service crediting rules for determining a Year of Service for vesting purposes under Section 4.5 of the BPD and Part 7 of this Agreement are effective: _____

A-12 [ ] Forfeiture provisions. The forfeiture provisions selected under Part 8 of this Agreement are effective: _____

A-13 [ ] Distribution provisions. The distribution options selected under Part 9 of the Agreement are effective for distributions occurring after: _____

A-14 [ ] In-service distribution provisions. The in-service distribution options selected under Part 10 of the Agreement are effective for distributions occurring after: _____

A-15 [X] Forms of distribution. The optional forms of distribution selected under Part 11 of this Agreement are eligible for distributions occurring after: January l, 2004. Prior to January 1, 2004, installments within the meaning of #58C of the Agreement are available as an optional form of payment.

A-16 [ ] Special effective date provisions for merged plans. If any qualified retirement plans have been merged into this Plan, the provisions of Section 22.59 apply, except as otherwise provided under this A-16: _____

A-17 [X] Other special effective dates: Age and Service conditions listed under Part 1 item 5 of this Agreement applies only to Employees hired on or after August 1, 2001. The Service requirement applicable to Employees hired prior to Aug 1, 2001, shall be governed by the terms of the Plan in effect prior to August 1, 2001, under which the Employees were eligible for Elective Deferrals on their date of hire and were eligible for Employer contributions on the first 8/1 11/1, 2/1 & 5/1 on or following completion of a Year of Service

Appendix B - GUST Operational Compliance

[X] Check this selection and complete the remainder of this page if this Plan is being adopted to comply retroactively with the GUST Legislation. An Employer need only check those provisions that apply. If this Plan is not being adopted to comply with the GUST Legislation, this Appendix B need not be completed and may be removed from the Agreement.

[ ] B-1.Highly Compensated Employee rules. (See Section 20.2 of the BPD.)

[ ] a. Top-Paid Group Test. The election under Part 13, #68.a. above to use (or to not use) the Top-Paid Group Test did not apply for the following post-1996 Plan Year(s):

_____.

[ ] b. Calendar Year Election. The election under Part 13, #68.b. above to use (or to not use) the Calendar Year Election did not apply for the following post-1996 Plan Year(s):

_____.

[ ] c. The Old-Law Calendar Year Election applied for the Plan Year that began in 1997.

[X] B-2.Required minimum distributions. (Sec Section 10.4 of the BPD.)

[ ] a. Option to postpone minimum distributions. For calendar year(s) _____, the Plan permited Participants (other than Five-Percent Owners) who were still employed with the Employer to postpone minimum distributions in accordance with the Required Beginning Date rules under Section 10.3(a)(1) of the BPD, even though the Plan had not been amended to contain such rules.

[ ] b. Election to stop required minimum distributions. Starting in calendar year _____ a Participant (other than a Five-Percent Owner) who had already started receiving in-service minimum distributions under the Old-law Required Beginning Date rules may stop receiving such minimum distributions until the Participant's Required Beginning Date under Section 10.3(a)(1) of the BPD. [If this b is not checked, Participants who began receiving minimum distributions under the Old-Law Required Beginning Date rules must continue to receive such minimum distributions.]

[ ] c. Application of Joint and Survivor Annuity rules. If Employees are permitted to stop their required minimum distributions under b. above and the Joint and Survivor Annuity requirements apply to the Plan under Article 9 of the BPD, the Participant:

[ ] (1) will [ ] (2) will not

be treated as having a new Distribution Commencement Date when distributions recommence. [Note: Do not check this c. if the Plan is not subject to the Joint and Survivor Annuity requirements. See Section 10.4(c) of the BPD for operating rules concerning the application of the Joint and Survivor Annuity rules under this subsection c.]

[X] d. Application of Proposed Regulations for the 2001 Plan Year. [This d. should be checked only if required minimum distributions made for calendar years beginning on or after January 1, 2001 will be made in accordance with the proposed regulations under Code (S)401(a)(9), which were issued in January 2001. If this d. is checked, required minimum distributions made for calendar years beginning on or after January 1, 2001 may be made in accordance with the proposed regulations, notwithstanding any provision in the Plan to the contrary. An election under this d. applies until the end of the 1ast calendar year beginning before the effective date of final regulations under Code (S)401(a)(9) on such other date specified in guidance published by the Internal Revenue Service. If this d. is not checked, required minimum distributions will continue to be made in accordance with the provisions of Code (S)401(a)(9), without regard to the proposed regulations.]

[X] (1) Effective date. The election under d. to apply the proposed regulations under Code (S)401 (a)(9) applies only for required minimum distributions that are made on or after January 1, 2002. [In no event may the proposed regulations apply to a required minimum distribution that is made for a calendar year that begins before January 1, 2001.]

[X] B-3.Special effective dates.

[X] a. Involuntary distribution threshold of $5,000 is first effective under this Plan for distributions made after 2001 (no earlier than the first day of the first Plan Year beginning on or after August 5, 1997 and no later than the date the Plan is adopted). [If this a. is not checked, the $5,000 threshold applies to all distributions made on or after the first day of the first Plan Year beginning on or after August 5, 1997, except as provided in an earlier restatement or amendment of the Plan, See Section 20.4 of the BPD.]

[X] b. Family aggregation is repealed for purposes of determining the allocation of Employer Contributions for Plan Years beginning 2001 (no earlier than the first Plan Year beginning on or after January 1, 1997 and no later than the date the Plan is adopted). [If this b. is not checked, family aggregation is repealed as of the first Plan Year beginning on or after January 1, 1997. See Section 20.5 of the BPD.]

[X] c. Qualified transportation fringes. The inclusion of qualified transportation fringes in the definition of Total Compensation (and Included Compensation) is applicable for years beginning on or after ____ (no earlier than January 1, 1998 and no later than January 1, 2001). [If this c. is not checked, the inclusion of qualified transportation fringes is effective for years beginning on or after January 1, 2000. An earlier date should be entered under this c. only if the Plan was operated to include qualified transportation fringes in Total Compensation (and Included Compensation) during such period.]

[ ] B-4.Code (S)415 limitation. Complete this B-4 if for any Limitation Year in which the Code (S)415(e) limitation was applicable under Section 7.5 of the BPD, the Code (S)415(e) limitations were applied in a manner other than that described in Section 7.5(b) of the BPD. Any alternative method described in this B-4 that is used to comply with the Code (S)415(e) limitation must be consistent with Plan operation.

[X] B-5.Special 401(k) Plan elections. (See Article 17 of the BPD)

[ ] a. ADP/ACP testing methods during GUST remedial amendment period. Check this a. is in any Plan Year beginning after December 31, 1996, but before the adoption of this Agreement, the ADP Test or ACP Test was performed using a different testing method than the one selected under Part 4F, #31.a. or Part 4F,#31.b. and specify the Plan Year(s) in which the other testing method was used:

[ ] (1) ADP Test: ----------

[ ] (2) ACP Test: ----------

[X] b. Application of Safe Harbor 401(k) Plan provisions. Check this b. if, prior to the adoption of this Agreement, the Plan was operated in accordance with the Safe Harbor 401(k) Plan provisions, and this Agreement is conforming the document to such operational compliance for the period prior to the adoption of this Agreement. [Note: This b. should be checked only if this Agreement __ executed within the remedial amendment period applicable to the GUST Legislation . See Article 20 of the BPD.]

[X] (1) GUST effective date. The Safe Harbor 401(k) Plan provisions under ___ _____ effective for the Plan Year beginning August 1, 2001 (may not be earlier than the first Plan Year beginning on or after January 1, 1999).

[ ] (2) Modifications to Part 4E. Describe here, if applicable, any Safe Harbor 401(c) Plan provisions applied in operation that are not described or are inconsistent with the selections under Part 4E: ---

[Note: The Safe Harbor 401(k) Plan provisions under Part 4E of this Agreement will apply for all Plan Years beginning on or after January 1, 1999 or the GUST effective date designated under (1) above unless specifically modified under this (2).]

Internal Revenue Service | Department of the Treasury

Washington, DC 20224

Plan Description: Prototype Non-standardized Profit Sharing Plan with CODA
FFN: 50369050702-005 Case: 200201025 EIN: 58-0466330
BPD: 02 Plan: 005 Letter Serial No: K374669a

Contact Person: Ms. Arrington 50-00197

SUNTRUST BANK ATLANTA | Telephone Number: (202) 283-8811

25 PARK PLACE 9TH FLOOR | In Reference to: T:EP:RA:ICU

ATLANTA, GA 30303 | Date: 08/26/2002

Dear Applicant:

In our opinion, the form of the plan identified above is acceptable under section 401 of the Internal Revenue Code for use by employers for the benefit of their employees. This opinion relates only to the acceptability of the form of the plan under the Internal Revenue Code. It is not an opinion of the effect of other Federal or local statutes.

You must furnish a copy of this letter to each employer who adopts this plan. You are also required to send a copy of the approved form of the plan, any approved amendments and related documents to Employee Plans Determinations in Cincinnati at the address specified in section 9.11 of Rev. Proc. 2000-20, 2000-6 I.R.B. 553.

This letter considers the changes in qualifications requirements made by the Uruguay Round Agreements Act (GATT), Pub. L. 103-465, the Small Business Job Protection Act of 1996, Pub. L. 104-188, the Uniformed Services Employment and Reemployment Rights Act of 1994, Pub. L. 103-353, the Taxpayer Relief Act of 1997, Pub. L. 105-34, the Internal Revenue Service Restructuring and Reform Act of 1998, Pub. L. 105-206 and the Community Renewal Tax Relief Act of 2000, Pub. L. 106-554. These laws are referred to collectively as GUST.

Our opinion on the acceptability of the form of the plan is not a ruling or determination as to whether an employer's plan qualifies under Code section 401(a). However, an employer that adopts this plan may rely on this letter with respect to the qualification of its plan under Code section 401(a), as provided for in Announcement 2001-77, 2001-30 I.R.B. and outlined below. The terms of the plan must be followed in operation.

Except as provided below, our opinion does not apply with respect to the requirements of: (a) Code sections 401(a)(4), 401(a)(26), 401(1), 410(b) and 414(s). Our opinion does not apply for purposes of Code section 401(a)(10)(B) and section 401 (a) (16) if an employer ever maintained another qualified plan for one or more employees who are covered by this plan. For this purpose, the employer will not be considered to have maintained another plan merely because the employer has maintained another defined contribution plan(s), provided such other plan(s) has been terminated prior to the effective date of this plan and no annual additions have been credited to the account of any participant under such other plan(s) as of any date within the limitation year of this plan. Likewise, if this plan is first effective on or after the effective date of the repeal of Code section 415(e), the employer will not be considered to have maintained another plan merely because the employer has maintained a defined benefit plan(s), provided the defined benefit plan(s) has been terminated prior to the effective date of this plan. Our opinion also does not apply for purposes of Code section 401(a) (16) if, after December 31, 1985, the employer maintains a welfare benefit fund defined in Code section 419(e), which provides postretirement medical benefits allocated to separate accounts for key employees as defined in Code section 419A(d) (3).

Our opinion applies with respect to the requirements of Code section 410(b) if 100 percent of all nonexcludable employees benefit under the plan. Employers that elect a safe harbor allocation formula and a safe harbor compensation definition can also rely on an opinion letter with respect to the nondiscriminatory amounts requirement under section 401(a)(4) and the requirements of sections 401(k) and 401(m) (except where the plan is a safe harbor plan under section 401(k)(12) that provides for the safe harbor contribution to be made under another plan).

An employer that elects to continue to apply the pre-GUST family aggregation rules in years beginning after December 31, 1996, or the combined plan limit of section 415(e) in years beginning after December 31, 1999, will not be able to rely on the opinion letter without a determination letter. The employer may request a determination letter by filing an application with Employee Plans Determinations on Form 5307, Application for Determination for Adopters of Master or Prototype or Volume Submitter Plans.

Because you submitted this plan for approval after December 31, 2000, the remedial amendment extension period of section 19 of Rev. Proc. 2000-20, 2000-6 I.R.B. 553 is not applicable.

If you, the master or prototype sponsor, have any questions concerning the IRS processing of this case, please call the above telephone number. This number is only for use of the sponsor. Individual participants and/or adopting employers with questions concerning the plan should contact the master or prototype sponsor. The plan's adoption agreement must include the sponsor's address and telephone number for inquiries by adopting employers.

If you write to the IRS regarding this plan, please provide your telephone number and the most convenient time for us to call in case we need more information. Whether you call or write, please refer to the Letter Serial Number and File Folder Number shown in the heading of this letter.

You should keep this letter as a permanent record. Please notify us if you modify or discontinue sponsorship of this plan.

Sincerely yours,

/s/ Paul T. Shultz

Director
Employee Plans Rulings & Agreements

PROTOTYPE DEFINED CONTRIBUTION PLAN AND TRUST

SPONSORED BY

SunTrust Bank

BASIC PLAN DOCUMENT #02

June, 2002

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ARTICLE 1
PLAN ELIGIBILITY AND PARTICIPATION

This Article contains the rules for determining when an Employee becomes eligible to participate in the Plan. Part 1 and Part 2 of the Agreement contain specific elections for applying these Plan eligibility and participation rules. Article 6 of this BPD and Part 7 of the Agreement contain special service crediting elections to override the default provisions under this Article.

1.1 Eligibility for Plan Participation. An Employee who satisfies the Plan's minimum age and service conditions (as elected in Part 1, #5 of the Agreement) is eligible to participate in the Plan beginning on the Entry Date selected in Part 2 of the Agreement, unless he/she is specifically excluded from participation under Part 1, #4 of the Agreement. An Employee who has satisfied the Plan's minimum age and service conditions and is employed on his/her Entry Date is referred to as an Eligible Participant. (See Section 1.7 below for the rules regarding an Employee who terminates employment prior to his/her Entry Date.) An Employee who is excluded from participation under Part 1, #4 of the Agreement is referred to as an Excluded Employee.

1.2 Excluded Employees. Unless specifically excluded under Part 1, #4 of the Agreement, all Employees of the Employer are entitled to participate under the Plan upon becoming an Eligible Participant. Any Employee who is excluded under Part 1, #4 of the Agreement may not participate under the Plan, unless such Excluded Employee subsequently becomes a member of an eligible class of Employees. (See Section 1.8(b) of this Article for rules regarding an Excluded Employee's entry into the Plan if he/she subsequently becomes a member of an eligible class of Employees.)

The Employer may elect under Part 1, #4 of the 401(k) Agreement to exclude different groups of Employees for Section 401(k) Deferrals, Employer Matching Contributions, and Employer Nonelective Contributions. Unless provided otherwise under Part 1, #4.f. of the Nonstandardized 401(k) Agreement, for purposes of determining the Excluded Employees, any selection made with respect to Section 401(k) Deferrals also will apply to any Employee After-Tax Contributions and any Safe Harbor Contributions; any selections made with respect to Employer Matching Contributions also will apply to any Qualified Matching Contributions (QMACs); and any selections made with respect to Employer Nonelective Contributions also will apply to any Qualified Nonelective Contributions (QNECs).

(a) Independent contractors. Any individual who is an independent contractor, or who performs services with the Employer under an agreement that identifies the individual as an independent contractor, is specifically excluded from the Nonstandardized Plan. In the event the Internal Revenue Service (IRS) retroactively reclassifies such an individual as an Employee, the reclassified Employee will become an Eligible Participant on the date the IRS issues a final determination regarding his/her employment status (or the individual's Entry Date, if later), unless the individual is otherwise excluded from participation under Part 1, #4 of the Nonstandardized Agreement. For periods prior to the date of such final determination, the reclassified Employee will not have any rights to accrued benefits under the Plan, except as agreed to by the Employer and the IRS, or as set forth in an amendment adopted by the Employer.

(b) Leased Employees. If an individual is a Leased Employee, such individual is treated as an Employee of the Employer and may participate under the Plan upon satisfying the Plan's minimum age and service conditions, unless the Employer elects to exclude Leased Employees from participation under Part 1, #4.d. of the Nonstandardized Agreement.

(1) Definition of Leased Employee. Effective for Plan Years beginning after December 31, 1996, a Leased Employee, as defined in Code (S)414(n), is an individual who performs services for the Employer on a substantially full time basis for a period of at least one year pursuant to an agreement between the Employer and a leasing organization, provided such services are performed under the primary direction or control of the recipient Employer. For Plan Years beginning before January 1, 1997, the definition of Leased Employee is as defined under Code (S)414(n), as in effect for such years.

(2) Credit for benefits. If a Leased Employee receives contributions or benefits under a plan maintained by the leasing organization that are attributable to services performed for the Employer, such contributions or benefits shall be treated as provided by the Employer.

(3) Safe harbor plan. A Leased Employee will not be considered an Employee of the Employer if such Leased Employee is covered by a money purchase plan of the leasing organization which provides: (i) a nonintegrated employer contribution of at least 10% of compensation, (ii) immediate participation, and (iii) full and immediate vesting. For this paragraph to apply, Leased Employees must not constitute more than 20% of the total Nonhighly Compensated Employees of the Employer.

1.3 Employees of Related Employers. Employees of the Employer that executes the Signature Page of the Agreement and Employees of any Related Employer that executes a Co-Sponsor Adoption Page under the Agreement are eligible to participate in this Plan.

(a) Nonstandardized Agreement. In a Nonstandardized Agreement, a Related Employer is not required to execute a Co-Sponsor Adoption Page. However, Employees of a Related Employer that does not execute a Co-Sponsor Adoption Page are not eligible to participate in the Plan.

(b) Standardized Agreement. In a Standardized Agreement, Employees of all Related Employers are eligible to participate under the Plan upon satisfying any required minimum age and/or service conditions (unless otherwise excluded under Part 1, #4 of the Agreement). All Related Employers (who have Employees who may be eligible under the Plan) must execute a Co-Sponsor Adoption Page under the Agreement, so the Employees of such Related Employers are eligible to become Participants in the Plan. (See Article 21 for applicable rules if a Related Employer does not sign the Co-Sponsor Adoption Page and the effect of an acquisition or disposition transaction that is described in Code (S)410(b)(6)(C).)

1.4 Minimum Age and Service Conditions. Part 1, #5 of the Agreement contains specific elections as to the minimum age and service conditions which an Employee must satisfy prior to becoming eligible to participate under the Plan. An Employee may be required to attain a specific age or to complete a certain amount of service with the Employer prior to commencing participation under the Plan. If no minimum age or service conditions apply to a particular contribution (i.e., the Employer elects "None" under Part 1, #5.a. of the Agreement), an Employee is treated as satisfying the Plan's eligibility requirements on the individual's Employment Commencement Date.

Different age and service conditions may be selected under Part 1, #5 of the 401(k) Agreement for Section 401(k) Deferrals, Employer Matching Contributions, and Employer Nonelective Contributions. For purposes of applying the eligibility conditions under Part 1, #5, any selection made with respect to Section 401(k) Deferrals also will apply to any Employee After-Tax Contributions; any selections made with respect to Employer Matching Contributions also will apply to any Qualified Matching Contributions (QMACs); and any selections made with respect to Employer Nonelective Contributions also will apply to any Qualified Nonelective Contributions (QNECs), unless otherwise provided under Part 1, #5.f. of the Nonstandardized 401(k) Agreement. In addition, any eligibility conditions selected with respect to Section 401(k) Deferrals also will apply to any Safe Harbor Contributions designated under Part 4E of the 401(k) Agreement, unless otherwise provided under Part 4E, #30.d. of the 401(k) Agreement. If different conditions apply for different contributions, the rules in this Article for determining when an Employee is an Eligible Participant are applied separately with respect to each set of eligibility conditions.

(a) Maximum permissible age and service conditions. Code (S).410(a) provides limits on the maximum permissible age and service conditions that may be required prior to Plan participation. The Employer may not require an Employee, as a condition of Plan participation, to attain an age older than age 21. The Employer also may not require an Employee to complete more than one Year of Service, unless the Employer elects full and immediate vesting under Part 6 of the Agreement, in which case the Employer may require an Employee to complete up to two Years of Service. (The Employer may not require an Employee to complete more than one Year of Service to be eligible to make Section 401(k) Deferrals under the 401(k) Agreement.)

(b) Year of Service. Unless the Employer elects otherwise under Part 7, #23 of the Agreement [Part 7, #41 of the 401(k) Agreement], an Employee will earn one Year of Service for purposes of applying the eligibility rules under this Article if the Employee completes at least 1,000 Hours of Service with the Employer during an Eligibility Computation Period (as defined in subsection (c) below). An Employee will receive credit for a Year of Service, as of the end of the Eligibility Computation Period, if the Employee completes the required Hours of Service during such period, even if the Employee is not employed for the entire period. In calculating an Employee's Hours of Service for purposes of applying the eligibility rules under this Article, the Employer will use the Actual Hours Crediting Method, unless elected otherwise under Part 7 of the Agreement. (See Article 6 of this BPD for a description of alternative service crediting methods.)

(c) Eligibility Computation Periods. For purposes of determining Years of Service under this Article, an Employee's initial Eligibility Computation Period is the 12-month period beginning on the Employee's Employment Commencement Date. If one Year of Service is required for eligibility, and the Employee is not credited with a Year of Service for the first Eligibility Computation Period, subsequent Eligibility Computation Periods are calculated under the Shift-to-Plan-Year Method, unless the Employer elects under Part 7, #24.a. of the Agreement [Part 7, #42.a. of the 401(k) Agreement] to use the Anniversary Year Method. If two Years of Service are required for eligibility, subsequent Eligibility Computation Periods are measured on the Anniversary Year Method, unless the Employer elects under Part 7, #24.b. of the Agreement [Part 7, #42.b. of the 401(k) Agreement] to use the Shift-to-Plan-Year Method. In the case of a 401(k) Agreement in which a two Years of Service eligibility condition is used for either Employer Matching Contributions or Employer Nonelective

Contributions, the method used to determine Eligibility Computation Periods for the two Years of Service condition also will apply to any one Year of Service eligibility condition used with respect to any other contributions under the Plan.

(1) Shift-to-Plan-Year Method. Under the Shift-to-Plan-Year Method, after the initial Eligibility Computation Period, subsequent Eligibility Computation Periods are measured using the Plan Year. In applying the Shift-to-Plan-Year Method, the first Eligibility Computation Period following the shift to the Plan Year is the first Plan Year that commences after the Employee's Employment Commencement Date. See Section 11.7 for rules that apply if there is a short Plan Year.

(2) Anniversary Year Method. Under the Anniversary Year Method, after the initial Eligibility Computation Period, each subsequent Eligibility Computation Period is the 12-month period commencing with the anniversary of the Employees Employment Commencement Date.

(d) Application of eligibility rules.

(1) General rule - Effective Date. All Employees who have satisfied the conditions for being an Eligible Participant (and have reached their Entry Date (as determined under Part 2 of the Agreement)) as of the Effective Date of the Plan are eligible to participate in the Plan as of the Effective Date (provided the Employee is employed on such date and is not otherwise excluded from participation under Part 1, #4 of the Agreement). If an Employee has satisfied all the conditions for being an Eligible Participant as of the Effective Date of the Plan, except the Employee has not yet reached his/her Entry Date, the Employee will become an Eligible Participant on the appropriate Entry Date in accordance with this Article.

(2) Dual eligibility provision. The Employer may modify the rule described in subsection (1) above by electing under Part 1, #6.a. of the Nonstandardized Agreement [Part 1, #6 of the Standardized Agreement] to treat all Employees employed on the Effective Date of the Plan as Eligible Participants as of such date. Alternatively, the Employer may elect under Part 1, #6.b. of the Nonstandardized Agreement to apply the dual eligibility provision as of a specified date. Any Employee employed as of a date designated under Part 1, #6 will be deemed to be an Eligible Participant as of the later of such date or the Effective Date of this Plan, whether or not the Employee has otherwise satisfied the eligibility conditions designated under Part 1, #5 and whether or not the Employee has otherwise reached his/her Entry Date (as designated under Part 2 of the Agreement). Thus, all eligible Employees employed on the date designated under Part 1, #6 will commence participating under the Plan as of the appropriate date.

(e) Amendment of age and service requirements. If the Plan's minimum age and service conditions are amended, an Employee who is an Eligible Participant immediately prior to the effective date of the amendment is deemed to satisfy the amended requirements. This provision may be modified under the special Effective Date provisions under Appendix A of the Agreement.

1.5 Entry Dates. Part 2 of the Agreement contains specific elections regarding the Entry Dates under the Plan. An Employee's Entry Date is the date as of which he/she is first considered an Eligible Participant. Depending on the elections in Part 2 of the Agreement, the Entry Date may be the exact date on which an Employee completes the Plan's age and service conditions, or it might be some date that occurs before or after such conditions are satisfied. If an Employee is excluded from participation under Part 1, #4 of the Agreement, see the rules under Section 1.8 of this Article.

The Employer may elect under Part 2 of the 401(k) Agreement to apply different Entry Dates for Section 401(k) Deferrals, Employer Matching Contributions, and Employer Nonelective Contributions. Unless provided otherwise in Part 2, #8.f. of the Nonstandardized 401(k) Agreement, the Entry Date chosen for Section 401(k) Deferrals also applies to any Employee After-Tax Contributions and to any Safe Harbor Contributions designated under Part 4E of the Agreement; the Entry Date chosen for Employer Matching Contributions also applies to any Qualified Matching Contributions (QMACs); and the Entry Date chosen for Employer Nonelective Contributions also applies to any Qualified Nonelective Contributions (QNECs).

(a) Entry Date requirements. Except as provided under Section 1.4(d)(2) above, an Employee (other than an Excluded Employee) commences participation under the Plan (i.e., becomes an Eligible Participant) as of the Entry Date selected in Part 2 of the Agreement, provided the individual is employed by the Employer on that Entry Date. (See Section 1.7 below for the rules applicable to Employees who are not employed on the Entry Date.) In no event may an Eligible Participant's Entry Date be later than: (1) the first day of the Plan Year beginning after the date on which the Eligible Participant satisfies the maximum permissible minimum age and service conditions described in Section 1.4, or (2) six months after the date the Eligible Participant satisfies such age and service conditions.

(b) Single annual Entry Date. If the Employer elects a single annual Entry Date under Part 2, #8 of the Agreement, the maximum permissible age and service conditions described in Section 1.4 above are reduced by one-half (1/2) year, unless: (1) the Employer elects under Part 2, #7.c. of the Agreement to use the Entry

Date nearest the date the Employee satisfies the Plan's minimum age and service conditions and the Entry Date is the first day of the Plan Year or (2) the Employer elects under Part 2, #7.d. of the Agreement to use the Entry Date preceding the date the Employee satisfies the Plan's minimum age and service conditions.

1.6 Eligibility Break in Service Rules. For purposes of eligibility to participate, an Employee is credited with all Years of Service earned with the Employer, except as provided under the following Break in Service rules. In applying these Break in Service rules, Years of Service and Breaks in Service (as defined in Section 22.26) are measured on the same Eligibility Computation Period as defined in Section 1.4(c) above.

(a) Rule of Parity Break in Service. This Break in Service rule applies only to Participants who are totally nonvested (i.e., 0% vested) in their Employer Contribution Account and Employer Matching Contribution Account, as applicable. Under this Break in Service rule, if a nonvested Participant incurs a period of consecutive one-year Breaks in Service which equals or exceeds the greater of five (5) or the Participant's aggregate number of Years of Service with the Employer, all service earned prior to the consecutive Break in Service period will be disregarded and the Participant will be treated as a new Employee for purposes of determining eligibility under the Plan. The Employer may elect under Part 7, #27 of the Agreement [Part 7, #45 of the 401(k) Agreement] not to apply the Rule of Parity Break in Service rule.

(1) Previous application of the Rule of Parity Break in Service rule. In determining a Participant's aggregate Years of Service for purposes of applying the Rule of Parity Break in Service, any Years of Service otherwise disregarded under a previous application of this rule are disregarded.

(2) Application to the 401(k) Agreement. The Rule of Parity Break in Service rule applies only to determine the individual's right to resume as an Eligible Participant with respect to his/her Employer Contribution Account and/or Employer Matching Contribution Account. In determining whether a Participant is totally nonvested for purposes of applying the Rule of Parity Break in Service rule, the Participant's Section 401(k) Deferral Account, Employee After-Tax Contribution Account, QMAC Account, QNEC Account, Safe Harbor Nonelective Contribution Account, Safe Harbor Matching Contribution Account, and Rollover Contribution Account are disregarded.

(b) One-year Break in Service rule for Plans using a two Years of Service eligibility condition. If the Employer elects to use the two Years of Service eligibility condition under Part 1, #5.e. of the Agreement, any Employee who incurs a one-year Break in Service before satisfying the two Years of Service eligibility condition will not be credited with service earned before such one-year Break in Service.

(c) One-year holdout Break in Service rule. The one-year holdout Break in Service rule will not apply unless the Employer specifically elects in Part 7, #27.b. of the Nonstandardized Agreement [Part 7, #45.b. of the Nonstandardized 401(k) Agreement] to have it apply. If the one-year holdout Break in Service rule is elected, an Employee who has a one-year Break in Service will not be credited for eligibility purposes with any Years of Service earned before such one-year Break in Service until the Employee has completed a Year of Service after the one-year Break in Service. (The one-year holdout Break in Service rule does not apply under the Standardized Agreements.)

(1) Operating rules. An Employee who is precluded from receiving Employer Contributions (other than Section 401(k) Deferrals) as a result of the one-year holdout Break in Service rule, and who completes a Year of Service following the Break in Service, is reinstated as an Eligible Participant as of the first day of the 12-month measuring period (determined under subsection (2) or (3) below) during which the Employee completes the Year of Service. Unless otherwise selected under Part 7, #45.b.(1)(b) of the Nonstandardized 401(k) Agreement, the one-year holdout Break in Service rule does not apply to preclude an otherwise Eligible Participant from making Section 401(k) Deferrals to the Plan. If the Employer elects under Part 7, #45.b.(1)(b) of the Nonstandardized 401(k) Agreement to have the one-year holdout Break in Service rule apply to Section 401(k) Deferrals, an Employee who is precluded from making Section 401(k) Deferrals as a result of this Break in Service rule is re-eligible to make Section 401(k) Deferrals immediately upon completing 1,000 Hours of Service with the Employer during a subsequent measuring period (as determined under subsection (2) or (3) below). No corrective action need be taken by the Employer as a result of the failure to retroactively permit the Employee to make Section 401(k) Deferrals.

(2) Plans using the Shift-to-Plan-Year Method. If the Plan uses the Shift-to-Plan-Year Method (as defined in Section 1.4(c)(1)) for measuring Years of Service, the period for determining whether an Employee completes a Year of Service following the one-year Break in Service is the 12-month period commencing on the Employee's Reemployment Commencement Date and, if necessary, subsequent Plan Years beginning with the Plan Year which includes the first anniversary of the Employee's Reemployment Commencement Date.

(3) Plans using Anniversary Year Method. If the Plan uses the Anniversary Year Method (as defined in Section 1.4(c)(2)) for measuring Years of Service, the period for determining whether an Employee completes a Year of Service following the one-year Break in Service is the 12-month period which commences on the Employee's Reemployment Commencement Date and, if necessary, subsequent 12-month periods beginning on anniversaries of the Employee's Reemployment Commencement Date.

1.7 Eligibility upon Reemployment. Subject to the Break in Service rules under Section 1.6, a former Employee is reinstated as an Eligible Participant immediately upon rehire if the Employee had satisfied the Plan's minimum age and service conditions prior to termination of employment, regardless of whether the Employee was actually employed on his/her Entry Date, unless the Employee is an Excluded Employee upon his/her return to employment. This requirement is deemed satisfied if a rehired Employee is permitted to commence making Section 401(k) Deferrals as of the beginning of the first payroll period commencing after the Employee's Reemployment Commencement Date.

If an Employee is reemployed prior to his/her Entry Date, the Employee does not become an Eligible Participant under the Plan until such Entry Date. A rehired Employee who had not satisfied the Plan's minimum age and service conditions prior to termination of employment is eligible to participate in the Plan on the appropriate Entry Date following satisfaction of the eligibility requirements under this Article.

1.8 Operating Rules for Employees Excluded by Class.

(a) Eligible Participant becomes part of an excluded class of Employees. If an Eligible Participant becomes part of an excluded class of Employees, his/her status as an Eligible Participant ceases immediately. As provided in subsection (b) below, such Employee's status as an Eligible Participant will resume immediately upon his/her returning to an eligible class of Employees, regardless of whether such date is a normal Entry Date under the Plan, subject to the application of any Break in Service rules under Section 1.6 and the special rule for Section 401(k) Deferrals under subsection (b) below.

(b) Excluded Employee becomes part of an eligible class of Employee. If an Excluded Employee becomes part of an eligible class of Employees, the following rules apply. If the Entry Date that otherwise would have applied to such Employee following his/her completion of the Plan's minimum age and service conditions has already passed, then the Employee becomes an Eligible Participant on the date he/she becomes part of the eligible class of Employees, regardless of whether such date is a normal Entry Date under the Plan. This requirement is deemed satisfied if the Employee is permitted to commence making Section 401(k) Deferrals as of the beginning of the first payroll period commencing after the Employee becomes part of an eligible class of Employees. If the Entry Date that would have applied to such Employee has not passed, then the Employee becomes an Eligible Participant on such Entry Date. If the Employee has not satisfied the Plan's minimum age and service conditions, the Employee will become an Eligible Participant on the appropriate Entry Date following satisfaction of the eligibility requirements under this Article.

1.9 Relationship to Accrual of Benefits. An Eligible Participant is entitled to accrue benefits in the Plan but will not necessarily do so in every Plan Year that he/she is an Eligible Participant. Whether an Eligible Participant's Account receives an allocation of Employer Contributions depends on the requirements set forth in Part 4 of the Agreement. If an Employee is an Eligible Participant for purposes of making Section 401(k) Deferrals under the 401(k) Agreement, such Employee is treated as an Eligible Participant under the Plan regardless of whether he/she actually elects to make Section 401(k) Deferrals.

1.10 Waiver of Participation. Unless the Employer elects otherwise under Part 13, #57 of the Nonstandardized Agreement [Part 13, #75 of the Nonstandardized 401(k) Agreement], an Eligible Participant may not waive participation under the Plan. For this purpose, a failure to make Section 401(k) Deferrals or Employee After-Tax Contributions under a 401(k) plan is not a waiver of participation. The Employer may elect under Part 13, #57 of the Nonstandardized Agreement [Part 13, #75 of the Nonstandardized 401(k) Agreement] to permit Employees to make a one-time irrevocable election to not participate under the Plan. Such election must be made upon inception of the Plan or at any time prior to the time the Employee first becomes eligible to participate under any plan maintained by the Employer. An Employee who makes a one-time irrevocable election not to participate may not subsequently elect to participate under the Plan. An Employee may not waive participation under a Standardized Agreement.

An Employee who elects not to participate under this Section 1.10 is treated as a nonbenefiting Employee for purposes of the minimum coverage requirements under Code (S)410(b). However, an Employee who makes a one-time irrevocable election not to participate, as described in the preceding paragraph, is not an Eligible Participant for purposes of applying the ADP Test or ACP Test under the 401(k) Agreement. See Section 17.7(e) and (f). A waiver of participation must be filed in the manner, time and on the form required by the Plan Administrator.

ARTICLE 2
EMPLOYER CONTRIBUTIONS AND ALLOCATIONS

This Article describes how Employer Contributions are made to and allocated under the Plan. The type of Employer Contributions that may be made under the Plan and the method for allocating such contributions will depend on the type of Plan involved. Section 2.2 of this BPD provides specific rules regarding contributions and allocations under a profit sharing plan; Section 2.3 provides the rules for a 401(k) plan; Section 2.4 provides the rules for a money purchase plan; and Section 2.5 provides the rules for a target benefit plan. Part 4 of the Agreement contains the elective provisions for the Employer to specify the amount and type of Employer Contributions it will make under the Plan and to designate any limits on the amount it will contribute to the Plan each year. Employee After-Tax Contributions, Rollover Contributions and transfers to the Plan are discussed in Article 3 and the allocation of forfeitures is discussed in Article 5. Part 3 of the Agreement contains elective provisions for determining an Employee's Included Compensation for allocation purposes.

2.1 Amount of Employer Contributions. The Employer shall make Employer Contributions to the Trust as determined under the contribution formula elected in Part 4 of the Agreement. If this Plan is a 401(k) plan, Employer Contributions include Section 401(k) Deferrals, Employer Nonelective Contributions, Employer Matching Contributions, QNECs, QMACs, and Safe Harbor Contributions, to the extent such contributions are elected under the 401(k) Agreement. The Employer has the responsibility for determining the amount and timing of Employer Contributions under the terms of the Plan.

(a) Limitation on Employer Contributions. Employer Contributions are subject to the Annual Additions Limitation described in Article 7 of this BPD. If allocations to a Participant exceed (or will exceed) such limitation, the excess will be corrected in accordance with the rules under Article 7. In addition, the Employer must comply with the special contribution and allocation rules for Top-Heavy Plans under Article 16.

(b) Limitation on Included Compensation. For purposes of determining a Participant's allocation of Employer Contributions under this Article, the Included Compensation taken into account for any Participant for a Plan Year may not exceed the Compensation Dollar Limitation under Section 22.32.

(c) Contribution of property. Subject to the consent of the Trustee, the Employer may make its contribution to the Plan in the form of property, provided such contribution does not constitute a prohibited transaction under the Code or ERISA. The decision to make a contribution of property is subject to the general fiduciary rules under ERISA.

(d) Frozen Plan. The Employer may designate under Part 4, #12 of the Agreement [#3 of the 401(k) Agreement] that the Plan is a frozen Plan. As a frozen Plan, the Employer will not make any Employer Contributions with respect to Included Compensation earned after the date identified in the Agreement, and if the Plan is a 401(k) Plan, no Participant will be permitted to make Section 401(k) Deferrals or Employee After-Tax Contributions to the Plan for any period following the effective date identified in the Agreement.

2.2 Profit Sharing Plan Contribution and Allocations. This Section 2.2 sets forth rules for determining the amount of any Employer Contributions under the profit sharing plan Agreement. This Section 2.2 also applies for purposes of determining any Employer Nonelective Contributions under the 401(k) plan Agreement. In applying this Section 2.2 to the 401(k) Agreement, the term Employer Contribution refers solely to Employer Nonelective Contributions. Any reference to the Agreement under this Section 2.2 is a reference to the profit sharing plan Agreement or 401(k) plan Agreement (as applicable).

(a) Amount of Employer Contribution. The Employer must designate under Part 4, #12 of the profit sharing plan Agreement the amount it will contribute as an Employer Contribution under the Plan. If the Employer adopts the 401(k) plan Agreement and elects to make Employer Nonelective Contributions under Part 4C of the Agreement, the Employer must complete Part 4C, #20 of the Agreement, unless the only Employer Nonelective Contribution authorized under the Plan is a QNEC under Part 4C, #22. An Employer Contribution authorized under this Section may be totally within the Employer's discretion or may be a fixed amount determined as a uniform percentage of each Eligible Participant's Included Compensation or as a fixed dollar amount for each Eligible Participant. An Employer Contribution under this Section will be allocated to the Eligible Participants' Employer Contribution Account in accordance with the allocation formula selected under Part 4, #13 of the Agreement [Part 4C, #21 of the 401(k) Agreement].

(1) Davis-Bacon Contribution Formula. The Employer may elect a Davis-Bacon Contribution Formula under Part 4, #12.d. of the Nonstandardized Agreement [Part 4C, #20.d. of the Nonstandardized 401(k) Agreement]. Under the Davis-Bacon Contribution Formula, the Employer will provide an Employer Contribution for each Eligible Participant who performs Davis-Bacon Act Service. For this purpose, Davis-Bacon Act Service is any service performed by an Employee under a public contract subject to the Davis-Bacon Act or to any other federal, state or municipal prevailing wage

law. Each such Eligible Participant will receive a contribution based on the hourly

contribution rate for the Participant's employment classification, as designated on Schedule A of the Agreement. Schedule A is incorporated as part of the Agreement.

In applying the Davis-Bacon Contribution Formula under this subsection (1), the following default rules will apply. The Employer may modify these default rules under Part 4, #12.d.(2) of the Nonstandardized Agreement [Part 4C, #20.d.(2) of the Nonstandardized 401(k) Agreement].

(i) Eligible Employees. Highly Compensated Employees are Excluded Employees for purposes of receiving an Employer Contribution under the Davis-Bacon Contribution Formula.

(ii) Minimum age and service conditions. No minimum age or service conditions will apply for purposes of determining an Employee's eligibility under the Davis-Bacon Contribution Formula.

(iii) Entry Date. For purposes of applying the Davis-Bacon Contribution Formula, an Employee becomes an Eligible Participant on his/her Employment Commencement Date.

(iv) Allocation conditions. No allocation conditions (as described in Section 2.6) will apply for purposes of determining an Eligible Participant's allocation under the Davis-Bacon Contribution Formula.

(v) Vesting. Employer Contributions made pursuant to the Davis-Bacon Contribution Formula are always 100% vested.

(vi) Offset of other Employer Contributions. The contributions under the Davis Bacon Contribution Formula will not offset any other Employer Contributions under the Plan. However, the Employer may elect under Part 4, #12.d.(1) of the Nonstandardized Agreement [Part 4C, #20.d.(1) of the Nonstandardized 401(k) Agreement] to offset any other Employer Contributions made under the Plan by the contributions a Participant receives under the Davis-Bacon Contribution Formula. Under the Nonstandardized 401(k) plan Agreement, the Employer may elect under Part 4C, #20.d.(1) to apply the offset under this subsection to Employer Nonelective Contributions, Employer Matching Contributions, or both.

(2) Net Profits. The Employer may elect under Part 4, #12 of the Agreement [Part 4B, #16 and Part 4C, #20 of the 401(k) Agreement], to limit any Employer Contribution under the Plan to Net Profits. Unless modified in the Agreement, Net Profits means the Employer's net income or profits determined in accordance with generally accepted accounting principles, without any reduction for taxes based upon income, or the contributions made by the Employer under this Plan or any other qualified plan. Unless specifically elected otherwise under Part 4, #12.e.(2) of the Nonstandardized Agreement [Part 4C, #20.e.(2) of the Nonstandardized 401(k) Agreement], this limit will not apply to any Employer Contributions made under a Davis-Bacon Contribution Formula.

(3) Multiple formulas. If the Employer elects more than one Employer Contribution formula, each formula is applied separately. The Employer's aggregate Employer Contribution for a Plan Year will be the sum of the Employer Contributions under all such formulas.

(b) Allocation formula for Employer Contributions. The Employer must elect a definite allocation formula under Part 4, #13 of the profit sharing plan Agreement that determines how much of the Employer Contribution is allocated to each Eligible Participant. If the Employer adopts the 401(k) plan Agreement and elects to make an Employer Nonelective Contribution (other than a QNEC) under Part 4C, #20 of the Agreement, Part 4C, #21 also must be completed designating the allocation formula under the Plan. An Eligible Participant is only entitled to an allocation if such Participant satisfies the allocation conditions described in Part 4, #15 of the Agreement [Part 4C, #24 of the 401(k) Agreement]. See Section 2.6.

(1) Pro Rata Allocation Method. If the Employer elects the Pro Rata Allocation Method, a pro rata share of the Employer Contribution is allocated to each Eligible Participant's Employer Contribution Account. A Participant's pro rata share is determined based on the ratio such Participant's Included Compensation bears to the total of all Eligible Participants' Included Compensation. However, if the Employer elects under Part 4, #12.c. of the Agreement [Part 4C, #20.c. of the 401(k) Agreement] to contribute a uniform dollar amount for each Eligible Participant, the pro rata allocation method allocates that uniform dollar amount to each Eligible Participant. If the Employer elects a Davis-Bacon Contribution Formula under Part 4, #12.d. of the Nonstandardized Agreement [Part 4C, #20.d. of the Nonstandardized 401(k) Agreement], the Employer Contributions made pursuant to such formula will be allocated to each Eligible

Participant based on his/her Davis-Bacon Act Service in accordance with the employment classifications identified under Schedule A of the Agreement.

(2) Permitted Disparity Method. If the Employer elects the Permitted Disparity Method, the Employer Contribution is allocated to Eligible Participants under the Two-Step Formula or the Four-Step Formula (as elected under the Agreement). The Permitted Disparity Method only may apply if the Employer elects under the Agreement to make a discretionary contribution. The Employer may not elect the Permitted Disparity Method under the Plan if another qualified plan of the Employer, which covers any of the same Employees, uses permitted disparity in determining the allocation of contributions or the accrual of benefits under the plan.

For purposes of applying the Permitted Disparity Method, Excess Compensation is the portion of an Eligible Participant's Included Compensation that exceeds the Integration Level. The Integration Level is the Taxable Wage Base, unless the Employer designates a different amount under Part 4, #14.b.(2) of the Agreement [Part 4C, #23.b.(2) of the 401(k) Agreement].

(i) Two-Step Formula. If the Employer elects the Two-Step Formula, the following allocation method applies. However, the Employer may elect under Part 4, #14.b.(1) of the Agreement [Part 4C, #23.b.(1) of the 401(k) Agreement] to have the Four-Step Method, as described in subsection (ii) below, automatically apply for any Plan Year in which the Plan is a Top-Heavy Plan.

(A) Step One. The Employer Contribution is allocated to each Eligible Participant's Account in the ratio that each Eligible Participant's Included Compensation plus Excess Compensation for the Plan Year bears to the total Included Compensation plus Excess Compensation of all Eligible Participants for the Plan Year. The allocation under this Step One, as a percentage of each Eligible Participant's Included Compensation plus Excess Compensation, may not exceed the Applicable Percentage under the following table:

Integration Level (as a % of the Taxable Wage Base)	Applicable Percentage
100%	5.7%
More than 80% but less than 100%	5.4%
More than 20% and not more than 80%	4.3%
20% or less	5.7%

(B) Step Two. Any Employer Contribution remaining after Step One will be allocated in the ratio that each Eligible Participant's Included Compensation for the Plan Year bears to the total Included Compensation of all Eligible Participants for the Plan Year.

(ii) Four-Step Formula. If the Employer elects the Four-Step Formula, or if the Plan is a Top-Heavy Plan and the Employer elects under the Agreement to have the Four-Step Formula apply for any Plan Year that the Plan is a Top-Heavy Plan, the following allocation method applies. The allocation under this Four-Step Formula may be modified if the Employer maintains a Defined Benefit Plan and elects under Part 13, #54.b. of the Agreement [Part 13, #72.b. of the 401(k) Agreement] to provide a greater top-heavy minimum contribution. See Section 16.2(a)(5)(ii).

(A) Step One. The Employer Contribution is allocated to each Eligible Participant's Account in the ratio that each Eligible Participant's Total Compensation for the Plan Year bears to all Eligible Participants' Total Compensation for the Plan Year, but not in excess of 3% of each Eligible Participant's Total Compensation.

For any Plan Year for which the Plan is a Top-Heavy Plan, an allocation will be made under this subsection (A) to any Non-Key Employee who is an Eligible Participant (and is not an Excluded Employee) if such individual is employed as of the last day of the Plan Year, even if such individual fails to satisfy any minimum Hours of Service allocation condition under Part 4, #15 of the Agreement [Part 4C, #24 of the 401(k) Agreement]. If the Plan is a Top-Heavy 401(k) Plan, an allocation also will be made under this subsection (A) to any

Employee who is an Eligible Participant for purposes of making Section 401(k) Deferrals under the Plan, even if the individual has not satisfied the minimum age and service conditions under Part 1, #5 of the Agreement applicable to any other contribution types.

(B) Step Two. Any Employer Contribution remaining after the allocation in Step One will be allocated to each Eligible Participant's Account in the ratio that each Eligible Participant's Excess Compensation for the Plan Year bears to the Excess Compensation of all Eligible Participants for the Plan Year, but not in excess of 3% of each Eligible Participant's Included Compensation.

(C) Step Three. Any Employer Contribution remaining after the allocation in Step Two will be allocated to each Eligible Participant's Account in the ratio that the sum of each Eligible Participant's Included Compensation and Excess Compensation bears to the sum of all Eligible Participants' Included Compensation and Excess Compensation. The allocation under this Step Three, as a percentage of each Eligible Participant's Included Compensation plus Excess Compensation, may not exceed the Applicable Percentage under the following table:

Integration Level (as a % of the Taxable Wage Base)	Applicable Percentage
100%	2.7%
More than 80% but less than 100%	2.4%
More than 20% and not more than 80%	1.3%
20% or less	2.7%

(D) Step Four. Any remaining Employer Contribution will be allocated to each Eligible Participant's Account in the ratio that each Eligible Participant's Included Compensation for the Plan Year bears to all Eligible Participants' Included Compensation for that Plan Year.

(3) Uniform points allocation. The Employer may elect under Part 4, #13.c. of the Nonstandardized Agreement [Part 4C, #21.c. of the Nonstandardized 401(k) Agreement] to allocate the Employer Contribution under a uniform points allocation formula. Under this formula, the allocation for each Eligible Participant is determined based on the Eligible Participant's total points for the Plan Year, as determined under the Nonstandardized Agreement. An Eligible Participant's allocation of the Employer Contribution is determined by multiplying the Employer Contribution by a fraction, the numerator of which is the Eligible Participant's total points for the Plan Year and the denominator of which is the sum of the points for all Eligible Participants for the Plan Year.

An Eligible Participant will receive points for each year(s) of age and/or each Year(s) of Service designated under Part 4, #13.c. of the Nonstandardized Agreement [Part 4C, #21.c. of the Nonstandardized 401(k) Agreement]. In addition, an Eligible Participant also may receive points based on his/her Included Compensation, if the Employer so elects under the Nonstandardized Agreement. Each Eligible Participant will receive the same number of points for each designated year of age and/or service and the same number of points for each designated level of Included Compensation. An Eligible Participant must receive points for either age or service, or may receive points for both age and service. If the Employer also provides points based on Included Compensation, an Eligible Participant will receive points for each level of Included Compensation designated under Part 4, #13.c.(3) of the Nonstandardized Agreement [Part 4C, #21.c.(3) of the Nonstandardized 401(k) Agreement]. For this purpose, the Employer may not designate a level of Included Compensation that exceeds $200.

To satisfy the nondiscrimination safe harbor under Treas. Reg. (S). 1.401(a)(4)-2, the average of the allocation rates for Highly Compensated Employees in the Plan must not exceed the average of the allocation rates for the Nonhighly Compensated Employees in the Plan. For this purpose, the average allocation rates are determined in accordance with Treas. Reg. (S). 1.401(a)(4)-2(b)(3)(B).

(c) Special rules for determining Included Compensation.

(1) Applicable period for determining Included Compensation. In determining an Eligible Participant's allocation under Part 4, #13 of the Agreement [Part 4C, #21 of the 401(k) Agreement], the Participant's Included Compensation is determined separately for each period designated under Part 4, #14.a.(1) of the Agreement [Part 4C, #23.a.(1) of the 401(k) Agreement]. If the Employer elects the Permitted Disparity Method under Part 4, #13.b. of the Agreement [Part 4C, #21.b. of the 401(k) Agreement], the period designated must be the Plan Year. If the Employer elects the Pro Rata Allocation Method or the uniform points allocation formula, and elects a period other than the Plan Year, a Participant's allocation of Employer Contributions will be determined separately for each period based solely on Included Compensation for such period. The Employer need not actually make the Employer Contribution during the designated period, provided the total Employer Contribution for the Plan Year is allocated based on the proper Included Compensation.

(2) Partial period of participation. If an Employee is an Eligible Participant for only part of a Plan Year, the Employer Contribution formula(s) will be applied based on such Employee's Included Compensation for the period he/she is an Eligible Participant. However, the Employer may elect under Part 4, #14.a.(2) of the Agreement [Part 4C, #23.a.(2) of the 401(k) Agreement] to base the Employer Contribution formula(s) on the Employee's Included Compensation for the entire Plan Year, including the portion of the Plan Year during which the Employee is not an Eligible Participant. In applying this subsection (2) to the 401(k) Agreement, an Employee's status as an Eligible Participant is determined solely with respect to the Employer Nonelective Contribution under Part 4C of the Agreement.

(3) Measurement period. Except as provided in subsection (2) above, for purposes of determining an Eligible Participant's allocation of Employer Contributions, Included Compensation is measured on the Plan Year, unless the Employer elects under Part 4, #14.a.(3) of the Nonstandardized Agreement [Part 3, #___.b. of the Nonstandardized 401(k) Agreement] to measure Included Compensation on the calendar year ending in the Plan Year or on the basis of any other 12-month period ending in the Plan Year. If the Employer elects to measure Included Compensation on the calendar year or other 12-month period ending in the Plan Year, the Included Compensation of any Employee whose Employment Commencement Date is less than 12 months before the end of such period must be measured on the Plan Year or such Employee's period of participation, as determined under subsection (2) above. If the Employer adopts the Nonstandardized 401(k) Agreement, any election under Part 3, #1l.b. of the Agreement applies for purposes of all contributions permitted under the Agreement.

2.3 401(k) Plan Contributions and Allocations. This Section 2.3 applies if the Employer has adopted the 401(k) plan Agreement. The 401(k) Agreement is a profit sharing plan with a 401(k) feature. Any reference to the Agreement under this Section 2.3 is a reference to the 401(k) Agreement. The Employer must designate under Part 4 of the Agreement the amount and type of Employer Contributions it will make under the Plan. Employer Contributions under a 401(k) plan are generally subject to special limits and nondiscrimination rules. (See Article 17 for a discussion of the special rules that apply to the Employer Contributions under a 401(k) plan.) The Employer may make any (or all) of the following contributions under the 401(k) Agreement.

(a) Section 401(k) Deferrals. If so elected under Part 4A of the Agreement, an Eligible Participant may enter into a Salary Reduction Agreement with the Employer authorizing the Employer to withhold a specific dollar amount or a specific percentage from the Participant's Included Compensation and to deposit such amount into the Participant's Section 401(k) Deferral Account under the Plan. An Eligible Participant may defer with respect to Included Compensation that exceeds the Compensation Dollar Limitation, provided the deferrals otherwise satisfy the limitations under Code (S)402(g) and any other limitations under the Plan. A Salary Reduction Agreement may only relate to Included Compensation that is not currently available at the time the Salary Reduction Agreement is completed. An Employer may elect under Part 4A, #15 of the Agreement to provide a special effective date solely for Section 401 (k) Deferrals under the Plan.

An Employee's Section 401(k) Deferrals are treated as Employer Contributions for all purposes under this Plan, except as otherwise provided under the Code or Treasury regulations. If the Employer adopts the Nonstandardized 401(k) Agreement and does not elect to allow Section 401(k) Deferrals under Part 4A of the Agreement, the only contributions an Eligible Participant may make to the Plan are Employee After-Tax Contributions as authorized under Article 3 of this BPD and Part 4D of the Nonstandardized Agreement. In either case, an Eligible Participant may also receive Employer Nonelective Contributions and/or Employer Matching Contributions under the Plan, to the extent authorized under the Agreement. (The Employee may not make Employee After-Tax Contributions under the Standardized 401(k) Agreement.)

(1) Change in deferral election. At least once a year, an Eligible Participant may enter into a new Salary Reduction Agreement, or

may change his/her elections under an existing Salary Reduction Agreement, at the time and in the manner prescribed by the Plan Administrator on the Salary

Reduction Agreement form (or other written procedures). The Salary Reduction Agreement may also provide elections as to the investment funds into which the Section 401(k) Deferrals will be contributed and the time and manner a Participant may change such elections.

(2) Automatic deferral election. If elected under Part 4A, #14 of the Agreement, the Employer will automatically withhold the amount designated under Part 4A, #14 from Eligible Participants' Included Compensation for payroll periods starting with such Participants' Entry Date, unless the Eligible Participant completes a Salary Reduction Agreement electing a different deferral amount (including a zero deferral amount). The Employer must designate in Part 4A, #14 of the Agreement the date as of which an Employee's deferral election will be taken into account to override the automatic deferral election under this subparagraph (2). This automatic deferral election does not apply to any Eligible Participant who has elected to defer an amount equal to or greater than the automatic deferral amount designated in Part 4A, #14 of the Agreement. The Employer may elect under Part 4A, #14.b. of the Agreement to apply the automatic deferral election only to Employees who become Eligible Participants after a specified date. The Plan Administrator will deposit all amounts withheld pursuant to this automatic deferral election into the appropriate Participant's Section 401(k) Deferral Account.

Prior to the time an automatic deferral election first goes into effect, an Eligible Participant must receive written notice concerning the effect of the automatic deferral election and his/her right to elect a different level of deferral under the Plan, including the right to elect not to defer. After receiving the notice, an Eligible Participant must have a reasonable time to enter into a new Salary Reduction Agreement before any automatic deferral election goes into effect.

(b) Employer Matching Contributions. If so elected under Part 4B of the Agreement, the Employer will make an Employer Matching Contribution, in accordance with the matching contribution formula(s) selected in Part 4B, #16, to Eligible Participants who satisfy the allocation conditions under Part 4B, #19 of the Agreement. See Section 2.6. Any Employer Matching Contribution determined under Part 4B, #16 will be allocated to the Eligible Participant's Employer Matching Contribution Account.

(1) Applicable contributions. The Employer must elect under the Nonstandardized Agreement whether the matching contribution formula(s) applies to Section 401(k) Deferrals, Employee After-Tax Contributions, or both. Under the Standardized Agreement, Employer Matching Contributions apply only to Section 401(k) Deferrals. The contributions eligible for an Employer Matching Contribution are referred to under this Section as "applicable contributions." If a matching formula applies to both Section 401(k) Deferrals and Employee After-Tax Contributions, such contributions are aggregated to determine the Employer Matching Contribution allocated under the formula.

(2) Multiple formulas. If the Employer elects more than one matching contribution formula under Part 4B, #16 of the Agreement, each formula is applied separately. An Eligible Participant's aggregate Employer Matching Contributions for a Plan Year will be the sum of the Employer Matching Contributions the Participant is entitled to under all such formulas.

(3) Applicable contributions taken into account under the matching contribution formula. The Employer must elect under Part 4B, #17.a. of the Agreement the period for which the applicable contributions are taken into account in applying the matching contribution formula(s) and in applying any limits on the amount of such contributions that may be taken into account under the formula(s). In applying the matching contribution formula(s), applicable contributions (and Included Compensation) are determined separately for each designated period and any limits on the amount of applicable contributions taken into account under the matching contribution formula(s) are applied separately for each designated period.

(4) Partial period of participation. In applying the matching contribution formula(s) under the Plan to an Employee who is an Eligible Participant for only part of the Plan Year, the Employer may elect under Part 4B, #17.b. of the Agreement to take into account Included Compensation for the entire Plan Year or only for the portion of the Plan Year during which the Employee is an Eligible Participant. Alternatively, the Employer may elect under Part 4B, #17.b.(3) of the Agreement to take into account Included Compensation only for the period that the Employee actually makes applicable contributions under the Plan. In applying this subsection (4), an Employee's status as an Eligible Participant is determined solely with respect to the Employer Matching Contribution under Part 4B of the Agreement.

(c) Qualified Matching Contributions (QMACs). If so elected under Part 4B, #18 of the Agreement, the Employer may treat all (or a portion) of its Employer Matching Contributions as QMACs. If an Employer Matching Contribution is designated as a QMAC, it must satisfy the requirements

for a QMAC (as described in Section 17.7(g)) at the time the contribution is made to the Plan and must be allocated to the Participant's

QMAC Account. To the extent an Employer Matching Contribution is treated as a QMAC under Part 4B, #18, such contribution will be 100% vested, regardless of any inconsistent elections under Part 6 of the Agreement relating to Employer Matching Contributions. (See Sections 17.2(d)(2) and 17.3(d)(2) for the ability to make QMACs to correct an ADP or ACP failure without regard to any election under Part 4B, #18 of the Agreement.)

Under Part 4B, #18, the Employer may designate all Employer Matching Contributions as QMACs or may designate only those Employer Matching Contributions under specific matching contribution formula(s) to be QMACs. Alternatively, the Employer may authorize a discretionary QMAC, in addition to the Employer Matching Contributions designated under Part 4B, #16, to be allocated uniformly as a percentage of Section 401(k) Deferrals made during the Plan Year. The Employer may elect under the Agreement to allocate the discretionary QMAC only to Eligible Participants who are Nonhighly Compensated Employees or to all Eligible Participants. If the Employer elects both a discretionary Employer Matching Contribution formula and a discretionary QMAC formula, the Employer must designate, in writing, the extent to which any matching contribution is intended to be an Employer Matching Contribution or a QMAC.

(d) Employer Nonelective Contributions. If so elected under Part 4C of the Agreement, the Employer may make Employer Nonelective Contributions on behalf of each Eligible Participant under the Plan who has satisfied the allocation conditions described in Part 4C, #24 of the Agreement. See Section 2.6. The Employer must designate under Part 4C, #20 of the Agreement the amount of any Employer Nonelective Contributions it wishes to make under the Plan. The amount of any Employer Nonelective Contributions authorized under the Plan and the method of allocating such contributions is described in Section 2.2 of this Article.

(e) Qualified Nonelective Contributions (QNECs). The Employer may elect under Part 4C, #22 of the Agreement to permit discretionary QNECs under the Plan. A QNEC must satisfy the requirements for a QNEC (as described in Section 17.7(h)) at the time the contribution is made to the Plan and must be allocated to the Participant's QNEC Account. If the Plan authorizes the Employer to make both a discretionary Employer Nonelective Contribution and a discretionary QNEC, the Employer must designate, in writing, the extent to which any contribution is intended to be an Employer Nonelective Contribution or a QNEC. To the extent an Employer Nonelective Contribution is treated as a QNEC under Part 4C, #22, such contribution will be 100% vested, regardless of any inconsistent elections under Part 6 of the Agreement relating to Employer Nonelective Contributions. (See Sections 17.2(d)(2) and 17.3(d)(2) for the ability to make QNECs to correct an ADP or ACP failure without regard to any election under Part 4C, #22 of the Agreement.)

If the Employer makes a QNEC for the Plan Year, it will be allocated to Participants' QNEC Account based on the allocation method selected by the Employer under Part 4C, #22 of the Agreement. An Eligible Participant will receive a QNEC allocation even if he/she has not satisfied any allocation conditions designated under Part 4C, #24 of the Agreement, unless the Employer elects otherwise under the Part 4C, #22.c. of the Agreement.

(1) Pro Rata Allocation Method. If the Employer elects the Pro Rata Allocation Method under Part 4C, #22.a. of the Agreement, any Employer Nonelective Contribution properly designated as a QNEC will be allocated as a uniform percentage of Included Compensation to all Eligible Participants who are Nonhighly Compensated Employees or to all Eligible Participants, as specified under Part 4C, #22.a.

(2) Bottom-up QNEC method. If the Employer elects the Bottom-up QNEC method under Part 4C, #22.b. of the Agreement, any Employer Nonelective Contribution properly designated as a QNEC will be first allocated to the Eligible Participant with the lowest Included Compensation for the Plan Year for which the QNEC is being allocated. To receive an allocation of the QNEC under this subsection (2), the Eligible Participant must be a Nonhighly Compensated Employee for the Plan Year for which the QNEC is being allocated.

The QNEC will be allocated to the Eligible Participant with the lowest Included Compensation until all of the QNEC has been allocated or until the Eligible Participant has reached his/her Annual Additions Limitation, as described in Article 7. For this purpose, if two or more Eligible Participants have the same Included Compensation, the QNEC will be allocated equally to each Eligible Participant until all of the QNEC has been allocated, or until each Eligible Participant has reached his/her Annual Additions Limitation. If any QNEC remains unallocated, this process is repeated for the Eligible Participant(s) with the next lowest level of Included Compensation in accordance with the provisions under this subsection (2), until all of the QNEC is allocated.

(f) Safe Harbor Contributions. If so elected under Part 4E of the 401(k) Agreement, the Employer may elect to treat this Plan as a Safe Harbor 401(k) Plan. To qualify as a Safe Harbor 401(k) Plan, the Employer must make a Safe Harbor Nonelective Contribution or a Safe Harbor

Matching Contribution under the Plan. Such contributions are subject to special vesting and distribution restrictions and must be allocated to the Eligible

Participants' Safe Harbor Nonelective Contribution Account or Safe Harbor Matching Contribution Account, as applicable. Section 17.6 describes the requirements that must be met to qualify as a Safe Harbor 401(k) Plan and the method for calculating the amount of the Safe Harbor Contribution that must be made under the Plan.

(g) Prior SIMPLE 401(k) plan. If this Agreement is being used to amend or restate a 401(k) plan which complied with the SIMPLE 401(k) plan provisions under Code (S)401(k)(11), any provision in this Agreement which is inconsistent with the SIMPLE 401(k) plan provisions is not effective for any Plan Year during which the plan complied with the SIMPLE 401(k) plan provisions.

2.4 Money Purchase Plan Contribution and Allocations. This Section 2.4 applies if the Employer has adopted the money purchase plan Agreement. Any reference to the Agreement under this Section 2.4 is a reference to the money purchase plan Agreement.

(a) Employer Contributions. The Employer must elect under Part 4 of the Nonstandardized Agreement to make Employer Contributions under one or more of the following methods:

(1) as a uniform percentage of each Eligible Participant's Included Compensation;

(2) as a uniform dollar amount for each Eligible Participant;

(3) under the Permitted Disparity Method (using either the individual method or group method);

(4) under a formula based on service with the Employer; or

(5) under a Davis-Bacon Contribution Formula.

Under the Standardized Agreement, the Employer may only elect to make an Employer Contribution as a uniform percentage of Included Compensation, a uniform dollar amount, or under the Permitted Disparity Method.

An Eligible Participant is only entitled to share in the Employer Contribution if such Participant satisfies the allocation conditions described under Part 4, #15 of the Agreement. See Section 2.6.

If the Employer elects more than one Employer Contribution formula under Part 4, #12 of the Agreement, each formula is applied separately. An Eligible Participant's aggregate Employer Contributions for a Plan Year will be the sum of the Employer Contributions the Participant is entitled to under all such formulas.

(b) Uniform percentage or uniform dollar amount. The contribution made by the Employer must be allocated to Eligible Participants in a definitely determinable manner. If the Employer elects to make an Employer Contribution as a uniform percentage of Included Compensation under Part 4, #12.a. of the Agreement or as a uniform dollar amount under Part 4, #12.b. of the Agreement, each Eligible Participant's allocation of the Employer Contribution will equal the amount determined under the contribution formula elected under the Agreement.

(c) Permitted Disparity Method. The Employer may elect under Part 4, #12.c. of the Agreement to use the Permitted Disparity Method using either the individual method or the group method. An Employer may not elect a Permitted Disparity Method under the Plan if another qualified plan of the Employer, which covers any of the same Employees, uses permitted disparity in determining the allocation of contributions or accrual of benefits under the plan.

For purposes of applying the Permitted Disparity Method, Excess Compensation is the portion of an Eligible Participant's Included Compensation that exceeds the Integration Level. The Integration Level is the Taxable Wage Base, unless the Employer designates a different amount under Part 4, #14.b. of the Agreement.

(1) Individual method. If the Employer elects the Permitted Disparity Method using the individual method, each Eligible Participant will receive an allocation of the Employer Contribution equal to the amount determined under the contribution formula under Part 4, #12.c.(1) of the Agreement. Under the individual Permitted Disparity Method, the Employer will contribute (i) a fixed percentage of each Eligible Participant's Included Compensation for the Plan Year plus (ii) a fixed percentage of each Eligible Participant's Excess Compensation. The percentage of each Eligible Participant's Excess Compensation under (ii) may not exceed the lesser of the percentage of total Included Compensation contributed under (i) or the Applicable Percentage under the following table:

Integration Level (As a percentage of the Taxable Wage Base)	Applicable Percentage
100%	5.7%
More than 80% but less than 100%	5.4%
More than 20% and not more than 80%	4.3%
20% or less	5.7%

(2) Group method. If the Employer elects the Permitted Disparity Method using the group method under Part 4, #12.c.(2) of the Agreement, the Employer will contribute a fixed percentage (as designated in the Agreement) of the total Included Compensation for the Plan Year of all Eligible Participants. The total Employer Contribution is then allocated among the Eligible Participants under either the Two-Step Formula or the Four-Step Formula described below.

(i) Two-Step Formula. If the Employer elects the Two-Step Formula, the Employer Contribution will be allocated in the same manner as under Section 2.2(b)(2)(i) above. However, the Employer may elect to have the Four-Step Formula automatically apply for any Plan Year in which the Plan is a Top-Heavy Plan.

(ii) Four-Step Formula. If the Employer elects the Four-Step Formula or if the Plan is a Top-Heavy Plan and the Employer elects to have the Four-Step Formula apply for Plan Years when the Plan is a Top-Heavy Plan, the Employer Contribution will be allocated to Eligible Participants in the same manner as under Section 2.2(b)(2)(ii) above.

(d) Contribution based on service. The Employer may elect under Part 4, #12.d. of the Nonstandardized Agreement to provide an Employer Contribution for each Eligible Participant based on the service performed by such Eligible Participant during the Plan Year (or other period designated under Part 4, #13.a. of the Agreement). The Employer may provide a fixed dollar amount of a fixed percentage of Included Compensation for each Hour of Service, each week of employment or any other measuring period selected under Part 4, #12.d. of the Nonstandardized Agreement. If the Employer elects to make a contribution based on service, each Eligible Participant will receive an allocation of the Employer Contribution equal to the amount determined under the contribution formula under Part 4, #12.d. of the Nonstandardized Agreement.

(e) Davis-Bacon Contribution Formula. The Employer may elect under Part 4, #12.e. of the Nonstandardized Agreement to provide an Employer Contribution for each Eligible Participant who performs Davis-Bacon Act Service. For this purpose, Davis-Bacon Act Service is any service performed by an Employee under a public contract subject to the Davis-Bacon Act or to any other federal, state or municipal prevailing wage law. Each such Eligible Participant will receive a contribution based on the hourly contribution rate for the Participant's employment classification, as designated on Schedule A of the Agreement. Schedule A is incorporated as part of the Agreement. In applying the Davis-Bacon Contribution Formula under this subsection (e), the following default rules will apply. The Employer may modify these default rules under Part 4, #12.e.(2) of the Nonstandardized Agreement

(1) Eligible Employees. Highly Compensated Employees are Excluded Employees for purposes of receiving an Employer Contribution under the Davis-Bacon Contribution Formula.

(2) Minimum age and service conditions. No minimum age or service conditions will apply for purposes of determining an Employee's eligibility under the Davis-Bacon Contribution Formula.

(3) Entry Date. For purposes of applying the Davis-Bacon Contribution Formula, an Employee becomes an Eligible Participant on his/her Employment Commencement Date.

(4) Allocation conditions. No allocation conditions (as described in Section 2.6) will apply for purposes of determining an Eligible Participant's allocation under the Davis-Bacon Contribution Formula.

(5) Vesting. Employer Contributions made pursuant to the Davis-Bacon Contribution Formula are always 100% vested.

(6) Offset of other Employer Contributions. The contributions under the Davis Bacon Contribution Formula will not offset any other Employer Contributions under the Plan. However, the Employer may elect under Part 4, #12.e.(1) of the Nonstandardized Agreement to offset any other Employer

Contributions made under the Plan by the Employer Contributions a Participant receives under the Davis-Bacon Contribution Formula.
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(f) Applicable period for determining Included Compensation. In determining the amount of Employer Contribution to be allocated to an Eligible Participant, Included Compensation is determined separately for each period designated under Part 4, #13.a. of the Agreement. If the Employer elects the Permitted Disparity Method under Part 4, #12.c. of the Agreement, the period designated under Part 4, #13.a. must be the Plan Year. If the Employer elects an Employer Contribution formula under Part 4, #12 of the Agreement other than the Permitted Disparity Method, and elects a period under Part 4, #13.a. other than the Plan Year, a Participant's allocation of Employer Contributions will be determined separately for each period based solely on Included Compensation for such period. If the Employer elects the service formula under Part 4, #12.d. of the Nonstandardized Agreement, the Employer Contribution also will be determined separately for each period designated under Part 4, #13.a. of the Agreement based on service performed during such period. The Employer need not actually make the Employer Contribution during the designated period, provided the total Employer Contribution for the Plan Year is allocated based on the proper Included Compensation.

(g) Special rules for determining Included Compensation. The same rules as discussed under Section 2.2(c)(2) apply to permit the Employer to elect under Part 4, #13.b. of the Agreement to take into account an Employee's Included Compensation for the entire Plan Year, even if the Employee is an Eligible Participant for only part of the Plan Year. If no election is made under Part 4, #13.b., only Included Compensation for the portion of the Plan Year while an Employee is an Eligible Participant will be taken into account in determining an Employee's Employer Contribution under the Plan. The Employer also may elect under Part 4, #13.c. of the Agreement to take into account Included Compensation for the calendar year ending in the Plan Year or other 12-month period, as provided in Section 2.2(c)(3).

(h) Limit on contribution where Employer maintains another plan in addition to a money purchase plan. If the Employer adopts the money purchase plan Agreement and also maintains another qualified retirement plan, the contribution to be made under the money purchase plan Agreement (as designated in Part 4 of the Agreement) will not exceed the maximum amount that is deductible under Code (S)404(a)(7), taking into account all contributions that have been made to the plans prior to the date a contribution is made under the money purchase plan Agreement.

2.5 Target Benefit Plan Contribution. This Section 2.5 applies if the Employer has adopted the target benefit plan Agreement. Any reference to the Agreement under this Section 2.5 is a reference to the target benefit plan Agreement.

(a) Stated Benefit. A Participant's Stated Benefit, as of any Plan Year, is the amount determined in accordance with the benefit formula selected under Part 4 of the Agreement, payable annually in the form of a Straight Life Annuity commencing upon the Participant's Normal Retirement Age (as defined in Part 5 of the Agreement) or current age (if later). In applying the benefit formula under Part 4, all projected Years of Participation (as defined in subsection (d)(10) below) are counted beginning with the first Plan Year and projecting through the last day of the Plan Year in which the Participant attains Normal Retirement Age (or the current Plan Year, if later), assuming all relevant factors remain constant for future Plan Years. For this purpose, the first Plan Year is the latest of:

(1) the first Plan Year in which the Participant becomes an Eligible Participant;

(2) the first Plan Year immediately following a Plan Year in which the Plan did not satisfy the target benefit plan safe harbor under Treas. Reg. (S)1.401(a)(4)-8(b)(3); or

(3) the first Plan Year taken into account under the Plan's benefit formula, as designated in Part 4, #13.c. of the Agreement. If Part 4, #13.c. is not completed, the first Plan Year taken into account under this subsection (3) will be the original Effective Date of this Plan, as designated under #59.a. or #59.b.(2) of the Agreement, as applicable.

If this Plan is a "prior safe harbor plan" then, solely for purposes of determining projected Years of Participation, the Plan is deemed to satisfy the target benefit plan safe harbor under Treas. Reg. (S) 1.401(a)(4)-8(b)(3) and the Participant is treated as an Eligible Participant under the Plan for any Plan Year beginning prior to January 1, 1994. This Plan is a prior safe harbor plan if it was originally in effect on September 19, 1991, and on that date the Plan contained a stated benefit formula that took into account service prior to that date, and the Plan satisfied the applicable nondiscrimination requirements for target benefit plans for those prior years. For purposes of determining whether a plan satisfies the applicable nondiscrimination requirements for target benefit plans for Plan Years beginning before January 1, 1994, no amendments after September 19, 1991, other than amendments necessary to satisfy (S)401(1) of the Code, will be taken into account.

(b) Employer Contribution. Each Plan Year, the Employer will contribute to the Plan on behalf of each Eligible Participant who has satisfied the allocation conditions under Part 4, #15 of the Agreement, an amount necessary to fund the Paricipant's Stated Benefit, determined in accordance with the benefit formula selected under Part 4, #13 of the Agreement. The Employer's required contribution may be reduced by forfeitures in accordance with the provisions of Section 5.5(b).

(1) Participant has not reached Normal Retirement Age. If a Participant has not reached Normal Retirement Age by the last day of the Plan Year, the Employer Contribution for such Plan Year with respect to that Participant is the excess, if any, of the Present Value Stated Benefit (as defined in subsection (3) below) over the Theoretical Reserve (as defined in subsection (4) below), multiplied by the appropriate Amortization Factor from Table II under Exhibit A of the Agreement. The factors under Table II are determined based on the applicable interest rate assumptions selected under Part 4, #14.b.(1) of the Agreement.

(2) Participant has reached Normal Retirement Age. If a Participant has reached Normal Retirement Age by the last day of the Plan Year, the Employer Contribution for such Plan Year with respect to that Participant is the excess, if any, of the Present Value Stated Benefit (as defined in subsection (3) below) over the Theoretical Reserve (as defined in subsection (4) below).

(3) Present Value Stated Benefit. For purposes of determining the Employer Contribution under the Plan, a Participant's Present Value Stated Benefit is the Participant's Stated Benefit multiplied by the appropriate present value factor under Table I or Table IA, as appropriate (if the Participant has not attained Normal Retirement Age) or Table IV (if the Participant has attained Normal Retirement Age). The Present Value Stated Benefit must be further adjusted by the factors under Table III if the Normal Retirement Age under the Plan is other than age 65. (See Exhibit A under the Agreement for the applicable factors. The applicable factors are determined based on the applicable interest rate assumptions selected under Part 4, #14.b.(1) of the Agreement and assuming a UP-1984 mortality table. If the Employer elects a different applicable mortality table under Part 4, #14.b.(2), appropriate factors must be attached to the Agreement.)

(4) Theoretical Reserve. Except as provided in the following paragraph, for the first Plan Year for which the Stated Benefit is determined (see subsection (a) above), a Participant's Theoretical Reserve is zero. For each subsequent Plan Year, the Theoretical Reserve is the sum of the Theoretical Reserve for the prior Plan Year plus the Employer Contribution required for such prior Plan Year. The sum is then adjusted for interest (using the Plan's interest assumptions for the prior Plan Year) through the last day of the current Plan Year. For any Plan Year following the Plan Year in which the Participant attains Normal Retirement Age, no interest adjustment is required. For purposes of determining a Participant's Theoretical Reserve, minimum contributions required solely to comply with the Top-Heavy Plan rules under Article 16 are not included.

If this Plan was a prior safe harbor plan (see the definition of prior safe harbor plan under subsection (a) above), with a benefit formula that takes into account Plan Years prior to the first Plan Year this Plan satisfies the target benefit plan safe harbor under Treas. Reg. (S)1.401(a)(4)-8(b)(3)(c), the Theoretical Reserve for the first Plan Year is determined by subtracting the result in subsection (ii) from the result in subsection (i).

(i) Determine the present value of the Stated Benefit as of the last day of the Plan Year immediately preceding the first Plan Year this Plan satisfies the target benefit plan safe harbor under Treas. Reg. (S)1.401(a)(4)-8(b)(3)(c), using the actuarial assumptions, the provisions of the Plan, and the Participant's compensation as of such date. For a Participant who has attained Normal Retirement Age, the Stated Benefit will be determined using the actuarial assumptions, the provisions of the Plan, and the Participant's compensation as of such date, using a straight life annuity factor for a Participant whose attained age is the Normal Retirement Age under the Plan.

(ii) Determine the present value of future Employer Contributions (i.e., the Employer Contributions due each Plan Year using the actuarial assumptions, the provisions of the Plan (disregarding those provisions of the Plan providing for the limitations of (S)415 of the Code or the minimum contributions under (S)416 of the Code)), and the Participant's compensation as of such date, beginning with the first Plan Year through the end of the Plan Year in which the Participant attains Normal Retirement Age.

(c) Benefit formula. The Employer may elect under Part 4 of the Agreement to apply a Nonintegrated Benefit Formula or an Integrated Benefit Formula. The benefit formula selected under Part 4 of the Agreement must comply with the target benefit plan safe harbor rules under

Treas. Reg. (S) 1.401(a)(4)-8(b)(3).

(1) Nonintegrated Benefit Formula. Under a Nonintegrated Benefit Formula, benefits provided under Social Security are not taken into account when determining an Eligible Participant's Stated Benefit. A Nonintegrated Benefit Formula may provide for a Flat Benefit or a Unit Benefit.

(i) Flat Benefit. The Employer may elect under Part 4, #13.a.(1) of the Agreement to apply a Flat Benefit formula that provides a Stated Benefit equal to a specified percentage of Average Compensation. A Participant's Stated Benefit determined under the Flat Benefit formula will be reduced pro rata if the Participant's projected Years of Participation are less than 25 Years of Participation. For a Participant with less than 25 projected Years of Participation, the base percentage and the excess percentage are reduced by multiplying such percentages by a fraction, the numerator of which is the Participant's projected Years of Participation, and the denominator of which is 25.

(ii) Unit Benefit. The Employer may elect under Part 4, #13.a.(2) of the Agreement or under Part 4, #13.a.(3) of the Nonstandardized Agreement to apply a Unit Benefit formula that provides a Stated Benefit equal to a specified percentage of Average Compensation multiplied by the Participant's Years of Participation with the Employer. The Employer may elect to limit the Years of Participation taken into account under a Unit Benefit formula, however, the Plan must take into account all Years of Participation up to at least 25 years.

If the Employer elects a tiered formula under Part 4, #13.a.(3) of the Nonstandardized Agreement, the highest benefit percentage for any Participant with less than 33 Years of Participation cannot be more than one-third larger than the lowest benefit percentage for any Participant with less than 33 Years of Participation. This requirement is satisfied if the percentage under Part 4, #13.a.(3)(a) applies to all Years of Participation up to at least 33. If the percentage under Part 4, #13.a.(3)(a) applies to Years of Participation less than 33, this paragraph will be satisfied if the total Years of Participation taken into account under Part 4, #13.a.(3)(b) and Part 4, #13.a.(3)(d) is not less than 33 and the percentage designated in Part 4, #13.a.(3)(c) is not less than Pl(25-Y)/(33-Y) and is not greater than P1(44-Y)/(33-Y), where P1 is the percentage under Part 4, #13.a.(3)(a) and Y is the number of Years of Participation to which the percentage under Part 4, #13.a.(3)(a) applies. If the total Years of Participation taken into account under Part 4, #13.a.(3)(b) and Part 4, #13.a.(3)(d) is less than 33, a similar calculation applies to any percentage designated in Part 4, #13.a.(3)(e).

(2) Integrated Benefit Formula. An Integrated Benefit Formula is designed to provide a greater benefit to certain Participants to make up for benefits not provided under Social Security. An Integrated Benefit Formula may provide for a Flat Excess Benefit, a Unit Excess Benefit, a Flat Offset Benefit, or a Unit Offset Benefit. An Employer may not elect an Integrated Benefit Formula under the Plan if another qualified plan of the Employer, which covers any of the same Employees, uses permitted disparity (or imputes permitted disparity) in determining the allocation of contributions or accrual of benefits under the plan.

(i) Flat Excess Benefit. The Employer may elect under Part 4, #13.b.(1) of the Agreement to apply a Flat Excess Benefit formula that provides a Stated Benefit equal to a specified percentage of Average Compensation ("base percentage") plus a specified percentage of Excess Compensation ("excess percentage").

(A) Maximum permitted disparity. In completing a Flat Excess Benefit formula under Part 4, #13.b.(1) of the Agreement, the excess percentage under Part 4, #13.b.(1)(b) may not exceed the Maximum Disparity Percentage identified under subsection (3)(i) below. The excess percentage may be further reduced under the Cumulative Disparity Limit under subsection (3)(iv) below.

(B) Limitation on Years of Participation. The Participant's base percentage and excess percentage under the Flat Excess Benefit formula are reduced pro rata if the Participant's projected Years of Participation are less than 35 years. For a Participant with less than 35 projected Years of Participation, the base percentage and the excess percentage are reduced by multiplying such percentages by a fraction, the numerator of which is the Participant's projected Years of Participation, and the denominator of which is 35.

(ii) Unit Excess Benefit. The Employer may elect under Part 4, #13.b.(2) of the Agreement or under Part 4, #13.b.(3) of the Nonstandardized Agreement to apply a Unit Excess Benefit formula which provides a Stated Benefit equal to a specified

percentage of

Average Compensation ("base percentage") plus a specified percentage of Excess Compensation ("excess percentage") multiplied by the Participant's Years of Participation with the Employer.

(A) Maximum permitted disparity. In completing a Unit Excess Benefit formula under Part 4, #13.b. of the Agreement, the excess percentage under the formula may not exceed the Maximum Disparity Percentage identified under subsection (3)(i) below. In addition, if the Employer elects a tiered formula under Part 4, #13.b.(3) of the Nonstandardized Agreement, the percentage designated under Part 4, #13.b.(3)(d) and/or Part 4, #13.b.(3)(f), as applicable, may not exceed the sum of the base percentage under Part 4, #13.b.(3)(a) and the excess percentage under Part 4, #13.b.(3)(b).

(B) Limitation on Years of Participation. The Employer must identify under Part 4, #13.b. the Years of Participation that will be taken into account under the Unit Excess Benefit formula. If the Employer elects a uniform formula under Part 4, #13.b.(2) of the Agreement, the Plan must take into account all Years of Participation up to at least 25. In addition, a Participant may not be required to complete more than 35 Years of Participation to earn his/her full Stated Benefit. (See the Cumulative Disparity Limit under subsection (3)(iv) below for additional restrictions that may limit a Participant's Years of Participation that may be taken into account under the Plan.)

If the Employer elects a tiered formula under Part 4, #13.b.(3) of the Nonstandardized Agreement and the Years of Participation specified under Part 4, #13.b.(3)(c) is less than 35, the percentage under Part 4, #13.b.(3)(d) must equal the sum of the base percentage under Part 4, #13.b.(3)(a) and the excess percentage under Part 4, #13.b.(3)(b) and any Years of Participation required under Part 4, #13.b.(3)(e) may not be less than 35 minus the Years of Participation designated under Part 4, #13.b.(3)(c). (See the Cumulative Disparity Limit under subsection (3)(iv) below for additional restrictions that may limit a Participant's Years of Participation that may be taken into account under the Plan.) If the number of Years of Participation specified under Part 4, #13.b.(3)(c) is less than 35, and Part 4, #13.b.(3)(d) is not checked, the percentage specified under Part 4, #13.b.(3)(f) must equal the sum of the base percentage under Part 4, #13.b.(3)(a) and the excess percentage under Part 4, #13.b.(3)(b).

(iii) Flat Offset Benefit. The Employer may elect under Part 4, #13.b.(4) of the Nonstandardized Agreement or Part 4, #13.b.(3) of the Standardized Agreement to apply a Flat Offset Benefit formula that provides a Stated Benefit equal to a specified percentage of Average Compensation ("gross percentage") offset by a specified percentage of Offset Compensation ("offset percentage").

(A) Maximum permitted disparity. In applying a Flat Offset Benefit formula, the offset percentage for any Participant may not exceed the Maximum Offset Percentage identified under subsection (3)(ii) below. The offset percentage may be further reduced under the Cumulative Disparity Limit under subsection (3)(iv) below.

(B) Limitation on Years of Participation. The Participant's gross percentage and offset percentage under the Flat Offset Benefit formula are reduced pro rata if the Participant's projected Years of Participation are less than 35 years. For a Participant with less than 35 projected Years of Participation, the gross percentage and the offset percentage are reduced by multiplying such percentages by a fraction, the numerator of which is the Participant's projected Years of Participation, and the denominator of which is 35.

(iv) Unit Offset Benefit. The Employer may elect under Part 4, #13.b.(5) and Part 4, #13.b.(6) of the Agreement or under Part 4, #13.b.(4) of the Standardized Agreement to apply a Unit Offset Benefit formula which provides a Stated Benefit equal to a specified percentage of Average Compensation ("gross percentage") offset by a specified percentage of Offset Compensation ("offset percentage") multiplied by the Participant's Years of Participation with the Employer.

(A) Maximum permitted offset. In applying a Unit Offset Benefit formula, the offset percentage for any Participant may not exceed the Maximum Offset Percentage identified under subsection (3)(ii) below. In addition, if the Employer elects a tiered formula under Part 4, #13.b.(6) of the Nonstandardized Agreement, the percentage designated under Part 4, #13.b.(6)(d) and/or Part 4, #13.b.(6)(f), as applicable, may not exceed the gross percentage under Part 4, #13.b.(6)(a).

(B) Limitation on Years of Participation. The Employer must identify under Part 4, #13.b. the Years of Participation that will be taken into account under the Unit Offset Benefit formula. If the Employer elects a uniform offset formula under Part 4, #13.b.(5) of the Nonstandardized Agreement or Part 4, #13.b.(4) of the Standardized Agreement, the Plan must take into account all Years of Participation up to at least 25. In addition, a Participant may not be required to complete more than 35 Years of Participation to earn his/her full Stated Benefit. (See the Cumulative Disparity Limit under subsection (3)(iv) below for additional restrictions that may limit a Participant's Years of Participation that may be taken into account under the Plan.)

If the Employer elects a tiered offset formula under Part 4, #13.b.(6) of the Nonstandardized Agreement and the Years of Participation specified under Part 4, #13.b.(6)(c) is less than 35, any percentage under Part 4, #13.b.(6)(d) must equal the gross percentage under Part 4, #13.d.(6)(a) and any Years of Participation required under Part 4, #13.b.(6)(e) may not be less than 35 minus the Years of Participation designated under Part 4, #13.b.(6)(c). (See the Cumulative Disparity Limit under subsection (3)(iv) below for additional restrictions that may limit a Participant's Years of Participation that may be taken into account under the Plan.) If the number of Years of Participation specified under Part 4, #13.b.(6)(c) is less than 35, and Part 4, #13.b.(6)(d) is not checked, the percentage specified under Part 4, #13.b.(6)(f) must equal the gross percentage under Part 4, #13.b.(6)(a).

(3) Special rules for applying Integrated Benefit Formulas under Part 4, #13.b. of the Agreement.

(i) Maximum Disparity Percentage. In applying the Flat Excess Benefit formula described in subsection (2)(i) above or the Unit Excess Benefit formula described in subsection (2)(ii) above, the excess percentage under the formula may not exceed the Maximum Disparity Percentage. Under a Flat Excess Benefit formula, the Maximum Disparity Percentage is the lesser of the base percentage specified under the Agreement or the appropriate factor described under the Simplified Table below multiplied by 35. Under a Unit Excess Benefit formula, the Maximum Disparity Percentage is the lesser of the base percentage specified under the Agreement or the appropriate factor described under the Simplified Table below.

In applying the Simplified Table below, NRA is a Participant's Normal Retirement Age under the Plan. If a Participant's Normal Retirement Age is prior to age 55, the applicable factors under the Simplified Table must be further reduced to a factor that is the Actuarial Equivalent of the factor at age 55. (See (iii) below for possible adjustments to the Simplified Table if an Integration Level other than Covered Compensation is selected under Part 4, #14.d.(1) of the Agreement.)

Simplified Table

NRA	Maximum Disparity Percentage	NRA	Maximum Disparity Percentage
70	0.838	62	0.416
69	0.760	61	0.382
68	0.690	60	0.346
67	0.627	59	0.330
66	0.571	58	0.312
65	0.520	57	0.294
64	0.486	56	0.278
63	0.450	55	0.260

(ii) Maximum Offset Percentage. In applying the Flat Offset Benefit formula described in subsection (2)(iii) above or the Unit Offset Benefit formula described in subsection (2)(iv) above, the offset percentage under the formula may not exceed the Maximum Offset Percentage. Under a Flat Offset Benefit formula, the Maximum Offset Percentage is the lesser of 50% of the gross percentage specified under the Agreement or the appropriate factor described under the Simplified Table above, multiplied by 35. Under a Unit Offset Benefit formula, the Maximum Offset Percentage is the lesser of 50% of the gross percentage specified under the Agreement or the appropriate factor described under the Simplified Table above.

In applying the Simplified Table above, NRA is a Participant's Normal Retirement Age under the Plan. If a Participant's Normal Retirement Age is prior to age 55, the applicable factors under the Simplified Table must be further reduced to a factor that is the Actuarial Equivalent of the factor at age 55. (See (iii) below for possible adjustments to the Simplified Table if an Integration Level other than Covered Compensation is selected under Part 4, #14.d.(1) of the Agreement.)

(iii) Adjustments to the Maximum Disparity Percentage / Maximum Offset Percentage for Integration Level other than Covered Compensation. The factors under the Simplified Table under subsection (i) above are based on an Integration Level equal to Covered Compensation. If the Employer elects under Part 4, #14.d.(1)(b) - (e) of the Agreement to use an Integration Level other than Covered Compensation, the factors under the Simplified Table may have to be modified. If the Employer elects to modify the Integration Level under Part 4, #14.d.(1)(b) or Part 4, #14.d.(1)(c) of the Agreement, no modification to the Simplified Table is required. If the Employer elects to modify the Integration Level under Part 4, #14.d.(1)(d) or Part 4, #14.d.(1)(e), the factors under the Modified Table below must be used instead of the factors under the Simplified Table.

Modified Table - Factors for Integration Level other than Covered Compensation

NRA	Maximum Disparity Percentage	NRA	Maximum Disparity Percentage
70	0.670	62	0.331
69	0.608	61	0.305
68	0.552	60	0.277
67	0.627	59	0.264
66	0.502	58	0.250
65	0.416	57	0.234
64	0.388	56	0.222
63	0.360	55	0.208

(iv) Cumulative Disparity Limit. The Cumulative Disparity Limit applies to further limit the permitted disparity under the Plan. If the Cumulative Disparity Limit applies, the following adjustment will be made to the Participant's Stated Benefit, depending on the type of formula selected under the Agreement.

(A) Flat Excess Benefit. In applying a Flat Excess Benefit formula, if a Participant's cumulative disparity years exceed 35, the excess percentage under the formula will be reduced as provided below. For this purpose, a Participant's cumulative disparity years consist of: (I) the Participant's projected Years of Participation (up to 35); (II) any years the Participant benefited (or is treated as having benefited) under this Plan prior to the Participant's first Year of Participation; and (III) any years credited to the Participant for allocation or accrual purposes under one or more qualified plans or simplified employee pension plans (whether or not terminated) ever maintained by the Employer (other than years counted in (I) or (II) above). For purposes of determining the Participant's cumulative disparity years, all years ending in the same calendar year are treated as the same year.

If the Cumulative Disparity Limit applies, the excess percentage under the formula will be reduced by multiplying the excess percentage (as adjusted under this subsection (3)) by a fraction (not less than zero), the numerator of which is 35 minus the sum of the years in (II) and (III) above, and the denominator of which is 35.

(B) Unit Excess Benefit. In applying a Unit Excess Benefit formula, the projected Years of Participation taken into account under the formula may not exceed the Participant's cumulative disparity years. For this purpose, the Participant's cumulative disparity years equal 35 minus: (1) the years the Participant benefited or is treated as having benefited under this Plan prior to the Participant's first Year of Participation, and (II) the years credited to the Participant for allocation or accrual purposes under one or more qualified plans or simplified employee pension plans (whether or not terminated) ever maintained by the Employer other than years counted in (I) above or counted toward a Participant's projected Years of Participation. For purposes of determining the Participant's cumulative disparity years, all years ending in the same calendar year are treated as the same year.

(C) Flat Offset Benefit. In applying a Flat Offset Benefit formula, if a Participant's cumulative disparity years exceed 35, the gross percentage and offset percentage under the formula will be reduced as provided below. For this purpose, a Participant's cumulative disparity years consist of: (I) the Participant's projected Years of Participation (up to 35); (II) any years the Participant benefited (or is treated as having benefited) under this Plan prior to the Participant's first Year of Participation; and (III) any years credited to the Participant for allocation or accrual purposes under one or more qualified plans or simplified employee pension plans (whether or not terminated) ever maintained by the Employer (other than years counted in (I) or (II) above). For purposes of determining the Participant's cumulative disparity years, all years ending in the same calendar year are treated as the same year.

If the Cumulative Disparity Limit applies, the offset percentage will be reduced by multiplying such percentage by a fraction (not less than 0), the numerator of which is 35 minus the sum of the years in (II) and (III) above, and the denominator of which is 35. The gross benefit percentage will be reduced by the number of percentage points by which the offset percentage is reduced.

(D) Unit Offset Benefit. In applying a Unit Offset Benefit formula, the Years of Participation taken into account under the formula may not exceed the Participant's cumulative disparity years. For this purpose, the Participant's cumulative disparity years equal 35 minus: (I) the years the Participant benefited or is treated as having benefited under this Plan prior to the Participant's first Year of Participation, and (II) the years credited to the Participant for allocation or accrual purposes under one or more qualified plans or simplified employee pension plans (whether or not terminated) ever maintained by the Employer other than years counted in (I) above or counted toward a Participant's projected Years of Service. For purposes of determining the Participant's cumulative disparity years, all years ending in the same calendar year are treated as the same year.

(d) Definitions. The following definitions apply for purposes of applying the benefit formulas described under this Section 2.5.

(1) Average Compensation. The average of a Participant's annual Included Compensation during the Averaging Period, as designated in Part 3, #11 of the Agreement. If no modifications are made to the definition of Average Compensation under Part 3, #11, Average Compensation is the average of the Participant's annual Included Compensation for the three (3) consecutive Plan Years during the Participant's entire employment history which produce the highest average.

(i) Averaging Period. Unless the Employer elects otherwise under Part 3, #11.a. of the Agreement, the Averaging Period for determining a Participant's Average Compensation is made up of the three (3) consecutive Measuring Periods during the Participant's Employment Period which results in the highest Average Compensation. The Employer may elect under Part 3, #11.a. to apply an alternative Averaging Period which is greater than three (3) consecutive Measuring Periods, may elect to take into account the highest Average Compensation over a period of nonconsecutive Measuring Periods, or may elect to take into account all Measuring Periods during the Participant's Employment Period.

(ii) Measuring Period. Unless the Employer elects otherwise under Part 3, #11.b. of the Agreement, the Measuring Period for determining Average Compensation is the Plan Year. (If the Plan has a short Plan Year, Average Compensation is based on

Included

Compensation earned during the 12-month period ending on the last day of the short Plan Year.) The Employer may elect under Part 3, #11.b. to apply an alternative Measuring Period for determining Average Compensation based on the calendar year or any other designated 12-month period. Alternatively, the Employer may elect to use calendar months as the Measuring Periods. If monthly Measuring Periods are selected under Part 3, #11.b., the Averaging Period designated under Part 3, #11.a. must be at least 36 months.

(iii) Employment Period. Unless the Employer elects otherwise under Part 3, #11.c. of the Agreement, the Employment Period used to determine Average Compensation is the Participant's entire employment period with the Employer. Instead of measuring Average Compensation over a Participant's entire period of employment, the Employer may elect under Part 3, #11.c. to use Averaging Periods only during the period following the Participant's original Entry Date (as determined under Part 2 of the Agreement) or any other specified period. If the Employer elects an alternative Employment Period under Part 3, #11.c., such Employment Period must end in the current Plan Year and may not be shorter than the Averaging Period selected in Part 3, #11.a. (or the Participant's entire period of employment, if shorter).

(iv) Drop-out years. Unless elected otherwise under Part 3, #11.d. of the Agreement, all Measuring Periods within a Participant's Employment Period are included for purposes of determining Average Compensation. The Employer may elect under Part 3, #11.d. to exclude the Measuring Period in which the Participant terminates employment or any Measuring Period during which a Participant does not complete a designated number of Hours of Service. If the Employer elects to apply an Hour of Service requirement under Part 3, #11.d.(2), the designated Hours of Service required for any particular Participant may not exceed 75% of the Hours of Service that an Employee working full-time in the same job category as the Participant would earn during the Measuring Period.

In determining whether the Measuring Periods within an Averaging Period are consecutive (see subsection (i) above), any Measuring Period excluded under this subsection (iv) will be disregarded.

(2) Covered Compensation. For purposes of applying an Integrated Benefit Formula, a Participant's Covered Compensation for the Plan Year is the average of the Taxable Wage Bases in effect for each calendar year during the 35-year period ending on the last day of the calendar year in which the Participant attains (or will attain) his/her Social Security Retirement Age. In determining a Participant's Covered Compensation, the Taxable Wage Base in effect as of the beginning of the Plan Year is assumed to remain constant for all future years. If a Participant is 35 or more years away from his/her Social Security Retirement Age, the Participant's Covered Compensation is the Taxable Wage Base in effect as of the beginning of the Plan Year. A Participant's Covered Compensation remains constant for Plan Years beginning after the calendar year in which the Participant attains Social Security Retirement Age.

Unless elected otherwise under Part 4, #14.d.(2) of the Agreement, a Participant's Covered Compensation must be adjusted every Plan Year to reflect the Taxable Wage Base in effect for such year. The Employer may designate under Part 4, #14.d.(2)(a) to use Covered Compensation for a Plan Year earlier than the current Plan Year. Such earlier Plan Year may not be more than 5 years before the current Plan Year. For the sixth Plan Year following the Plan Year used to calculate Covered Compensation (as determined under this sentence), Covered Compensation will be adjusted using Covered Compensation for the prior Plan Year. Covered Compensation will not be adjusted for Plan Years prior to the sixth Plan Year following the Plan Year used to calculate Covered Compensation.

In determining a Participant's Covered Compensation, the Employer may elect under Part 4, #14.d.(2)(b) to apply the rounded Covered Compensation tables issued by the IRS instead of using the applicable Taxable Wage Bases of the Participant.

(3) Excess Compensation. Excess Compensation is used for purposes of determining a Participant's Normal Retirement Benefit under an Excess Benefit Formula. A Participant's Excess Compensation is the excess (if any) of the Participant's Average Compensation over the Integration Level.

(4) Integration Level. The Integration Level under the Plan is used for determining the Excess Compensation or Offset Compensation used to determine a Participant's Stated Benefit under the Plan. The Employer may elect under Part 4, #14.d.(1)(a) of the Agreement to use a Participant's Covered Compensation for the Plan Year as the Integration Level. Alternatively, the Employer may

elect under Parts 4, #14.d.(1)(b) - (e) to apply an alternative Integration Level under the Plan. (See subsection (c)(3)(iii) above for special rules that apply if the Employer elects an alternative Integration Level.)

(5) Offset Compensation. A Participant's Offset Compensation is used to determine a Participant's Stated Benefit under an Offset Benefit formula. Unless modified under Part 3, #12 of the Agreement, Offset Compensation is the average of a Participant's annual Included Compensation over the three (3) consecutive Plan Years ending with the current Plan Year. A Participant's Offset Compensation is taken into account only to the extent it does not exceed the Integration Level under the Plan. For purposes of determining a Participant's Offset Compensation, Included Compensation which exceeds the Taxable Wage Base in effect for the beginning of a Measuring Period will not be taken into account.

(i) Measuring Period. Unless elected otherwise under Part 3, #12.a. of the Agreement, Offset Compensation is determined based on Included Compensation earned during the Plan Year (or the 12-month period ending on the last day of the Plan Year for a short Plan Year). Instead of using Plan Years, the Employer may elect under Part 3, #12.a. to determine Offset Compensation over the 3-year period ending with or within the current Plan Year based on calendar years or any other designated 12-month period.

(ii) Drop-out years. Unless elected otherwise under Part 3, #12.b. of the Agreement, Offset Compensation is determined based on the three consecutive Measuring Periods ending with or within the current Plan Year. The Employer may elect under Part 3, #12.b. to disregard the Measuring Period in which a Participant terminates employment for purposes of determining Offset Compensation.

(6) Social Security Retirement Age. An Employee's retirement age as determined under Section 230 of the Social Security Retirement Act. For a Participant who attains age 62 before January 1, 2000 (i.e., born before January 1, 1938), the Participant's Social Security Retirement Age is 65. For a Participant who attains age 62 after December 31, 1999, and before January 1, 2017 (i.e., born after December 31, 1937, but before January 1, 1955), the Participant's Social Security Retirement Age is 66. For a Participant attaining age 62 after December 31, 2016 (i.e., born after December 31, 1954), the Participant's Social Security Retirement Age is 67.

(7) Stated Benefit. The amount determined in accordance with the benefit formula selected in Part 4 of the Agreement, payable annually as a Straight Life Annuity commencing at Normal Retirement Age (or current age, if later). (See subsection (a) above.)

(8) Straight Life Annuity. An annuity payable in equal installments for the life of the Participant that terminates upon the Participant's death.

(9) Taxable Wage Base. Taxable Wage Base is the contribution and benefit base under Section 230 of the Social Security Retirement Act at the beginning of the Plan Year.

(10) Year of Participation. For purposes of determining a Participant's Stated Benefit under the Plan, a Participant's Years of Participation are defined under Part 4, #14.a. of the Agreement. (See subsection (a) above for rules regarding the determination of a Participant's projected Years of Participation.)

The Employer may elect under Part 4, #14.a.(1) to define an Employee's Years of Participation as each Plan Year during which the Employee satisfies the allocation conditions designated under Part 4, #15 of the Agreement (see Section 2.6 below), including Plan Years prior to the Employee's becoming an Eligible Participant under the Plan. Alternatively, the Employer may elect under Part 4, #14.a.(2) of the Agreement to define an Employee's Years of Participation as each Plan Year during which the Employee satisfies the allocation conditions designated under Part 4, #15 of the Agreement (see Section 2.6 below), taking into account only Plan Years during which the Employee is an Eligible Participant. The Employer may elect under Part 4, #14.a.(3) to disregard any Year of Participation completed prior to a date designated under the Agreement.

2.6 Allocation Conditions. In order to receive an allocation of Employer Contributions (other than Section 401(k) Deferrals and Safe Harbor Contributions), an Eligible Participant must satisfy any allocation conditions designated under Part 4, #15 of the Agreement with respect to such contributions. (Similar allocation conditions apply under Part 4B, #19 of the 401(k) Agreement for Employer Matching Contributions and Part 4C, #24 of the 401(k) Agreement for Employer Nonelective Contributions.) Under the Nonstandardized Agreements, the imposition of an allocation condition may cause the Plan to fail the minimum coverage requirements under Code (S)410(b), unless the only allocation condition under the Plan

is a safe harbor allocation condition. (Under the Standardized Agreements, the only

allocation condition permitted is a safe harbor allocation condition. But see (b) below for a special rule upon plan termination.)

(a) Safe harbor allocation condition. Under the safe harbor allocation condition under Part 4, #15.b. of the Nonstandardized Agreement [Part 4B, #19.b. and Part 4C, #24.b. of the Nonstandardized 401(k) Agreement], the Employer may elect to require an Eligible Participant to be employed on the last day of the Plan Year or to complete more than a specified number of Hours of Service (not to exceed 500) during the Plan Year to receive an allocation of Employer Contributions (other than Section 401(k) Deferrals or Safe Harbor Contributions) under the Plan. Under this safe harbor allocation condition, an Eligible Participant whose employment terminates before he/she completes the designated Hours of Service is not entitled to an allocation of Employer Contributions subject to such allocation condition. However, if an Eligible Participant completes at least the designated Hours of Service during a Plan Year, the Participant is eligible for an allocation of such Employer Contributions, even if the Participant's employment terminates during the Plan Year.

The imposition of the safe harbor allocation condition will not cause the Plan to fail the minimum coverage requirements under Code (S)410(b) because Participants who are excluded from participation solely as a result of the safe harbor allocation condition are excluded from the coverage test. Except as provided under subsection (b) below, the safe harbor allocation condition is the only allocation condition that may be used under the Standardized Agreement.

(b) Application of last day of employment rule for money purchase and target benefit Plans in year of termination. The Employer may elect under Part 4, #15.c. of the money purchase or target benefit plan Nonstandardized Agreement to require an Eligible Participant to be employed on the last day of the Plan Year to receive an Employer Contribution under the Plan. Regardless of whether the Employer elects to apply a last day of employment condition under the money purchase or target benefit plan Agreement, in any Plan Year during which a money purchase or target benefit Plan is terminated, the last day of employment condition applies. Any unallocated forfeitures under the Plan will be allocated in accordance with the contribution formula designated under Part 4 of the Agreement to each Eligible Participant who completes at least one Hour of Service during the Plan Year.

(c) Elapsed Time Method. The Employer may elect under Part 4, #15.e. of the Nonstandardized Agreement [Part 4B, #19.e. and Part 4C, #24.e. of the Nonstandardized 401(k) Agreement] to apply the allocation conditions using the Elapsed Time Method. Under the Elapsed Time Method, instead of requiring the completion of a specified number of Hours of Service, the Employer may require an Employee to be employed with the Employer for a specified number of consecutive days.

(1) Safe harbor allocation condition. The Employer may elect under Part 4, #15.e.(1) of the Agreement [Part 4B, #19.e.(1) and/or Part 4C, #24.e.(1) of the Nonstandardized 401(k) Agreement] to apply the safe harbor allocation condition (as described in subsection (a) above) using the Elapsed Time Method. Under the safe harbor Elapsed Time Method, a Participant who terminates employment with less than a specified number of consecutive days of employment (not more than 91 days) during the Plan Year will not be entitled to an allocation of the designated Employer Contributions. The use of the safe harbor allocation condition under the Elapsed Time Method provides the same protection from coverage as described in subsection (a) above.

(2) Service condition. Alternatively, the Employer may elect under Part 4, #15.e.(2) of the Nonstandardized Agreement [Part 4B, #19.e.(2) and/or Part 4C, #24.e.(2) of the Nonstandardized 401 (k) Agreement] to require an Employee to complete a specified number of consecutive days of employment (not exceeding 182) to receive an allocation of the designated Employer Contributions.

(d) Special allocation condition for Employer Matching Contributions under Nonstandardized 401(k) Agreement. The Employer may elect under Part 4B, #19.f. of the Nonstandardized 401(k) Agreement to require as a condition for receiving an Employer Matching Contribution that a Participant not withdraw the underlying applicable contributions being matched prior to the end of the period for which the Employer Matching Contribution is being made. Thus, for example, if the Employer elects under Part 4B, #17.a. of the Nonstandardized 401(k) Agreement to apply the matching contribution formula on the basis of the Plan Year quarter, a Participant would not be entitled to an Employer Matching Contribution with respect to any applicable contributions contributed during a Plan Year quarter to the extent such applicable contributions are withdrawn prior to the end of the Plan Year quarter during which they are contributed. A Participant could take a distribution of applicable contributions that were contributed for a prior period without losing eligibility for a current Employer Matching Contribution. This subsection (d) will not prevent a Participant from receiving an Employer Matching Contribution merely because the Participant takes a loan (as permitted under Article 14) from matched contributions.

(e) Application to designated period. The Employer may elect under Part 4, #15.f. of the Nonstandardized Agreement [Part 4B, #19.g. and Part 4C, #24.f. of the Nonstandardized 401(k) Agreement] to apply any allocation condition(s) selected under the Agreement on the basis of the period designated under Part 4, #14.a.(1) of the Nonstandardized Agreement [Part 4B, #17.a. or Part 4C, #23.a.(1) of the Nonstandardized 401(k) Agreement]. If this subsection (e) applies to any allocation condition(s) under the Plan, the following procedural rules apply. (This subsection (e) does not apply to the target benefit plan Agreement. See subsection (3) for rules applicable to the Standardized Agreements.)

(1) Last day of employment requirement. If the Employer elects under Part 4, #15.f. of the Nonstandardized Agreement [Part 4B, #19.g. or Part 4C, #24.f. of the Nonstandardized 401(k) Agreement] to apply the allocation conditions on the basis of designated periods and the Employer elects to apply a last day of employment condition under Part 4, #15.c. of the Nonstandardized Agreement [Part 4B, #19.c. or Part 4C, #24.c. of the Nonstandardized 401(k) Agreement], an Eligible Participant will be entitled to receive an allocation of Employer Contributions for the period designated under Part 4, #14.a.(1) of the Nonstandardized Agreement [Part 4B, #17.a. or Part 4C, #23.a.(1) of the Nonstandardized 401(k) Agreement] only if the Eligible Participant is employed with the Employer on the last day of such period. If an Eligible Participant terminates employment prior to end of the designated period, no Employer Contribution will be allocated to that Eligible Participant for such period. Nothing in this subsection (1) will cause an Eligible Participant to lose Employer Contributions that were allocated for a period prior to the period in which the individual terminates employment.

(2) Hours of Service condition. If the Employer elects to apply the allocation conditions on the basis of specified periods under Part 4, #15.f. of the Agreement [Part 4B, #19.g. or Part 4C, #24.f. of the Nonstandardized 401(k) Agreement], and elects to apply an Hours of Service condition under Part 4, #15.d. of the Nonstandardized Agreement [Part 4B, #19.d. or Part 4C, #24.d. of the Nonstandardized 401(k) Agreement], an Eligible Participant will be entitled to receive an allocation of Employer Contributions for the period designated under Part 4, #14.a.(1) of the Nonstandardized Agreement [Part 4B, #17.a. or Part 4C, #23.a.(1) of the Nonstandardized 401(k) Agreement] only if the Eligible Participant completes the required Hours of Service before the last day of such period. In applying the fractional method under subsection (i) or the period-by-period method under subsection (ii), an Eligible Participant who completes a sufficient number of Hours of Service for the Plan Year to earn a Year of Service under the Plan will be entitled to a full contribution for the Plan Year, as if the Eligible Participant satisfied the Hours of Service condition for each designated period. A catch-up contribution may be required for such Participants.

(i) Fractional method. The Employer may elect under Part 4, #15.f.(1) of the Nonstandardized Agreement [Part 4B, #19.g.(1) or Part 4C, #24.f.(1) of the Nonstandardized 401(k) Agreement] to apply the Hours of Service condition on the basis of specified period using the fractional method. Under the fractional method, the required Hours of Service for any period are determined by multiplying the Hours of Service required under Part 4, #15.d. of the Nonstandardized Agreement [Part 4B, #19.d. or Part 4C, #24.d. of the Nonstandardized 401(k) Agreement] by a fraction, the numerator of which is the total number of periods completed during the Plan Year (including the current period) and the denominator of which is the total number of periods during the Plat Year. Thus, for example, if the Employer applies a 1,000 Hours of Service condition to receive an Employer Matching Contribution and elects to apply such condition on the basis of Plan Year quarters, an Eligible Participant would have to complete 250 Hours of Service by the end of the first Plan Year quarter [1/4 x 1,000], 500 Hours of Service by the end of the second Plan Year quarter [2/4 x 1,000], 750 Hours of Service by the end of the third Plan Year quarter [3/4 x 1,000] and 1,000 Hours of Service by the end of the Plan Year [4/4 x 1,000] to receive an allocation of the Employer Matching Contribution for such period. If an Eligible Participant does not complete the required Hours of Service for any period during the Plan Year, no Employer Contribution will be allocated to that Eligible Participant for such period. However, if an Eligible Participant completes the required Hours of Service under Part 4, #15.d. for the Plan Year, such Participant will receive a full contribution for the Plan Year as if the Participant satisfied the Hours of Service conditions for each period during the year. Nothing in this subsection (i) will cause an Eligible Participant to lose Employer Contributions that were allocated for a period during which the Eligible Participant completed the required Hours of Service for such period.

(ii) Period-by-period method. The Employer may elect under Part 4, #15.f.(2) of the Nonstandardized Agreement [Part 4B ,

#19.g.(2) or Part 4C, #24.f.(2) of the Nonstandardized 401(k) Agreement] to apply the Hours of Service condition on the basis of specified period using the period-by-period method. Under the period-by-period

method, the required Hours of Service for any period are determined separately for such period. The Hours of Service required for any specific period, are determined by multiplying the Hours of Service required under Part 4, #15.d. of the Nonstandardized Agreement [Part 4B, #19.d. or Part 4C, #24.d. of the Nonstandardized 401(k) Agreement] by a fraction, the numerator of which is one (1) and the denominator of which is the total number of periods during the Plan Year. Thus, for example, if the Employer applies a 1,000 Hours of Service condition to receive an Employer Matching Contribution and elects to apply such condition on the basis of Plan Year quarters, an Eligible Participant would have to complete 250 Hours of Service in each Plan Year quarter [1/4 x 1,000] to receive an allocation of the Employer Matching Contribution for such period. If an Eligible Participant does not complete the required Hours of Service for any period during the Plan Year, no Employer Contribution will be allocated to that Eligible Participant for such period. However, if an Eligible Participant completes the required Hours of Service under Part 4, #15.d. for the Plan Year, such Participant will receive a full contribution for the Plan Year as if the Participant satisfied the Hours of Service conditions for each period during the year. Nothing in this subsection (ii) will cause an Eligible Participant to lose Employer Contributions that were allocated for a period during which the Eligible Participant completed the required Hours of Service for such period.

(3) Safe harbor allocation condition. If the Employer elects to apply the allocation conditions on the basis of specified periods under Part 4, #15.f. of the Nonstandardized Agreement [Part 4B, #19.g. or Part 4C, #24.f. of the Nonstandardized 401(k) Agreement] and elects to apply the safe harbor allocation condition under Part 4, #15.b. of the Nonstandardized Agreement [Part 4B, #19.b. or Part 4C, #24.b. of the Nonstandardized 401(k) Agreement], the rules under subsection (1) above will apply, without regard to the rules under subsection (2) above. Thus, an Eligible Employee who terminates during a period designated under Part 4, #14.a.(1) of the Nonstandardized Agreement [Part 4B, #17.a. or Part 4C, #23.a.(1) of the Nonstandardized 401(k) Agreement] will not receive an allocation of Employer Contributions for such period if the Eligible Participant has not completed the Hours of Service designated under Part 4, #15.b. of the Nonstandardized Agreement [Part 4B, #19.b. or Part 4C, #24.b. of the Nonstandardized 401(k) Agreement]. Nothing in this subsection (3) will cause an Eligible Participant to lose Employer Contributions that were allocated for a period prior to the period in which the individual terminates employment. (This subsection (3) also applies if the Employer elects to apply the safe harbor allocation condition on the basis of specified periods under Part 4, #15.c. of the Standardized Agreement [Part 4B, #19.c. or Part 4C, #22.c. of the Standardized 401(k) Agreement].)

(4) Elapsed Time Method. The election to apply the allocation conditions on the basis of specified periods does not apply to the extent the Elapsed Time Method applies under Part 4, #15.e. of the Nonstandardized Agreement [Part 4B, #19.e. or Part 4C, #24.e. of the Nonstandardized 401(k) Agreement]. If an Employer elects to apply the allocation conditions on the basis of specified periods and elects to apply the Elapsed Time Method, an Eligible Employee will be entitled to an allocation of Employer Contributions if such Eligible Participant is employed as of the last day of such period, without regard to the number of consecutive days in such period. Thus, in effect, the Elapsed Time Method will only apply to prevent an allocation of Employer Contributions for the last designated period in the Plan Year, if the Eligible Participant has not completed the consecutive days required under Part 4, #15.e. of the Nonstandardized Agreement [Part 4B, #19.e. or Part 4C, #24.e. of the Nonstandardized 401 (k) Agreement] by the end of the Plan Year. The last day of employment rules subsection (1) above still may apply (to the extent applicable) for periods during which the Eligible Participant terminates employment.

2.7 Fail-Safe Coverage Provision. If the Employer has elected to apply a last day of the Plan Year allocation condition and/or an Hours of Service allocation condition under a Nonstandardized Agreement, the Employer may elect under Part 13, #56 of the Nonstandardized Agreement [Part 13, #74 of the Nonstandardized 401(k) Agreement] to apply the Fail-Safe Coverage Provision. Under the Fail-Safe Coverage Provision, if the Plan fails to satisfy the ratio percentage coverage requirements under Code (S)410(b) for a Plan Year due to the application of a last day of the Plan Year allocation condition and/or an Hours of Service allocation condition, such allocation condition(s) will be automatically eliminated for the Plan Year for certain otherwise Eligible Participants, under the process described in subsections (a) through (d) below, until enough Eligible Participants are benefiting under the Plan so that the ratio percentage test of Treasury Regulation (S)1.410(b)-2(b)(2) is satisfied.

If the Employer elects to have the Fail-Safe Coverage Provision apply, such provision automatically applies for any Plan Year for which the Plan does not satisfy the ratio percentage coverage test under Code (S)410(b).

(Except as provided in the following paragraph, the Plan may not use the average benefits test to comply with the minimum coverage requirements if the Fail-Safe Coverage Provision is elected.) The Plan satisfies the ratio percentage test if the percentage of the Nonhighly Compensated Employees under the Plan is at least 70% of the percentage of the Highly

Compensated Employees who benefit under the Plan. An Employee is benefiting for this purpose only if he/she actually receives an allocation of Employer Contributions or forfeitures or, if testing coverage of a 401(m)arrangement (i.e., a Plan that provides for Employer Matching Contributions and/or Employee After-Tax Contributions), the Employee would receive an allocation allocation of Employer Matching Contributions by making the necessary contributions or the Employee is eligible to make Employee After-Tax Contributions. To determine the percentage of Nonhighly Compensated Employees or Highly Compensated Employees who are benefiting, the following Employees are excluded for purposes of applying the ratio percentage test: (i) Employees who have not satisfied the Plan's minimum age and service conditions under Section 1.4; (ii) Nonresident Alien Employees; (iii) Union Employees; and (iv) Employees who terminate employment during the Plan Year with less than 501 Hours of Service and do not benefit under the Plan.

Under the Fail-Safe Coverage Provision, certain otherwise Eligible Participants who are not benefiting for the Plan Year as a result of a last day of the Plan Year allocation condition or an Hours of Service allocation condition will participate under the Plan based on whether such Participants are Category 1 Employees or Category 2 Employees. Alternatively, the Employer may elect under Part 13, #56.b.(2) of the Nonstandardized Agreement [Part 13, #74.b.(2) of the Nonstandardized 401(k) Agreement] to apply the special Fail-Safe Coverage Provision described in (d) below which eliminates the allocation conditions for otherwise Eligible Participants with the lowest Included Compensation. If after applying the Fail-Safe Coverage Provision, the Plan does not satisfy the ratio percentage coverage test, the Fail-Safe Coverage Provision does not apply, and the Plan may use any other available method (including the average benefit test) to satisfy the minimum coverage requirements under Code (S)410(b).

(a) Top-Heavy Plans. Unless provided otherwise under Part 13, #56.b.(1) of the Nonstandardized Agreement [Part 13, #74.b.(1) of the Nonstandardized 401(k) Agreement], if the Plan is a Top-Heavy Plan, the Hours of Service allocation condition will be eliminated for all Non-Key Employees who are Nonhighly Compensated Employees, prior to applying the Fail-Safe Coverage Provisions under subsections (b) and (c) or (d) below.

(b) Category 1 Employees - Otherwise Eligible Participants (who are Nonhighly Compensated Employees) who are still employed by the Employer on the last day of the Plan Year but who failed to satisfy the Plan's Hours of Service condition. The Hours of Service allocation condition will be eliminated for Category 1 Employees (who did not receive an allocation under the Plan due to the Hours of Service allocation condition) beginning with the Category 1 Employee(s) credited with the most Hours of Service for the Plan Year and continuing with the Category 1 Employee(s) with the next most Hours of Service until the ratio percentage test is satisfied. If two or more Category 1 Employees have the same number of Hours of Service, the allocation condition will be eliminated for those Category 1 Employees starting with the Category 1 Employee(s) with the lowest Included Compensation. If the Plan still fails to satisfy the ratio percentage test after all Category 1 Employees receive an allocation, the Plan proceeds to Category 2 Employees.

(c) Category 2 Employees - Otherwise Eligible Participants (who are Nonhighly Compensated Employees) who terminated employment during the Plan Year with more than 500 Hours of Service. The last day of the Plan Year allocation condition will then be eliminated for Category 2 Employees (who did not receive an allocation under the Plan due to the last day of the Plan Year allocation condition) beginning with the Category 2 Employee(s) who terminated employment closest to the last day of the Plan Year and continuing with the Category 2 Employee(s) with a termination of employment date that is next closest to the last day of the Plan Year until the ratio percentage test is satisfied. If two or more Category 2 Employees terminate employment on the same day, the allocation condition will be eliminated for those Category 2 Employees starting with the Category 2 Employee(s) with the lowest Included Compensation.

(d) Special Fail-Safe Coverage Provision. Instead of applying the Fail-Safe Coverage Provision based on Category 1 and Category 2 Employees, the Employer may elect under Part 13, #56.b.(2) of the Nonstandardized Agreement [Part 13, #74.b.(2) of the Nonstandardized 401(k) Agreement] to eliminate the allocation conditions beginning with the otherwise Eligible Participant(s) (who are Nonhighly Compensated Employees and who did not terminate employment during the Plan Year with 500 Hours of Service or less) with the lowest Included Compensation and continuing with such otherwise Eligible Participants with the next lowest Included Compensation until the ratio percentage test is satisfied. If two or more otherwise Eligible Participants have the same Included Compensation, the allocation conditions will be eliminated for all such individuals.

2.8 Deductible Employee Contributions. The Plan Administrator will not accept deductible employee contributions that are made for a taxable year beginning after December 31, 1986. Contributions made prior to that date will be maintained in a separate Account which will be nonforfeitable at all times. The Account will share in the gains and losses under the Plan in the same manner as described in Section 13.4. No part of the deductible voluntary contribution Account will be used to purchase life insurance. Subject to the Joint and Survivor Annuity requirements under Article 9 (if applicable), the Participant may withdraw any part of the

deductible voluntary contribution Account by making a written application to the Plan Administrator.

ARTICLE 3
EMPLOYEE AFTER-TAX CONTRIBUTIONS, ROLLOVER CONTRIBUTIONS AND TRANSFERS

This Article provides the rules regarding Employee After-Tax Contributions, Rollover Contributions and transfers that may be made under this Plan. The Trustee has the authority under Article 12 to accept Rollover Contributions under this Plan and to enter into transfer agreements concerning the transfer of assets from another qualified retirement plan to this Plan, if so directed by the Plan Administrator.

3.1 Employee After-Tax Contributions. The Employer may elect under Part 4D of the Nonstandardized 401(k) Agreement to allow Eligible Participants to make Employee After-Tax Contributions under the Plan. Employee AfterTax Contributions may only be made under the Nonstandardized 401(k) Agreement. Any Employee After-Tax Contributions made under this Plan are subject to the ACP Test outlined in Section 17.3. (Nothing under this Section precludes the holding of Employee After-Tax Contributions under a profit sharing plan or money purchase plan that were made prior to the adoption of this Prototype Plan.)

The Employer may elect under Part 4D, #25 of the Nonstandardized 401(k) Agreement to impose a limit on the maximum amount of Included Compensation an Eligible Participant may contribute as an Employee After-Tax Contribution. The Employer may also elect under Part 4D, #26 of the Nonstandardized 401(k) Agreement to impose a minimum amount that an Eligible Participant may contribute to the Plan during any payroll period.

Employee After-Tax Contributions must be held in the Participant's Employee After-Tax Contribution Account, which is always 100% vested. A Participant may withdraw amounts from his/her Employee After-Tax Contribution Account at any time, in accordance with the distribution rules under Section 8.5(a), except as prohibited under Part 10 of the Agreement. No forfeitures will occur solely as a result of an Employee's withdrawal of Employee After-Tax Contributions.

3.2 Rollover Contributions. An Employee may make a Rollover Contribution to this Plan from another "qualified retirement plan" or from a "conduit IRA," if the acceptance of rollovers is permitted under Part 12 of the Agreement or if the Plan Administrator adopts administrative procedures regarding the acceptance of Rollover Contributions. Any Rollover Contribution an Employee makes to this Plan will be held in the Employee's Rollover Contribution Account, which is always 100% vested. A Participant may withdraw amounts from his/her Rollover Contribution Account at any time, in accordance with the distribution rules under Section 8.5(a), except as prohibited under Part 10 of the Agreement.

For purposes of this Section 3.2, a "qualified retirement plan" is any tax qualified retirement plan under Code (S)401(a) or any other plan from which distributions are eligible to be rolled over into this Plan pursuant to the Code, regulations, or other IRS guidance. A "conduit IRA" is an IRA that holds only assets that have been properly rolled over to that IRA from a qualified retirement plan under Code (S)401(a). To qualify as a Rollover Contribution under this Section, the Rollover Contribution must be transferred directly from the qualified retirement plan or conduit IRA in a Direct Rollover or must be transferred to the Plan by the Employee within sixty (60) days following receipt of the amounts from the qualified plan or conduit IRA.

If Rollover Contributions are permitted, an Employee may make a Rollover Contribution to the Plan even if the Employee is not an Eligible Participant with respect to any or all other contributions under the Plan, unless otherwise prohibited under separate administrative procedures adopted by the Plan Administrator. An Employee who makes a Rollover Contribution to this Plan prior to becoming an Eligible Participant shall be treated as a Participant only with respect to such Rollover Contribution Account, but shall not be treated as an Eligible Participant until he/she otherwise satisfies the eligibility conditions under the Plan.

The Plan Administrator may refuse to accept a Rollover Contribution if the Plan Administrator reasonably believes the Rollover Contribution (a) is not being made from a proper plan or conduit IRA; (b) is not being made within sixty (60) days from receipt of the amounts from a qualified retirement plan or conduit IRA; (c) could jeopardize the tax-exempt status of the Plan; or (d) could create adverse tax consequences for the Plan or the Employer. Prior to accepting a Rollover Contribution, the Plan Administrator may require the Employee to provide satisfactory evidence establishing that the Rollover Contribution meets the requirements of this Section.

The Plan Administrator may apply different conditions for accepting Rollover Contributions from qualified retirement plans and conduit IRAs. Any conditions on Rollover Contributions must be applied uniformly to all Employees under the Plan.

3.3 Transfer of Assets. The Plan Administrator may direct the Trustee to accept a transfer of assets from another qualified retirement plan on behalf of any Employee, even if such Employee is not eligible to receive other contributions under the Plan. If a transfer of assets is made on behalf of an Employee prior to the Employee's becoming an Eligible Participant, the Employee shall be treated as a Participant for all purposes with respect to such transferred amount. Any assets transferred to this Plan from another plan must be accompanied by written instructions designating the name of

each Employee for whose benefit such amounts are being transferred, the current value of such assets, and the sources from which such amounts are derived. The Plan Administrator will deposit any transferred assets in the appropriate Participant's Transfer Account. The Transfer Account will contain any sub-Accounts necessary to separately track the sources of the transferred assets. Each sub-Account will be treated in the same manner as the corresponding Plan Account.

The Plan Administrator may direct the Trustee to accept a transfer of assets from another qualified plan of the Employer in order to comply with the qualified replacement plan requirements under Code (S)4980(d) (relating to the excise tax on reversions from a qualified plan) without affecting the status of this Plan as a Prototype Plan. A transfer made pursuant to Code (S)4980(d) will be allocated as Employer Contributions either in the Plan Year in which the transfer occurs, or over a period of Plan Years (not exceeding the maximum period permitted under Code (S)4980(d)), as provided in the applicable transfer agreement. To the extent a transfer described in this paragraph is not totally allocable in the Plan Year in which the transfer occurs, the portion which is not allocable will be credited to a suspense account until allocated in accordance with the transfer agreement.

The Plan Administrator may refuse to accept a transfer of assets if the Plan Administrator reasonably believes the transfer (a) is not being made from a proper qualified plan; (b) could jeopardize the tax-exempt status of the Plan; or (c) could create adverse tax consequences for the Plan or the Employer. Prior to accepting a transfer of assets, the Plan Administrator may require evidence documenting that the transfer of assets meets the requirements of this Section. The Trustee will have no responsibility to determine whether the transfer of assets meets the requirements of this Section; to verify the correctness of the amount and type of assets being transferred to the Plan; or to perform any due diligence review with respect to such transfer.

(a) Protection of Protected Benefits. Except in the case of a Qualified Transfer (as defined in subsection (d) below), a transfer of assets is initiated at the Plan level and does not require Participant or spousal consent. If the Plan Administrator directs the Trustee to accept a transfer of assets to this Plan, the Participant on whose behalf the transfer is made retains all Protected Benefits that applied to such transferred assets under the transferor plan.

(b) Transferee plan. Except in the case of a Qualified Transfer (as defined in subsection (d)), if the Plan Administrator directs the Trustee to accept a transfer of assets from another plan which is subject to the Joint and Survivor Annuity requirements under Code (S)401(a)(11), the amounts so transferred continue to be subject to such requirements, as provided in Article 9. If this Plan is not otherwise subject to the Qualified Joint and Survivor Annuity requirements (as determined under Part 11, #41.a. of the Agreement [Part 11, #59.a. of the 401(k) Agreement]), the Qualified Joint and Survivor Annuity requirements apply only to the amounts under the Transfer Account which are attributable to the amounts which were subject to the Qualified Joint and Survivor Annuity requirements under the transferor plan. The Employer may override this default rule by checking Part 11, #41.b. of the Agreement [Part 11, #59.b. of the 401(k) Agreement] thereby subjecting the entire Plan to the Qualified Joint and Survivor Annuity Requirements.

(c) Transfers from a Defined Benefit Plan, money purchase plan or 401(k) plan.

  (1) Defined Benefit Plan. The Plan Administrator will not direct the Trustee to accept a transfer of assets from a Defined Benefit Plan unless such transfer qualifies as a Qualified Transfer (as defined in subsection (d) below) or the assets transferred from the Defined Benefit Plan are in the form of paid-up annuity contracts which protect all the Participant's Protected Benefits under the Defined Benefit Plan. (However, see the special rule under the second paragraph of Section 3.3 above regarding transfers authorized under Code (S)4980(d).)

  (2) Money purchase plan. If this Plan is a profit sharing plan or a 401 (k) plan and the Plan Administrator directs the Trustee to accept a transfer of assets from a money purchase plan (other than as a Qualified Transfer as defined in subsection (d) below), the amounts transferred (and any gains attributable to such transferred amounts) continue to be subject to the distribution restrictions applicable to money purchase plan assets under the transferor plan. Such amounts may not be distributed for reasons other than death, disability, attainment of Normal Retirement Age, or termination of employment, regardless of any distribution provisions under this Plan that would otherwise permit a distribution prior to such events.

  (3) 401(k) plan. If the Plan Administrator directs the Trustee to accept a transfer of Section 401(k) Deferrals, QMACs, QNECs, or Safe Harbor Contributions from a 401 (k) plan, such amounts retain their character under this Plan and such amounts (including any allocable gains or losses) remain subject to the distribution restrictions applicable to such amounts under the Code.

(d) Qualified Transfer. The Plan may eliminate certain Protected Benefits (as provided under subsection (3) below) related to plan assets that

are received in a Qualified Transfer from another plan. A Qualified Transfer

is a plan-to-plan transfer of a Participant's benefits that meets the requirements under subsection (1) or (2) below.

(1) Elective transfer. A plan-to-plan transfer of a Participant's benefits from another qualified plans is a Qualified Transfer if such transfer satisfies the following requirements.

(i) The Participant must have the right to receive an immediate distribution of his/her benefits under the transferor plan at the time of the Qualified Transfer. For transfers that occur on or after January 1, 2002, the Participant must not be eligible at the time of the Qualified Transfer to take an immediate distribution of his/her entire benefit in a form that would be entirely eligible for a Direct Rollover.

(ii) The Participant on whose behalf benefits are being transferred must make a voluntary, fully informed election to transfer his/her benefits to this Plan.

(iii) The Participant must be provided an opportunity to retain the Protected Benefits under the transferor plan. This requirement is satisfied if the Participant is given the option to receive an annuity that protects all Protected Benefits under the transferor plan or the option of leaving his/her benefits in the transferor plan.

(iv) The Participant's spouse must consent to the Qualified Transfer if the transferor plan is subject to the Joint and Survivor Annuity requirements under Article 9. The spouse's consent must satisfy the requirements for a Qualified Election under Section 9.4(d).

(v) The amount transferred (along with any contemporaneous Direct Rollover) must not be less than the value of the Participant's vested benefit under the transferor plan.

(vi) The Participant must be fully vested in the transferred benefit.

(2) Transfer upon specified events. For transfers that occur on or after September 6, 2000, a plan-to-plan transfer of a Participant's entire benefit (other than amounts the Plan accepts as a Direct Rollover) from another Defined Contribution Plan that is made in connection with an asset or stock acquisition, merger, or other similar transaction involving a change in the Employer or is made in connection with a Participant's change in employment status that causes the Participant to become ineligible for additional allocations under the transferor plan, is a Qualified Transfer if such transfer satisfies the following requirements:

(i) The Participant need not be eligible for an immediate distribution of his/her benefits under the transferor plan.

(ii) The Participant on whose behalf benefits are being transferred must make a voluntary, fully informed election to transfer his/her benefits to this Plan.

(iii) The Participant must be provided an opportunity to retain the Protected Benefits under the transferor plan. This requirement is satisfied if the Participant is given the option to receive an annuity that protects all Protected Benefits under the transferor plan or the option of leaving his/her benefits in the transferor plan.

(iv) The benefits must be transferred between plans of the same type. To satisfy this requirement, the transfer must satisfy the following requirements.

(A) To accept a Qualified Transfer under this subsection (2) from a money purchase plan, this Plan also must be a money purchase plan.

(B) To accept a Qualified Transfer under this subsection (2) from a 401(k) plan, this Plan also must be a 401 (k) plan.

(C) To accept a Qualified Transfer under this subsection (2) from a profit sharing plan, this Plan may be any type of Defined Contribution Plan.

(3) Treatment of Qualified Transfer.

(i) Rollover Contribution Account. If the Plan Administrator directs the Trustee to accept on behalf of a Participant a transfer of assets that qualifies as a Qualified Transfer, the Plan Administrator will treat such amounts as a Rollover Contribution and will deposit such amounts in the Participant's Rollover Contribution Account. A Qualified Transfer may include benefits derived from Employee After-Tax Contributions.

(ii) Elimination of Protected Benefits. If the Plan accepts a Qualified Transfer, the Plan does not have to protect any Protected Benefits derived from the transferor plan. However, if the Plan accepts a Qualified Transfer that meets the requirements for a transfer under subsection (2) above, the Plan must continue to protect the QJSA benefit if the transferor plan is subject to the QJSA requirements.

(e) Trustee's right to refuse transfer. If the assets to be transferred to the Plan under this Section 3.3 are not susceptible to proper valuation and identification or are of such a nature that their valuation is incompatible with other Plan assets, the Trustee may refuse to accept the transfer of all or any specific asset, or may condition acceptance of the assets on the sale or disposition of any specific asset.

ARTICLE 4
PARTICIPANT VESTING

This Article contains the rules for determining the vested (nonforfeitable) amount of a Participant's Account Balance under the Plan. Part 6 of the Agreement contains specific elections for applying these vesting rules. Part 7 of the Agreement contains special service crediting elections to override the default provisions under this Article.

4.1 In General. A Participant's vested interest in his/her Employer Contribution Account and Employer Matching Contribution Account is determined based on the vesting schedule elected in Part 6 of the Agreement. A Participant is always fully vested in his/her Section 401(k) Deferral Account, Employee After-Tax Contribution Account, QNEC Account, QMAC Account, Safe Harbor Nonelective Contribution Account, Safe Harbor Matching Contribution Account, and Rollover Contribution Account.

(a) Attainment of Normal Retirement Age. Regardless of the Plan's vesting schedule, a Participant's right to his/her Account Balance is fully vested upon the date he/she attains Normal Retirement Age, provided the Participant is an Employee on or after such date.

(b) Vesting upon death, becoming Disabled, or attainment of Early Retirement Age. If elected by the Employer in Part 6, #21 of the Agreement [Part 6, #39 of the 401(k) Agreement], a Participant will become fully vested in his/her Account Balance if the Participant dies, becomes Disabled, or attains Early Retirement Age while employed by the Employer.

(c) Addition of Employer Nonelective Contribution or Employer Matching Contribution. If the Plan is a Safe Harbor 401(k) Plan as defined in Section 17.6, all amounts allocated to the Participant's Safe Harbor Nonelective Contribution Account and/or Safe Harbor Matching Contribution Account are always 100% vested. If a Safe Harbor 401(k) Plan is amended to add a regular Employer Nonelective Contribution or Employer Matching Contribution, a Participant's vested interest in such amounts is determined in accordance with the vesting schedule selected under Part 6 of the Agreement. The addition of a vesting schedule under Part 6 for such contributions is not considered an amendment of the vesting schedule under Section 4.7 below merely because the Participant was fully vested in his/her Safe Harbor Nonelective Contribution Account or Safe Harbor Matching Contribution Account.

(d) Vesting upon merger, consolidation or transfer. No accelerated vesting will be required solely because a Defined Contribution Plan is merged with another Defined Contribution Plan, or because assets are transferred from a Defined Contribution Plan to another Defined Contribution Plan. Thus, for example, Participants will not automatically become 100% vested in their Employer Contribution Account(s) solely on account of a merger of a money purchase plan with a profit sharing or 401(k) Plan or a transfer of assets between such Plans. (See Section 18.3 for the benefits that must be protected as a result of a merger, consolidation or transfer.)

4.2 Vesting Schedules. The Plan's vesting schedule will determine an Employee's vested percentage in his/her Employer Contribution Account and/or Employer Matching Contribution Account. The vested portion of a Participant's Employer Contribution Account and/or Employer Matching Contribution Account is determined by multiplying the Participant's vesting percentage determined under the applicable vesting schedule by the total amount under the applicable Account.

The Employer must elect a normal vesting schedule and a Top-Heavy Plan vesting schedule under Part 6 of the Agreement. The Top-Heavy Plan vesting schedule will apply for any Plan Year in which the plan is a Top-Heavy Plan. If this Plan is a 401(k) plan, the Employer must elect a normal and Top-Heavy Plan vesting schedule for both Employer Nonelective Contributions and Employer Matching Contributions, but only to the extent such contributions are authorized under Part 4B and/or Part 4C of the 401(k) Agreement.

The Employer may choose any of the following vesting schedules as the normal vesting schedule under Part 6 of the Agreement. For the Top-Heavy Plan vesting, the Employer may only choose the full and immediate, 6-year graded, 3-year cliff, or modified vesting schedule, as described below.

(a) Full and immediate vesting schedule. Under the full and immediate vesting schedule, the Participant is always 100% vested in his/her Account Balance.

(b) 7-year graded vesting schedule. Under the 7-year graded vesting schedule, an Employee vests in his/her Employer Contribution Account and/or Employer Matching Contribution Account in the following manner:

After 3 Years of Service - 20% vesting
After 4 Years of Service - 40% vesting
After 5 Years of Service - 60% vesting
After 6 Years of Service - 80% vesting
After 7 Years of Service - 100% vesting

(c) 6-year graded vesting schedule. Under the 6-year graded vesting schedule, an Employee vests in his/her Employer Contribution Account and/or Employer Matching Contribution Account in the following manner:

After 2 Years of Service - 20% vesting
After 3 Years of Service - 40% vesting
After 4 Years of Service - 60% vesting
After 5 Years of Service - 80% vesting
After 6 Years of Service - 100% vesting

(d) 5-year cliff vesting schedule. Under the 5-year cliff vesting schedule, an Employee is 100% vested after 5 Years of Service. Prior to the fifth Year of Service, the vesting percentage is zero.

(e) 3-year cliff vesting schedule. Under the 3-year cliff vesting schedule, an Employee is 100% vested after 3 Years of Service. Prior to the third Year of Service, the vesting percentage is zero.

(f) Modified vesting schedule. For the normal vesting schedule, the Employer may elect a modified vesting schedule under which the vesting percentage for each Year of Service is not less than the percentage that would be required for each Year of Service under the 7-year graded vesting schedule, unless 100% vesting occurs after no more than 5 Years of Service. For the Top-Heavy Plan vesting schedule, the Employer may elect a modified vesting schedule under which the vesting percentage for each Year of Service is not less than the percentage that would be required for each Year of Service under the 6-year graded vesting schedule, unless 100% vesting occurs after no more than 3 Years of Service.

4.3 Shift to/from Top-Heavy Vesting Schedule. For a Plan Year in which the Plan is a Top-Heavy Plan, the Plan automatically shifts to the Top-Heavy Plan vesting schedule. Once a Plan uses a Top-Heavy Plan vesting schedule, that schedule will continue to apply for all subsequent Plan Years. The Employer may override this default provision under Part 6, #22 of the Nonstandardized Agreement [Part 6, #40 of the Nonstandardized 401(k) Agreement]. The rules under Section 4.7 will apply when a Plan shifts to or from a Top-Heavy Plan vesting schedule.

4.4 Vesting Computation Period. For purposes of computing a Participant's vested interest in his/her Employer Contribution Account and/or Employer Matching Contribution Account, an Employee's Vesting Computation Period is the 12-month period measured on a Plan Year basis, unless the Employer elects under Part 7, #26 of the Agreement [Part 7, #44 of the 401(k) Agreement] to measure Vesting Computation Periods using Anniversary Years. The Employer may designate an alternative 12-month period under Part 7, #26.b. of the Nonstandardized Agreement [Part 7, #44.b. of the Nonstandardized 401(k) Agreement]. Any Vesting Computation Period designated under Part 7, #26.b. or #44.b., as applicable, must be a 12-consecutive month period and must apply uniformly to all Participants.

(a) Anniversary Years. If the Employer elects to measure Vesting Computation Periods using Anniversary Years, the Vesting Computation Period is the 12-month period commencing on the Employee's Employment Commencement Date (or Reemployment Commencement Date) and each subsequent 12-month period commencing on the anniversary of such date.

(b) Measurement on same Vesting Computation Period. The Plan will measure Years of Service and Breaks in Service (if applicable) for purposes of vesting on the same Vesting Computation Period.

4.5 Crediting Years of Service for Vesting Purposes. Unless the Employer elects otherwise under Part 7, #25 of the Agreement [Part 7, #43 of the 401(k) Agreement], an Employee will earn one Year of Service for purposes of applying the vesting rules if the Employee completes 1,000 Hours of Service with the Employer during a Vesting Computation Period. An Employee will receive credit for a Year of Service as of the end of the Vesting Computation Period, if the Employee completes the required Hours of Service during such period, even if the Employee is not employed for the entire period.

(a) Calculating Hours of Service. In calculating an Employee's Hours of Service for purposes of applying the vesting rules under this Article, the Employer will use the Actual Hours Crediting Method, unless the Employer elects otherwise under Part 7, #25 of the Agreement [Part 7, #43 of the 401(k) Agreement]. (See Article 6 of this Plan for a description of the alternative service crediting methods.)

(b) Excluded service. Unless the Employer elects to exclude certain service with the Employer under Part 6, #20 of the Agreement [Part 6, #38 of the 401(k) Agreement], all service with the Employer is counted for vesting purposes.

(1) Service before the Effective Date of the Plan. Under Part 6, #20.a. of the Agreement [Part 6, #38.a. of the 401(k) Agreement], the Employer may elect to exclude service during any period for which the Employer did not maintain the Plan or a Predecessor Plan. For this purpose, a Predecessor Plan is a qualified plan maintained by the Employer that is terminated within the 5-year period immediately preceding or following the establishment of this Plan. A Participant's service under a Predecessor Plan must be counted for purposes of determining the Participant's vested percentage under this Plan.

(2) Service before a certain age. Under Part 6, #20.b. of the Agreement [Part 6, #38.b.of the 401(k) Agreement], the Employer may elect to exclude service before an Employee attains a certain age. For this purpose, the Employer may not designate an age greater than 18. An Employee will be credited with a Year of Service for the Vesting Computation Period during which the Employee attains the requisite age, provided the Employee satisfies all other conditions required for a Year of Service.

4.6 Vesting Break in Service Rules. Except as provided under Section 4.5(b), in determining a Participant's vested percentage, a Participant is credited with all Years of Service earned with the Employer, subject to the following Break in Service rules. In applying these Break in Service rules, Years of Service and Breaks in Service (as defined in Section 22.27) are measured on the same Vesting Computation Period as defined in Section 4.4 above.

(a) One-year holdout Break in Service. The one-year holdout Break in Service rule will not apply unless the Employer specifically elects in Part 7, #27.b. of the Nonstandardized Agreement [Part 7, #45.b. of the Nonstandardized 401(k) Agreement] to have it apply. If the one-year holdout Break in Service rule is elected, an Employee who has a one-year Break in Service will not be credited for vesting purposes with any Years of Service earned before such one-year Break in Service until the Employee has completed a Year of Service after the one-year Break in Service. The one-year holdout rule does not apply under the Standardized Agreement.

(b) Five-Year Forfeiture Break in Service. In the case of a Participant who has five (5) consecutive one-year Breaks in Service, all Years of Service after such Breaks in Service will be disregarded for the purpose of vesting in the portion of the Participant's Employer Contribution Account and/or Employer Matching Contribution Account that accrued before such Breaks in Service, but both pre-break and post-break service will count for purposes of vesting in the portion of such Accounts that accrues after such breaks. The Participant will forfeit the nonvested portion of his/her Employer Contribution Account and/or Employer Matching Contribution Account accrued prior to incurring five consecutive Breaks in Service, in accordance with Section 5.3(b).

In the case of a Participant who does not have five consecutive one-year Breaks in Service, all Years of Service will count in vesting both the pre-break and post-break Account Balance derived from Employer Contributions.

(c) Rule of Parity Break in Service. This Break in Service rule applies only to Participants who are totally nonvested (i.e., 0% vested) in their Employer Contribution Account and Employer Matching Contribution Account. If an Employee is vested in any portion of his/her Employer Contribution Account or Employer Matching Contribution Account, the Rule of Parity does not apply. Under this Break in Service rule, if a nonvested Participant incurs a period of consecutive one-year Breaks in Service which equals or exceeds the greater of five (5) or the Participant's aggregate number of Years of Service with the Employer, all service earned prior to the consecutive Break in Service period will be disregarded and the Participant will be treated as a new Employee for purposes of determining vesting under the Plan. The Employer may elect under Part 7, #27.a. of the Agreement [Part 7, #45.a. of the 401(k) Agreement] not to apply the Rule of Parity Break in Service rule.

(1) Previous application of the Rule of Parity Break in Service rule. In determining a Participant's aggregate Years of Service for purposes of applying the Rule of Parity Break in Service rule, any Years of Service otherwise disregarded under a previous application of this rule are not counted.

(2) Application to the 401(k) Agreement. The Rule of Parity Break in Service rule applies only to determine the individual's vesting rights with respect to his/her Employer Contribution Account and Employer Matching Contribution Account. In determining whether a Participant is totally nonvested for purposes of applying the Rule of Parity Break in Service rule, the Participant's Section 401(k) Deferral Account, Employee After-Tax Contribution Account, QMAC Account,

QNEC Account, Safe Harbor Nonelective Contribution Account, Safe Harbor Matching Contribution Account, and Rollover Contribution Account are disregarded.

4.7 Amendment of Vesting Schedule. If the Plan's vesting schedule is amended (or is deemed amended by an automatic change to or from a Top-Heavy Plan vesting schedule), each Participant with at least three (3) Years of Service with the Employer, as of the end of the election period described in the following paragraph, may elect to have his/her vested interest computed under the Plan without regard to such amendment or change. For this purpose, a Plan amendment, which in any way directly or indirectly affects the computation of the Participant's vested interest, is considered an amendment to the vesting schedule. However, the new vesting schedule will apply automatically to an Employee, and no election will be provided, if the new vesting schedule is at least as favorable to such Employee, in all circumstances, as the prior vesting schedule.

The period during which the election may be made shall commence with the date the amendment is adopted or is deemed to be made and shall end on the latest of:

(a) 60 days after the amendment is adopted;

(b) 60 days after the amendment becomes effective; or

(c) 60 days after the Participant is issued written notice of the amendment by the Employer or Plan Administrator.

Furthermore, if the vesting schedule of the Plan is amended, in the case of an Employee who is a Participant as of the later of the date such amendment is adopted or effective, the vested percentage of such Employee's Account Balance derived from Employer Contributions (determined as of such date) will not be less than the percentage computed under the Plan without regard to such amendment.

4.8 Special Vesting Rule - In-Service Distribution When Account Balance Less than 100% Vested. If amounts are distributed from a Participant's Employer Contribution Account or Employer Matching Contribution Account at a time when the Participant's vested percentage in such amounts is less than 100% and the Participant may increase the vested percentage in the Account Balance:

(a) A separate Account will be established for the Participant's interest in the Plan as of the time of the distribution, and

(b) At any relevant time the Participant's vested portion of the separate Account will be equal to an amount ("X") determined by the formula:

$$X=P(AB+D)-D$$

Where:

P is the vested percentage at the relevant time;

AB is the Account Balance at the relevant time, and

D is the amount of the distribution.

ARTICLE 5
FORFEITURES

This Article contains the rules relating to the timing and disposition of forfeitures of the nonvested portion of a Participant's Account Balance. Part 8 of the Agreement provides elections on the allocation of forfeitures. The rules for determining the vested portion of a Participant's Account Balance are contained in Article 4 of this BPD.

5.1 In General. The Plan Administrator has the responsibility to determine the amount of a Participant's forfeiture based on the application of the vesting provisions of Article 4. Until an amount is forfeited pursuant to this Article, nonvested amounts will be held in the Account of the Participant and will share in gains and losses of the Trust (as determined under Article 13).

5.2 Timing of forfeiture. The forfeiture of all or a portion of a Participant's nonvested Account Balance occurs upon any of the events listed below:

(a) Cash-Out Distribution. The date the Participant receives a total Cash-Out Distribution as defined in Section 5.3(a).

(b) Five-Year Forfeiture Break in Service. The last day of the Vesting Computation Period in which the Participant incurs a Five-Year Forfeiture Break in Service as defined in Section 5.3(b).

(c) Lost Participant or Beneficiary. The date the Plan Administrator determines that a Participant or Beneficiary cannot be located to receive a distribution from the Plan. See Section 5.3(c).

(d) Forfeiture of Employer Matching Contributions. With respect to Employer Matching Contributions under a 401 (k) plan, the date a distribution is made as described in Section 5.3(d).

5.3 Forfeiture Events.

(a) Cash-Out Distribution. If a Participant receives a total distribution upon termination of his/her participation in the Plan (a "Cash-Out Distribution"), the nonvested portion (if any) of the Participant's Account Balance is forfeited in accordance with the provisions of this Article. If a Participant has his/her nonvested Account Balance forfeited as a result of a Cash-Out Distribution, such Participant must be given the right to "buy-back" the forfeited benefit, as provided in subsection (2) below. (See Article 8 for the rules regarding the availability and timing of Plan distributions and the consent requirements applicable to such distributions.)

(1) Amount of forfeiture. The Cash-Out Distribution rules under this subsection (a) apply only if the Participant is less than 100% vested in his/her Employer Contribution Account and/or Employer Matching Contribution Account. If the Participant is 100% vested in his/her entire Account Balance, no forfeiture of benefits will occur solely as a result of the Cash-Out Distribution.

(i) Total Cash-Out Distribution. If a Participant receives a Cash-Out Distribution of his/her entire vested Account Balance, the Participant will immediately forfeit the entire nonvested portion of his/her Account Balance, as of the date of the distribution (as determined under subsection (A) or (B) below, whichever applies). The forfeited amounts will be used in the manner designated under Part 8 of the Agreement.

(A) No further allocations. If the terminated Participant is not entitled to any further allocations under the Plan for the Plan Year in which the Participant terminates employment, the Cash-Out Distribution occurs on the day the Participant receives a distribution of his/her entire vested Account Balance. The Participant's nonvested benefit is immediately forfeited on such date, in accordance with the provisions under Section 5.5.

(B) Additional allocations. If the terminated Participant is entitled to an additional allocation under the Plan for the Plan Year in which the Participant terminates employment, a Cash-Out Distribution is deemed to occur when the Participant receives a distribution of his/her entire vested Account Balance, including any amounts that are still to be allocated under the Plan. Thus, a Participant who is entitled to an additional allocation under the Plan will not have a total Cash-Out Distribution until such additional amounts are distributed, regardless of whether the Participant takes a complete distribution of his/her vested Account Balance before receiving the additional allocation.

(C) Modification of default cash-out rules. The Employer may override the default cash-out rules under subsections (A) and (B) above by electing under Part 8, #32 of the Agreement [Part 8, #50 of the 401(k) Agreement] to have the Cash-Out Distribution and related forfeiture occur immediately upon a distribution of the terminated Participant's entire vested Account Balance, without regard to whether the Participant is entitled to an additional allocation under the Plan.

(ii) Deemed Cash-Out Distribution. If a Participant terminates employment with the Employer with a vested Account Balance of zero in his/her Employer Contribution Account and/or Employer Matching Contribution Account, the Participant is treated as receiving a "deemed" Cash-Out Distribution from the Plan. Upon a deemed Cash-Out, the nonvested portion of the Participant's Account Balance will be forfeited in accordance with subsection (A) or (B) below.

(A) No further allocations. If the Participant is not entitled to any further allocations under the Plan for the Plan Year in which the Participant terminates employment, the deemed Cash-Out Distribution is deemed to occur on the day the employment terminates. The Participant's nonvested benefit is immediately forfeited on such date, in accordance with the provisions under Section 5.5.

(B) Additional allocations. If the Participant is entitled to an additional allocation under the Plan for the Plan Year in which the Participant terminates employment, the deemed Cash-Out Distribution is deemed to occur on the first day of the Plan Year following the Plan Year in which the termination occurs.

(C) Modification of default cash-out rules. The Employer may override the default cash-out rules under subsections (A) and (B) above by electing under Part 8, #32 of the Agreement [Part 8, #50 of the 401(k) Agreement] to have the deemed Cash-Out Distribution and related forfeiture occur immediately upon a distribution of the terminated Participant's entire vested Account Balance, without regard to whether the Participant is entitled to an additional allocation under the Plan.

(iii) Other distributions. If the Participant receives a distribution of less than the entire vested portion of his/her Employer Contribution Account and Employer Matching Contribution Account (including any additional amounts to be allocated under subsection (i)(B) above), the total Cash-Out Distribution rule under subsection (i) above does not apply until the Participant receives a distribution of the remainder of the vested portion of his/her Account Balance. Until the Participant receives a distribution of the remainder of the vested portion of his/her Account Balance, the special vesting rule described in Section 4.8 applies to determine the vested percentage of the Participant's Employer Contribution Account and Employer Matching Account (as applicable). The nonvested portion of such Accounts will not be forfeited until the earlier of: (A) the occurrence of a Five-Year Forfeiture Break in Service described in Section 5.3(b) or (B) the date the Participant receives a total Cash-Out Distribution of the remaining vested portion of his/her Account Balance.

(2) Buy-back/restoration. If a Participant receives (or is deemed to receive) a Cash-Out Distribution that results in a forfeiture under subsection (1) above, and the Participant subsequently resumes employment covered under this Plan, the Participant may "buy-back" the forfeited portion of his/her Account(s) by repaying to the Plan the full amount of the Cash-Out Distribution from such Accoun(s).

(i) Buy-back opportunity. A Participant may buy-back the portion of his/her benefit that is forfeited as a result of a Cash-Out Distribution (or a deemed Cash-Out Distribution) by repaying the amount of such Cash-Out Distribution to the Plan before the earlier of:

(A) five (5) years after the first date on which the Participant is subsequently re-employed by the Employer, or

(B) the date a Five-Year Forfeiture Break in Service occurs (as defined in Section 5.3(b)).

If a Participant receives a deemed Cash-Out Distribution pursuant to subsection (1)(ii) above, and the Participant resumes employment covered under this Plan before the date

the Participant incurs a Five-Year Forfeiture Break in Service, the Participant is deemed to have repaid the Cash-Out Distribution immediately upon his/her reemployment.

To receive a restoration of the forfeited portion of his/her Employer Contribution Account and/or Employer Matching Contribution Account, a Participant must repay the entire Cash-Out Distribution that was made from the Participant's Employer Contribution Account and Employer Matching Contribution Account, unadjusted for any interest that might have accrued on such amounts after the distribution date. For this purpose, the Cash-Out Distribution is the total value of the Participant's vested Employer Contribution Account and Employer Matching Contribution Account that is distributed at any time following the Participant's termination of employment. If a Participant also received a distribution from other Accounts, the Participant need not repay such amounts to have the forfeited portion of his/her Employer Contribution Account and/or Employer Matching Contribution Account restored.

(ii) Restoration of forfeited benefit. Upon a Participant's proper repayment of a Cash-Out Distribution in accordance with subsection (i) above, the forfeited portion of the Participant's Employer Contribution Account and Employer Matching Contribution Account (as applicable) will be restored, unadjusted for any gains or losses on such amount. For this purpose, a Participant who received a deemed Cash-Out Distribution is automatically treated as having made a proper repayment and his/her forfeited benefit will be restored in accordance with this subsection (ii) if the Participant returns to employment with the Employer prior to incurring a Five-Year Forfeiture Break in Service. A Participant is not entitled to restoration under this subsection (ii) if the Participant returns to employment after incurring a Five-Year Forfeiture Break in Service.

The forfeited portion of the Participant's Account(s) will be restored no later than the end of the Plan Year following the Plan Year in which the Participant repays the Cash-Out Distribution in accordance with subsection (i) above. Although the Plan Administrator may permit a Participant to make a partial repayment of a Cash-Out Distribution, no portion of the Participant's forfeited benefit will be restored until the Participant repays the entire Cash-Out Distribution in accordance with subsection (i) above. If a Participant received a deemed Cash-Out Distribution, the Participant's forfeited benefit will be restored no later than the end of the Plan Year following the Plan Year in which the Participant returns to employment with the Employer.

If a Participant's forfeited benefit is required to be restored under this subsection (ii), the restoration of such benefit will occur from the following sources. If the following sources are not sufficient to completely restore the Participant's benefit, the Employer must make an additional contribution to the Plan.

(A) Any forfeitures that have not been allocated to Participants' Accounts for the Plan Year in which the Employer is restoring the Participant's benefit in accordance with this subsection (ii).

(B) If Participants are not permitted to self-direct investments under the Plan, any Trust earnings which have not been allocated to Participants' Accounts for the Plan Year in which the Employer is restoring the Participant's benefit in accordance with this subsection (ii).

(C) If the Employer makes a discretionary contribution to the Plan, it may designate all or any part of such discretionary contribution as a restoration contribution under this subsection (ii).

(b) Five-Year Forfeiture Break in Service. In the case of a Participant who has five (5) consecutive one-year Breaks in Service, the nonvested portion of the Participant's Account Balance will be forfeited as of the end of the Vesting Computation Period in which the Participant incurs his/her fifth consecutive Break in Service. See Section 4.6(b) for more information on the Five-Year Forfeiture Break in Service.

(c) Lost Participant or Beneficiary.

(1) Inability to locate Participant or Beneficiary. If the Plan Administrator, after a reasonable effort and time, is unable to locate a Participant or a Beneficiary in order to make a distribution otherwise required by the Plan, the distributable amount may be forfeited, as permitted under applicable laws and regulations. In determining what is a reasonable effort and time, the Plan Administrator may follow any applicable guidance provided under statute, regulation, or other IRS or DOL guidance of general applicability.

(2) Restoration of forfeited amounts. If, after the distributable amount is forfeited, the Participant or Beneficiary is located, the Plan will restore the forfeited amount (unadjusted for gains or losses) to such Participant or Beneficiary within a reasonable time. The method of restoring a forfeited benefit under subsection (a)(2)(ii) above applies to any restoration required under this subsection (2).

(d) Forfeiture of Employer Matching Contributions. This subsection (d) only applies if the Plan is a 401(k) Plan.

(1) Correction of ACP Test. If a Participant receives a corrective distribution of Excess Aggregate Contributions to correct the ACP Test, the portion of such corrective distribution which relates to nonvested Employer Matching Contributions, including any allocable income or loss, will be forfeited (as permitted under Section 17.3(d)(1)) in the Plan Year in which the corrective distribution is made from the Plan.

(2) Excess Deferrals, Excess Contributions, and Excess Aggregate Contributions. If a Participant receives a distribution of Excess Deferrals, Excess Contributions, or Excess Aggregate Contributions, the Employer will forfeit the portion of his/her Employer Matching Contribution Account (whether vested or not) which is attributable to such distributed amounts (except to the extent such amount has been distributed as Excess Contributions or Excess Aggregate Contributions, pursuant to Article 17). A forfeiture of Employer Matching Contributions under this subsection (2) occurs in the Plan Year in which the Participant receives the distribution of Excess Deferrals, Excess Contributions, and/or Excess Aggregate Contributions.

5.4 Timing of Forfeiture Allocation. Pursuant to the elections under Part 8 of the Agreement, forfeitures are allocated in either the same Plan Year in which the forfeitures occur or in the Plan Year following the Plan Year in which the forfeitures occur.

5.5 Method of Allocating Forfeitures. Forfeitures will be allocated in accordance with the method chosen by the Employer under Part 8 of the Agreement. In no event, however, will a Participant receive an allocation of forfeitures arising from his/her own Account. If no method of allocation is selected under Part 8 of the Agreement, any forfeitures will be used to reduce the Employer's contributions for the Plan Year following the Plan Year in which the forfeiture occurs as described under (b) below.

(a) Reallocation of forfeitures. If the Employer elects to reallocate forfeitures as additional contributions, the forfeitures will be added to other contributions made by the Employer (as designated under Part 8 of the Agreement) for the Plan Year designated under Part 8, #29 of the Agreement [Part 8, #47 of the 401(k) Agreement], and such amounts will be allocated to Eligible Participants under the allocation method chosen under Part 4 of the Agreement with respect to such contributions. Reallocation of forfeitures is not available under the target benefit plan Agreement.

(b) Reduction of contributions. If the Employer elects under Part 8 of the Agreement to use forfeitures to reduce its contributions under the Plan, the Employer may adjust its contribution deposits in any manner, provided the total Employer Contributions made for the Plan Year properly take into account the forfeitures that are to be used to reduce such contributions for that Plan Year. If the contributions are allocated over multiple allocation periods, the Employer may reduce its contribution for any allocation periods within the Plan Year in which the forfeitures are to be allocated so that the total amount allocated for the Plan Year is proper.

(c) Payment of Plan expenses. If the Employer elects under Part 8, #31 of the Agreement [Part 8, #49 of the 401(k) Agreement], forfeitures will first be used to pay Plan expenses for the Plan Year in which the forfeitures would otherwise be allocated. This subsection (c) applies only if the Plan otherwise would pay such expenses as authorized under Section 11.4. If any forfeitures remain after the payment of Plan expenses under this subsection, the remaining forfeitures will be allocated as selected under Part 8 of the Agreement.

ARTICLE 6
SPECIAL SERVICE CREDITING PROVISIONS

This Article contains special service crediting rules that apply for purposes of determining an Employee's eligibility to participate and the vested percentage in his/her Account Balance under the Plan. This Article 6 and Part 7 of the Agreement permit the Employer to override the general service crediting rules under Articles 1 and 4 with respect to eligibility and vesting and to apply special service crediting rules, such as the Equivalency Method and the Elapsed Time Method for crediting service. Section 6.7 of this Article and Part 13, #53 of the Agreement [Part 13, #71 of the 401(k) Agreement] contain special rules for crediting service with Predecessor Employers.

6.1 Year of Service - Eligibility. Section 1.4(b) defines a Year of Service for eligibility purposes. Generally, an Employee earns a Year of Service for eligibility purposes upon the completion of 1,000 Hours of Service during an Eligibility Computation Period. For this purpose, Hours of Service are calculated using the Actual Hours Crediting Method. Part 7, #23 of the Agreement [Part 7, #41 of the 401(k) Agreement] permits the Employer to modify these default provisions for determining a Year of Service for eligibility purposes.

(a) Selection of Hours of Service. The Employer may elect to modify the requirement that an Employee complete 1,000 Hours of Service during an Eligibility Computation Period to earn a Year of Service. Under Part 7, #23.a. of the Agreement [Part 7, #41.a. of the 401(k) Agreement], the Employer may designate a specific number of Hours of Service (which cannot exceed 1,000) that an Employee must complete during the Eligibility Computation Period to earn a Year of Service. Any Hours of Service designated in accordance with this subsection (a) will be determined using the Actual Hours Crediting Method, unless the Employer elects to use the Equivalency Method under Part 7, #23.b. of the Agreement [Part 7, #41.b. of the 401(k) Agreement].

(b) Use of Equivalency Method. The Employer may elect under Part 7, #23.b. of the Agreement [Part 7, #41.b. of the 401(k) Agreement] to use the Equivalency Method (as defined in Section 6.5(a)) instead of the Actual Hours Crediting Method in determining whether an Employee has completed the required Hours of Service to earn a Year of Service.

(c) Use of Elapsed Time Method. The Employer may elect under Part 7, #23.c. of the Agreement [Part 7, #41.c. of the 401(k) Agreement] to use the Elapsed Time Method (as defined in Section 6.5(b)) instead of counting Hours of Service in applying the eligibility conditions under Article 1. The Elapsed Time Method may not be selected if the Employer elects to apply a designated Hours of Service requirement under Part 7, #23.a. of the Agreement [Part 7, 441.a. of the 401(k) Agreement].

6.2 Eligibility Computation Period. Section 1.4(c) defines the Eligibility Computation Period used to determine whether an Employee has earned a Year of Service for eligibility purposes. Generally, if one Year of Service is required for eligibility, the Eligibility Computation Period is determined using the Shift-to-Plan-Year Method (as defined in Section 1.4(c)(1)). Part 7, #24 of the Agreement [Part 7, #42 of the 401(k) Agreement] permits the Employer to use the Anniversary Year Method (as defined in Section 1.4(c)(2)) for determining Eligibility Computation Periods under the Plan. If the Employer selects two Years of Service eligibility condition (under Part 1, #5.e. of the Agreement), the Anniversary Year Method applies, unless the Employer elects to use the Shift-to-Plan-Year Method. In the case of a 401(k) plan in which a two Years of Service eligibility condition is used for either Employer Matching Contributions or Employer Nonelective Contributions, the method used to determine Eligibility Computation Periods for the two Years of Service condition also will apply to any one Year of Service eligibility condition used with respect to any other contributions.

6.3 Year of Service - Vesting. Section 4.5 defines a Year of Service for vesting purposes. Generally, an Employee earns a Year of Service for vesting purposes upon the completion of 1,000 Hours of Service during a Vesting Computation Period. For this purpose, Hours of Service are calculated using the Actual Hours Crediting Method. Part 7, #25 of the Agreement [Part 7, #43 of the 401(k) Agreement] permits the Employer to modify these default provisions for determining a Year of Service for vesting purposes.

(a) Selection of Hours of Service. The Employer may elect to modify the requirement that an Employee complete 1,000 Hours of Service during a Vesting Computation Period to earn a Year of Service. Under Part 7, #25.a. of the Agreement [Part 7, #43.a. of the 401(k) Agreement], the Employer may designate a specific number of Hours of Service (which cannot exceed 1,000) that an Employee must complete during the Vesting Computation Period to earn a Year of Service. Any Hours of Service designated in accordance with this subsection (a) will be determined using the Actual Hours Crediting Method, unless the Employer elects to use the Equivalency Method under Part 7, #25.b. of the Agreement [Part 7, #43.b. of the 401(k) Agreement].

(b) Equivalency Method. The Employer may elect under Part 7, #25.b. of the Agreement [Part 7, #43.b. of the 401(k) Agreement] to use the Equivalency Method (as defined in Section 6.5(a)) instead of the Actual Hours

Crediting Method in determining whether an Employee has completed the required Hours of Service to earn a Year of Service.

(c) Elapsed Time Method. The Employer may elect under Part 7, #25.c. of the Agreement [Part 7, #43.c. of the 401(k) Agreement] to use the Elapsed Time Method (as defined in Section 6.5(b)) instead of counting Hours of Service in applying the vesting provisions under Article 4. The Elapsed Time Method may not be selected if the Employer elects to apply a designated Hours of Service requirement under Part 7, #25.a. of the Agreement [Part 7, #43.a. of the 401(k) Agreement].

6.4 Vesting Computation Period. Section 4.4 defines the Vesting Computation Period used to determine whether an Employee has earned a Year of Service for vesting purposes. Generally, the Vesting Computation Period is the Plan Year. Part 7, #26 of the Agreement [Part 7, #44 of the 401(k) Agreement] permits the Employer to elect to use Anniversary Years (see Section 4.4(a)) or, under the Nonstandardized Agreement, any other 12-consecutive month period as the Vesting Computation Period.

6.5 Definitions.

(a) Equivalency Method. Under the Equivalency Method, an Employee is credited with 190 Hours of Service for each calendar month during the Eligibility Computation Period or Vesting Computation Period, as applicable, for which the Employee completes at least one Hour of Service. Instead of applying the Equivalency Method on the basis of months worked, the Employer may elect to apply different equivalencies under Part 7, #28 of the Agreement [Part 7, #46 of the 401(k) Agreement]. The Employer may credit Employees with 10 Hours of Service for each day worked, 45 Hours of Service for each week worked, or 95 Hours of Service for each semi-monthly payroll period worked during the Eligibility Computation Period or Vesting Computation Period, as applicable. For this purpose, an Employee will receive credit for the appropriate Hours of Service if the Employer completes at least one Hour of Service during the applicable period.

(b) Elapsed Time Method. Under the Elapsed Time Method, an Employee receives credit for the aggregate of all periods of service commencing with the Employee's Employment Commencement Date (or Reemployment Commencement Date) and ending on the date the Employee begins a Period of Severance (as defined in subsection (2) below) which lasts at least 12 consecutive months. In calculating an Employee's aggregate period of service, an Employee receives credit for any Period of Severance that lasts less than 12 consecutive months. If an Employee's aggregate period of service includes fractional years, such fractional years are expressed as days.

(1) Year of Service. For purposes of determining whether an Employee has earned a Year of Service under the Elapsed Time Method, an Employee is credited with a Year of Service for each 12-month period of service the Employee completes under the above paragraph, whether or not such period of service is consecutive.

(2) Period of Severance. For purposes of applying the Elapsed Time Method, a Period of Severance is any continuous period of time during which the Employee is not employed by the Employer. A Period of Severance begins on the date the Employee retires, quits or is discharged, or if earlier, the 12-month anniversary of the date on which the Employee is first absent from service for a reason other than retirement, quit or discharge.

In the case of an Employee who is absent from work for maternity or paternity reasons, the 12-consecutive month period beginning on the first anniversary of the first date of such absence shall not constitute a Period of Severance. For purposes of this paragraph, an absence from work for maternity or paternity reasons means an absence (i) by reason of the pregnancy of the Employee, (ii) by reason of the birth of a child of the Employee, (iii) by reason of the placement of a child with the Employee in connection with the adoption of such child by the Employee, or (iv) for purposes of caring for a child of the Employee for a period beginning immediately following the birth or placement of such child.

(3) Break in Service rules. The Break in Service rules described in Sections 1.6 and 4.6 also apply under the Elapsed Time Method. For purposes of applying the Break in Service rules under the Elapsed Time Method, a Break in Service is any Period of Severance of at least 12 consecutive months.

6.6 Switching Crediting Methods. The following rules apply if the service crediting method is changed in a manner described below.

(a) Shift from crediting Hours of Service to Elapsed Time Method. If the service crediting method under the Plan is changed from a method that uses Hours of Service to a method using Elapsed Time, each Employee's

period of service under the Elapsed Time Method is the sum of the amounts under subsections (1) and (2) below.

(1) The number of Years of Service credited under the Hours of Service method for the period ending immediately before the computation period during which the change to the Elapsed Time Method occurs.

(2) For the computation period in which the change occurs, the Plan Administrator will determine the greater of: (i) the period of service that would be credited under the Elapsed Time Method for the Employee's service from the first day of that computation period through the date of the change, or (ii) the service that would be taken into account under the Hours of Service method for that computation period through the date of the change. If (i) is greater, then Years of Service are credited under the Elapsed Time Method beginning with the first day of the computation period during which the change to the Elapsed Time Method occurs. If (ii) is greater, then Years of Service are credited under the Hours of Service method for the computation period during which the change to the Elapsed Time Method occurs and under the Elapsed Time Method beginning with the first day of the computation period that follows the computation period in which the change occurs. If the change occurs as of the first day of a computation period, treat subsection (1) as applicable for purposes of applying the rule in this paragraph.

(b) Shift from Elapsed Time Method to an Hours of Service method. If the service crediting method changes from the Elapsed Time Method to an Hours of Service method, each Employee's Years of Service under the Hours of Service method is the sum of the amounts under subsections (1) and (2) below.

(1) The number of Years of Service credited under the Elapsed Time Method as of the date of the change.

(2) For the computation period in which the change to the Hours of Service method occurs, the portion of that computation period in which the Elapsed Time Method was in effect is converted into an equivalent number of Hours of Service, using the Equivalency Method described in Section 6.5(a). For the remainder of the computation period, actual Hours of Service are counted, unless the Equivalency Method has been elected in Part 7 of the Agreement. The Hours of Service deemed credited for the portion of the computation period in which the Elapsed Time Method was in effect are added to the actual Hours of Service credited for the remaining portion of the computation period to determine if the Employee has a Year of Service for that computation period. If the change to the Hours of Service method occurs as of the first day of a computation period, then the determination as to whether an Employee has completed a Year of Service for the first computation period that the change is in effect is based solely on the Hours of Service method.

6.7 Service with Predecessor Employers. If the Employer maintains the plan of a Predecessor Employer, any service with such Predecessor Employer is treated as service with the Employer for purposes of applying the provisions of this Plan. If the Employer maintains the Plan of a Predecessor Employer, the Employer may complete Part 13, #53 of the Agreement [Part 13, #71 of the 401(k) Agreement] to identify the Predecessor Employer and to specify that service with such Predecessor Employer will be credited for all purposes under the Plan. The failure to complete Part 13, #53 of the Agreement [Part 13; #71 of the 401(k) Agreement] with respect to service of a Predecessor Employer where the Employer is maintaining a Plan of such Predecessor Employer will not override the requirement that such predecessor service be counted for all purposes under the Plan.

If the Employer does not maintain the plan of a Predecessor Employer, service with such Predecessor Employer does not count under this Plan, unless the Employer specifically designates under Part 13, #53 of the Agreement [Part 13, #71 of the 401(k) Agreement] to include service with such Predecessor Employer. If the Employer elects to credit service with a Predecessor Employer under this paragraph, the Employer must designate the purpose for which it is crediting Predecessor Employer service. If the Employer will treat service with multiple Predecessor Employers differently, the Employer should complete an additional election for each Predecessor Employer for which service is being credited differently. If the Employer is not crediting service with any Predecessor Employers, Part 13, #53 of the Agreement [Part 13, #71 of the 401(k) Agreement] need not be completed.

ARTICLE 7
LIMITATION ON PARTICIPANT ALLOCATIONS

This Article provides limitations on the amount a Participant may receive as an allocation under the Plan for a Limitation Year. The limitation on allocations (referred to herein as the Annual Additions Limitation) applies in the aggregate to all plans maintained by the Employer. Part 13, #54.c. of the Agreement [Part 13, #72.c. of the 401(k) Agreement] permits the Employer to specify how the Plan will comply with the Annual Additions Limitation where the Employer maintains a plan (or plans) in addition to this Plan.

7.1 Annual Additions Limitation - No Other Plan Participation.

(a) Annual Additions Limitation. If the Participant does not participate in, and has never participated in another qualified retirement plan, a welfare benefit fund (as defined under Code (S)419(e)), an individual medical account (as defined under Code (S)415(1)(2)), or a SEP (as defined under Code (S)408(k)) maintained by the Employer, then the amount of Annual Additions which may be credited to the Participant's Account for any Limitation Year will not exceed the lesser of the Maximum Permissible Amount or any other limitation contained in this Plan.

Generally, if an Employer Contribution that would otherwise be contributed or allocated to a Participant's Account will cause that Participant's Annual Additions for the Limitation Year to exceed the Maximum Permissible Amount, the amount to be contributed or allocated to such Participant will be reduced so that the Annual Additions allocated to such Participant's Account for the Limitation Year will equal the Maximum Permissible Amount. However, if a contribution or allocation to a Participant's Account will exceed the Maximum Permissible Amount due to a correctable event described in subsection (c) below, the Excess Amount may be contributed or allocated to such Participant and corrected in accordance with the correction procedures outlined in subsection (c).

(b) Using estimated Total Compensation. Prior to determining the Participant's actual Total Compensation for the Limitation Year, the Employer may determine the Maximum Permissible Amount for a Participant on the basis of a reasonable estimation of the Participant's Total Compensation for the Limitation Year, uniformly determined for all Participants similarly situated.

As soon as administratively feasible after the end of the Limitation Year, the Employer will determine the Maximum Permissible Amount for the Limitation Year on the basis of the Participant's actual Total Compensation for the Limitation Year.

(c) Disposition of Excess Amount. If, as a result of the use of estimated Total Compensation, the allocation of forfeitures, a reasonable error in determining the amount of Section 401(k) Deferrals that may be made under this Article 7, or other reasonable error in applying the Annual Additions Limitation, an Excess Amount arises, the excess will be disposed of as follows:

(1) Any Employee After-Tax Contributions (plus attributable earnings), to the extent such contributions would reduce the Excess Amount, will be returned to the Participant. The Employer may elect not to apply this subsection (1) if the ACP Test (as defined in Section 17.3) has already been performed and the distribution of Employee After-Tax Contributions to correct the Excess Amount will cause the ACP Test to fail or will change the amount of corrective distributions required under Section 17.3(d)(1) of this BPD.

If Employer Matching Contributions were allocated with respect to Employee After-Tax Contributions for the Limitation Year, the Employee After-Tax Contributions and Employer Matching Contributions will be corrected together. Employee After-Tax Contributions will be distributed under this subsection (1) only to the extent the Employee After-Tax Contributions, plus the Employer Matching Contributions allocated with respect to such Employee After-Tax Contributions, reduce the Excess Amount. Thus, after correction under this subsection (1), each Participant should have the same level of Employer Matching Contribution with respect to the remaining Employee After-Tax Contributions as provided under Part 4B of the Agreement. Any Employer Matching Contributions identified under this subsection (1) will be treated as an Excess Amount correctable under subsections (3) and (4) below. If Employer Matching Contributions are allocated to both Employee After-Tax Contributions and to Section 401(k) Deferrals, this subsection (1) is applied by treating Employer Matching Contributions as allocated first to Section 401(k) Deferrals.

(2) If, after the application of subsection (1), an Excess Amount still exists, any Section 401(k) Deferrals (plus attributable earnings), to the extent such deferrals would reduce the Excess Amount, will be distributed to the Participant. The Employer may elect not to apply this subsection (2) if the

ADP Test (as defined in Section 17.2) has already been performed and the distribution of Section 401(k) Deferrals to correct the Excess Amount will cause the ADP Test to fail or will change the amount of corrective distributions required under Section 17.2(d)(1) of this BPD.

If Employer Matching Contributions were allocated with respect to Section 401(k) Deferrals for the Limitation Year, the Section 401(k) Deferrals and Employer Matching Contributions will be corrected together. Section 401(k) Deferrals will be distributed under this subsection (2) only to the extent the Section 401(k) Deferrals, plus Employer Matching Contributions allocated with respect to such Section 401(k) Deferrals, reduce the Excess Amount. Thus, after correction under this subsection (2), each Participant should have the same level of Employer Matching Contribution with respect to the remaining Section 401(k) Deferrals as provided under Part 4B of the Agreement. Any Employer Matching Contributions identified under this subsection (2) will be treated as an Excess Amount correctable under subsection (3) or (4) below.

(3) If, after the application of subsection (2), an Excess Amount still exists, the Excess Amount is allocated to a suspense account and is used in the next Limitation Year (and succeeding Limitation Years, if necessary) to reduce Employer Contributions for all Participants under the Plan. The Excess Amounts are treated as Annual Additions for the Limitation Year in which such amounts are allocated from the suspense account.

(4) If a suspense account is in existence at any time during a Limitation Year pursuant to this Article 7, such suspense account will not participate in the allocation of investment gains and losses, unless otherwise provided in uniform valuation procedures established by the Plan Administrator. If a suspense account is in existence at any time during a particular Limitation Year, all amounts in the suspense account must be allocated to Participants' Accounts before the Employer makes any Employer Contributions, or any Employee After-Tax Contributions are made, for that Limitation Year.

7.2 Annual Additions Limitation - Participation in Another Plan.

(a) In general. This Section 7.2 applies if, in addition to this Plan, the Participant receives an Annual Addition during any Limitation Year from another Defined Contribution Plan, a welfare benefit fund (as defined under Code (S)419(e)), an individual medical account (as defined under Code (S)415(1)(2)), or a SEP (as defined under Code (S)408(k)) maintained by the Employer. If the Employer maintains, or at any time maintained, a Defined Benefit Plan (other than a Paired Plan) covering any Participant in this Plan, see Section 7.5.

(b) This Plan's Annual Addition Limitation. The Annual Additions that may be credited to a Participant's Account under this Plan for any Limitation Year will not exceed the Maximum Permissible Amount reduced by the Annual Additions credited to a Participant's Account under any other Defined Contribution Plan, welfare benefit fund, individual medical account, or SEP maintained by the Employer for the same Limitation Year.

(c) Annual Additions reduction. If the Annual Additions with respect to the Participant under any other Defined Contribution Plan, welfare benefit fund, individual medical account, or SEP maintained by the Employer are less than the Maximum Permissible Amount and the Annual Additions that would otherwise be contributed or allocated to the Participant's Account under this Plan would exceed the Annual Additions Limitation for the Limitation Year, the amount contributed or allocated will be reduced so that the Annual Additions under all such Plans and funds for the Limitation Year will equal the Maximum Permissible Amount. However, if a contribution or allocation to a Participant's Account will exceed the Maximum Permissible Amount due to a correctable event described in Section 7.1(c), the Excess Amount may be contributed or allocated to such Participant and corrected in accordance with the correction procedures outlined in Section 7.1(c).

(d) No Annual Additions permitted. If the Annual Additions with respect to the Participant under such other Defined Contribution Plan(s), welfare benefit fund(s), individual medical account(s), or SEP(s) in the aggregate are equal to or greater than the Maximum Permissible Amount, no amount will be contributed or allocated to the Participant's Account under this Plan for the Limitation Year. However, if a contribution or allocation to a Participant's Account will exceed the Maximum Permissible Amount due to a correctable event described in Section 7.1(c), the Excess Amount may be contributed or allocated to such Participant and corrected in accordance with the correction procedures outlined in Section 7.1(c).

(e) Using estimated Total Compensation. Prior to determining the Participant's actual Total Compensation for the Limitation Year, the Employer may determine the Maximum Permissible Amount for a Participant in the manner described in Section 7.1(b). As soon as administratively feasible after the end of the Limitation Year, the Maximum Permissible Amount for the Limitation Year will be determined on the basis of the Participant's actual Total Compensation for the Limitation Year.

(f) Excess Amounts. If, as a result of the use of estimated Total Compensation, an allocation of forfeitures, a reasonable error in determining the amount of Section 401(k) Deferrals that may be made under this Article 7, or other reasonable error in applying the Annual Additions Limitation, a Participant's Annual Additions under this Plan and such other plans or funds would result in an Excess Amount for a Limitation Year, the Excess Amount will be deemed to consist of the Annual Additions last allocated, except that Annual Additions attributable to a SEP will be deemed to have been allocated first, followed by Annual Additions to a welfare benefit fund or individual medical account, regardless of the actual allocation date.

(1) Same allocation date. If an Excess Amount is allocated to a Participant on an allocation date of this Plan that coincides with an allocation date of another plan, such Excess Amount will be attributed to the following types of plan(s) in the order listed, until the entire Excess Amount is allocated.

(i) First, to any 401(k) plan(s) maintained by the Employer.

(ii) Then, to any profit sharing plan(s) maintained by the Employer.

(iii) Then, to any money purchase plan(s) maintained by the Employer.

(iv) Finally, to any target benefit plan(s) maintained by the Employer.

If an amount is allocated to the same type of Plan on the same allocation date, the Excess Amount will be allocated to each plan in accordance with the pro rata allocation method outlined in the following paragraph.

(2) Alternative methods. The Employer may elect under Part 13, #54.c. of the Agreement [Part 13, #72.c. of the 401(k) Agreement] to modify the default rules under this subsection (f). For example, the Employer may elect to attribute any Excess Amount which is allocated on the same date to this Plan and to another plan maintained by the Employer by designating the specific plan to which the Excess Amount is allocated or by using a pro rata allocation method. Under the pro rata allocation method, the Excess Amount attributed to this Plan is the product of:

(i) the total Excess Amount allocated as of such date, times

(ii) the ratio of (A) the Annual Additions allocated to the Participant for the Limitation Year as of such date under this Plan to (B) the total Annual Additions allocated to the Participant for the Limitation Year as of such date under this and all other Defined Contribution Plans.

(g) Disposition of Excess Amounts. Any Excess Amount attributed to this Plan will be disposed in the manner described in Section 7.1(c).

7.3 Modification of Correction Procedures. The Employer may elect under Part 13, #51.c. of the Agreement [Part 13, #69.c. of the 401(k) Agreement] to modify any of the corrective provisions under Section 7.1 of this BPD. The provisions in Section 7.2 may be modified under Part 13, #54.c. of the Agreement [Part 13, #72.c. of the 401(k) Agreement].

7.4 Definitions Relating to the Annual Additions Limitation.

(a) Annual Additions: The sum of the following amounts credited to a Participant's Account for the Limitation Year:

(1) Employer Contributions, including Section 401(k) Deferrals;

(2) Employee After-Tax Contributions;

(3) forfeitures;

(4) amounts allocated to an individual medical account (as defined in Code (S)415(1)(2)), which is part of a pension or annuity plan maintained by the Employer, are treated as Annual Additions to a Defined Contribution Plan. Also, amounts derived from contributions paid or accrued after December 31, 1985, in taxable years ending after such date, which are attributable to post-retirement medical benefits allocated to the separate account of a key employee (as defined in Code (S)419A(d)(3)) under a welfare benefit fund (as defined in Code (S)419(e)) maintained by the Employer are treated as Annual Additions to a Defined Contribution Plan; and

(5) allocations under a SEP (as defined in Code(S)408(k)).

For this purpose, any Excess Amount applied under Sections 7.1(c) or 7.2(f) in the Limitation Year to reduce Employer Contributions will be considered Annual Additions for such Limitation Year.

An Annual Addition is credited to a Participant's Account for a particular Limitation Year if such amount is allocated to the Participant's Account as of any date within that Limitation Year. An Annual Addition will not be deemed credited to a Participant's Account for a particular Limitation Year unless such amount is actually contributed to the Plan no later than 30 days after the time prescribed by law for filing the Employer's income tax return (including extensions) for the taxable year with or within which the Limitation Year ends. In the case of Employee After-Tax Contributions, such amount shall not be deemed credited to a Participant's Account for a particular Limitation Year unless the contributions are actually contributed to the Plan no later than 30 days after the close of that Limitation Year.

(b) Defined Contribution Dollar Limitation: $30,000, as adjusted under Code (S)415(d).

(c) Employer. For purposes of this Article 7, Employer shall mean the Employer that adopts this Plan, and all members of a controlled group of corporations (as defined in (S)414(b) of the Code as modified by (S)415(h)), all commonly controlled trades or businesses (as defined in (S)414(c) of the Code as modified by (S)415(h)) or affiliated service groups (as defined in (S)414(m)) of which the adopting Employer is a part, and any other entity required to be aggregated with the Employer pursuant to regulations under (S)414(o) of the Code.

(d) Excess Amount: The excess of the Participant's Annual Additions for the Limitation Year over the Maximum Permissible Amount.

(e) Limitation Year: The Plan Year, unless the Employer elects another 12-consecutive month period under Part 13, #51.a. of the Agreement [Part 13, #69.a. of the 401(k) Agreement]. All qualified retirement plans under Code (S)401(a) maintained by the Employer must use the same Limitation Year. If the Limitation Year is amended to a different 12-consecutive month period, the new Limitation Year must begin on a date within the Limitation Year in which the amendment is made. If the Plan has an initial Plan Year that is less than 12 months, the Limitation Year for such first Plan Year is the 12-month period ending on the last day of that Plan Year, unless otherwise specified in Part 13, #51.c. of the Agreement [Part 13, #69.c. of the 401(k) Agreement].

(f) Maximum Permissible Amount: The maximum Annual Additions that may be contributed or allocated to a Participant's Account under the Plan for any Limitation Year shall not exceed the lesser of:

(1) the Defined Contribution Dollar Limitation, or

(2) 25 percent of the Participant's Total Compensation for the Limitation Year.

The Total Compensation limitation referred to in (2) shall not apply to any contribution for medical benefits (within the meaning of Code (S)401(h) or (S)419A(f)(2)) which is otherwise treated as an Annual Addition under Code (S)415(1)(1) or (S)419A(d)(2).

If a short Limitation Year is created because of an amendment changing the Limitation Year to a different 12-consecutive month period, the Maximum Permissible Amount will not exceed the Defined Contribution Dollar Limitation multiplied by the following fraction:

$$\frac{\text{Number of months in the short Limitation Year}}{12}$$

If a short Limitation Year is created because the Plan has an initial Plan Year that is less than 12 months, no proration of the Defined Contribution Dollar Limitation is required, unless provided otherwise under Part 13, #51.c. of the Agreement [Part 13, #69.c. of the 401(k) Agreement]. (See subsection (e) above for the rule allowing the use of a full 12-month Limitation Year for the first year of the Plan, thereby avoiding the need to prorate the Defined Contribution Dollar Limitation.)

(g) Total Compensation: The amount of compensation as defined under Section 22.197, subject to the Employer's election under Part 3, #9 of the Agreement.

(1) Self-Employed Individuals. For a Self-Employed Individual, Total Compensation is such individual's Earned Income.

(2) Total Compensation actually paid or made available. For purposes of applying the limitations of this Article 7, Total Compensation for a Limitation Year is the Total Compensation actually paid or

made available to an Employee during such Limitation Year. However, the Employer may include in Total Compensation for a Limitation Year amounts earned but not paid in the Limitation Year because of the timing of pay periods and pay days, but only if these amounts are paid during the first few weeks of the next Limitation Year, such amounts are included on a uniform and consistent basis with respect to all similarly-situated Employees, and no amounts are included in Total Compensation in more than one Limitation Year. The Employer need not make any formal election to include accrued Total Compensation described in the preceding sentence.

(3) Disabled Participants. Total Compensation does not include any imputed compensation for the period a Participant is Disabled. However, the Employer may elect under Part 13, #51.b. of the Agreement [Part 13, #69.b. of the 401(k) Agreement], to include under the definition of Total Compensation, the amount a terminated Participant who is permanently and totally Disabled (as defined in Section 22.53) would have received for the Limitation Year if the Participant had been paid at the rate of Total Compensation paid immediately before becoming permanently and totally Disabled. If the Employer elects under Part 13, #51.b. of the Agreement [Part 13, #69.b. of the 401(k) Agreement] to include imputed compensation for a Disabled Participant, a Disabled Participant will receive an allocation of any Employer Contribution the Employer makes to the Plan based on the Employee's imputed compensation for the Plan Year. Any Employer Contributions made to a Disabled Participant under this subsection (3) are fully vested when made. For Limitation Years beginning before January 1, 1997, imputed compensation for a Disabled Participant may be taken into account only if the Participant is not a Highly Compensated Employee for such Plan Year.

(4) Special rule for Limitation Years beginning before January 1, 1998. For Limitation Years beginning before January 1, 1998, for purposes of applying the limitations of this Article 7 and for determining the minimum top-heavy contribution required under Section 16.2(a), Total Compensation paid or made available during such Limitation Year shall not include any Elective Deferrals, or any amount which is contributed or deferred by the Employer at the election of the Employee and which is not includible in the gross income of the Employee by reason of Code (S)125 or (S)457.

7.5 Participation in a Defined Benefit Plan. If the Employer maintains, or at any time maintained, a Defined Benefit Plan (other than a Paired Plan) covering any Participant in this Plan, the sum of the Participant's Defined Benefit Plan Fraction and Defined Contribution Plan Fraction will not exceed 1.0 in any Limitation Year. If the sum of the Defined Benefit Plan Fraction and the Defined Contribution Plan Fraction exceeds 1.0 in any Limitation Year, the Plan will satisfy the 1.0 limitation by reducing a Participant's Projected Annual Benefit under the Defined Benefit Plan.

(a) Repeal of rule. The limitations under this Section 7.5 do not apply for Limitation Years beginning on or after January 1, 2000. However, the Employer may have continued to apply rules consistent with this Section 7.5 for Plan Years beginning after December 31, 1999 and before the Employer first adopted a plan to comply with the GUST Legislation. If the Employer is adopting this Plan as a restatement of a prior plan to comply with the GUST Legislation, the provisions of the prior plan control for purposes of applying the combined limitation rules under Code (S)415(e) for Limitation Years beginning before the Effective Date of this Plan. For Limitation Years beginning on or after the Effective Date of this Plan, the provisions of this Section 7.5 apply. If for any Limitation Year beginning prior to the date this Plan is adopted as a GUST restatement, the Employer did not comply in operation with the provisions under this Section 7.5 or the provisions of the prior plan, as applicable, the Employer may document under Appendix B-4 of the Agreement how the Plan was operated to comply with the combined limitation rules under Code (S)415(e).

(b) Special definitions relating to Section 7.5.

(1) Defined Benefit Plan Fraction: A fraction, the numerator of which is the sum of the Participant's Projected Annual Benefit under all the Defined Benefit Plans (whether or not terminated) maintained by the Employer, and the denominator of which is the lesser of 125 percent of the dollar limitation determined for the Limitation Year under Code (S)(S)415(b) and (d) or 140 percent of the Participant's Highest Average Compensation, including any adjustments under Code (S)415(b).

Notwithstanding the above, if the Participant was a Participant as of the first day of the first Limitation Year beginning after December 31, 1986, in one or more Defined Benefit Plans maintained by the Employer which were in existence on May 6, 1986, the denominator of this fraction will not be less than 125 percent of the sum of the annual benefits under such plans which the Participant had accrued as of the close of the last Limitation Year beginning before January l, 1987, disregarding any changes in the terms and conditions of the plans after May 5, 1986. The preceding sentence applies only if the Defined Benefit Plans individually and in the aggregate satisfied the

requirements of Code (S)415 for all Limitation Years beginning before January 1, 1987.

If the Plan is a Top-Heavy Plan for any Plan Year, 100% will be substituted for 125% in the prior paragraph, unless in Part 13, #54.b. of the Agreement [Part 13, #72.b. of the 401(k) Agreement], the Employer provides an extra minimum top-heavy allocation or benefit in accordance with Code (S)416(h) and the regulations thereunder. In any event, if the Top-Heavy Ratio exceeds 90%, then 100% will always be substituted for 125% in the prior paragraph.

(2) Defined Contribution Plan Fraction: A fraction, the numerator of which is the sum of the Annual Additions to the Participant's Account under all the Defined Contribution Plans (whether or not terminated) maintained by the Employer for the current and all prior Limitation Years (including the Annual Additions attributable to the Participant's Employee After-Tax Contributions to all Defined Benefit Plans, whether or not terminated, maintained by the Employer, and the Annual Additions attributable to all welfare benefit funds (as defined under Code (S)419(e)), individual medical accounts (as defined under Code (S)415(1)(2)), and SEPs (as defined under Code (S)408(k)) maintained by the Employer, and the denominator of which is the sum of the maximum aggregate amount for the current and all prior Limitation Years during which the Participant performed service with the Employer (regardless of whether a Defined Contribution Plan was maintained by the Employer during such years). The maximum aggregate amount in any Limitation Year is the lesser of: (i) 125 percent of the Defined Contribution Dollar Limitation in effect under Code (S)415(c)(1)(A) (as determined under Code (S)(S)415(b) and (d)) for such Limitation Year or (ii) 35 percent of the Participant's Total Compensation for such Limitation Year.

If the Plan is a Top-Heavy Plan for any Plan Year, 100% will be substituted for 125% unless in Part 13, #54.b. of the Agreement [Part 13, #72.b. of the 401(k) Agreement], the Employer provides an extra minimum top-heavy allocation or benefit in accordance with Code (S)416(h) and the regulations thereunder. In any event, if the Top-Heavy Ratio exceeds 90%, then 100% will always be substituted for 125%.

If the Employee was a Participant as of the end of the first day of the first Limitation Year beginning after December 31, 1986, in one or more Defined Contribution Plans maintained by the Employer which were in existence on May 6, 1986, the numerator of this fraction will be adjusted if the sum of this fraction and the Defined Benefit Plan Fraction would otherwise exceed 1.0 under the terms of this Plan. Under the adjustment, an amount equal to the product of (i) the excess of the sum of the fractions over 1.0 times (ii) the denominator of this fraction, will be permanently subtracted from the numerator of this fraction. The adjustment is calculated using the fractions as they would be computed as of the end of the last Limitation Year beginning before January 1, 1987, and disregarding any changes in the terms and conditions of the Plan made after May 5, 1986, but using the Code (S)415 limitation applicable to the first Limitation Year beginning on or after January 1, 1987.

The Annual Additions for any Limitation Year beginning before January 1, 1987 shall not be recomputed to treat all Employee After-Tax Contributions as Annual Additions.

(3) Highest Average Compensation: The average Total Compensation for the three consecutive years of service with the Employer that produces the highest average.

(4) Projected Annual Benefit: The annual retirement benefit (adjusted to an actuarially equivalent straight life annuity if such benefit is expressed in a form other than a straight life annuity or Qualified Joint and Survivor Annuity) to which the Participant would be entitled under the terms of the Plan assuming:

(i) the Participant will continue employment until Normal Retirement Age under the Plan (or current age, if later), and

(ii) the Participant's Total Compensation for the current Limitation Year and all other relevant factors used to determine benefits under the Plan will remain constant for all future Limitation Years.

ARTICLE 8
PLAN DISTRIBUTIONS

Except as provided under Article 9 (Joint and Survivor Annuity Requirements), this Article 8 governs all distributions to Participants under the Plan. Sections 8.1 and 8.2 set forth the available distribution options under the Plan and the amount available for distribution. Section 8.3 sets forth the Participants' distribution options following termination of employment, Section 8.4 discusses the distribution options upon a Participant's death, and Sections 8.5 and 8.6 set forth the in-service distribution options under the Plan, including the conditions for receiving a Hardship distribution. Parts 9 and 10 of the Agreement contain the elective provisions for the Employer to identify the timing of distributions and the permitted distribution events under the Plan.

8.1 Distribution Options. A Participant who terminates employment with the Employer may receive a distribution of his/her vested Account Balance at the time and in the manner designated under Part 9 of the Agreement. A Participant may receive an in-service distribution prior to his/her termination of employment with the Employer only to the extent permitted under Part 10 of the Agreement.

Distributions from the Plan will be made in the form of a lump sum of the Participant's entire vested Account Balance, a single sum distribution of a portion of the Participant's vested Account Balance, installments, annuity payments, or other form as selected under Part 11 of the Agreement. Unless provided otherwise under Part 11 of the Agreement, a Participant may select any combination of the available distribution forms.

If the Employer elects to permit a single sum distribution of a portion of the Participant's vested Account Balance, the Employer may limit the availability or frequency of subsequent withdrawals under Part 11, #40.f. of the Nonstandardized Agreement [Part 11, #58.f. of the Nonstandardized 401(k) Agreement]. If the Employer elects under Part 11 of the Agreement to permit installment payments as an optional form of distribution, the Participant (and spouse, if applicable) may elect to receive installments in monthly, quarterly, semi-annual, or annual payments over a period not exceeding the Life Expectancy of the Participant and his/her Designated Beneficiary. The Participant may elect at any time to accelerate the payment of all, or any portion, of an installment distribution. If the Employer elects under Part 11 of the Agreement to permit annuity payments, such annuity payments may not be in a form that will provide for payments over a period extending beyond either the life of the Participant (or the lives of the Participant and his/her designated Beneficiary) or the life expectancy of the Participant (or the life expectancy of the Participant and his/her designated Beneficiary). The Employer may restrict the availability of installment payments or annuity payments under Part 11, #40.f. of the Nonstandardized Agreement [Part 11, #58.f. of the Nonstandardized 401(k) Agreement].

If the Plan is subject to the Joint and Survivor Annuity requirements under Article 9, the Plan must make distribution in the form of a QJSA (as defined in Section 9.4(a)) unless the Participant (and spouse, if the Participant is married) elects an alternative distribution form in accordance with Section 9.4(d). (See Section 9.1 for the rules regarding the application of the Joint and Survivor Annuity requirements.)

8.2 Amount Eligible for Distribution. For purposes of determining the amount a Participant may receive as a distribution from the Plan, a Participant's Account Balance is determined as of the Valuation Date (as specified in Part 12 of the Agreement) which immediately precedes the date the Participant receives his/her distribution from the Plan. For this purpose, the Participant's Account Balance must be increased for any contributions allocated to the Participant's Account since the most recent Valuation Date and must be reduced for any distributions the Participant received from the Plan since the most recent Valuation Date. A Participant does not share in any allocation of gains or losses attributable to the period between the Valuation Date and the date of the distribution under the Plan, unless provided otherwise under Part 12 of the Agreement or under uniform funding and valuation procedures established by the Plan Administrator. In the case of a Participant-directed Account, the determination of the value of the Participant's Account for distribution purposes is subject to the funding and valuation procedures applicable to such directed Account.

8.3 Distributions After Termination of Employment. Subject to the required minimum distribution provisions under Article 10, a Participant whose employment with the Employer is terminated for any reason, other than death, is entitled to receive a distribution of his/her vested Account Balance in accordance with this Section 8.3 as of the date selected in Part 9 of the Agreement. If a Participant dies while employed by the Employer, or dies before distribution of his/her vested Account Balance is completed, distribution will be made in accordance with Section 8.4.

(a) Account Balance exceeding $5,000. If a Participant's entire vested Account Balance exceeds $5,000 at the time of distribution, the Participant may elect to receive a distribution of his/her vested Account Balance in any form permitted under Part 11 of the Agreement at the time indicated under Part 9, #33 of the Agreement [Part 9, #51 of the 401(k) Agreement]. The Participant must receive proper notice and must consent in writing, in accordance with Section 8.7, prior to receiving a distribution from the Plan. If the Participant does not consent to a distribution upon terminating employment with the Employer, distribution will be made in accordance with Article 10. (Also see Section 8.8 for additional notice requirements.)

(b) Account Balance not exceeding $5,000. If a Participant's entire vested Account Balance does not exceed $5,000 at the time of distribution, the Plan Administrator will distribute the Participant's entire vested Account Balance in a single lump sum at the time indicated under Part 9, #34 of the Agreement [Part 9, #52 of the 401(k) Agreement]. Although the Participant need not consent to receive a distribution under this subsection (b), the Participant must receive the notice described in Section 8.8 (if applicable) prior to receiving the distribution from the Plan. The Employer may modify the rule under this subsection (b) by electing under Part 9, #37.a. of the Agreement [Part 9, #55.a. of the 401(k) Agreement] to require Participant consent prior to a distribution from the Plan, without regard to whether the Participant's vested Account Balance exceeds $5,000 at the time of distribution.

(c) Permissible distribution events under a 401(k) plan. A Participant may not receive a distribution of Section 401(k) Deferrals, QNECs, QMACs and Safe Harbor Contributions under this Section 8.3 unless the Participant satisfies one of the following conditions:

(1) The Participant has a "separation from service" with the Employer. For this purpose, a separation from service occurs when an Employee terminates employment with the Employer. If a Participant changes jobs as a result of the Employer's liquidation, merger, consolidation, or other similar transaction, a distribution may be made to the Participant if the Plan Administrator determines the Participant has incurred a separation from service in accordance with rules promulgated under the Code or regulations, or by reason of a ruling or other published guidance from the IRS. A Participant may not receive a distribution by reason of separation from service, or continue to receive an installment distribution based on separation from service, if prior to the time the distribution is made from the Plan, the Participant returns to employment with the Employer.

(2) The Employer is a corporation and the Employer sells substantially all of the assets of a trade or business (within the meaning of (S)409(d)(2) of the Code) to an unrelated corporation, provided the purchaser does not continue to maintain the Plan with respect to the Participant after the sale and the Participant becomes employed by the unrelated corporation as a result of the sale and the distribution is made by the end of the second calendar year after the year of the sale. For this purpose, an Employer is deemed to have sold substantially all of the assets of a trade or business if it sells 85% or more of the total assets of such trade or business.

(3) The Employer is a corporation and the Employer sells a subsidiary to an unrelated corporation, provided the purchaser does not continue to maintain the Plan with respect to the Participant after the sale and the Participant continues to be employed by the unrelated corporation after the sale and the distribution is made by the end of the second calendar year after the year of the sale.

(d) Disabled Participant. A terminated Employee who is Disabled at the time of termination, or who becomes Disabled after terminating employment with the Employer, generally is entitled to a distribution in the time and manner specified in Part 9 of the Agreement. However, if so elected in Part 9, #35 of the Agreement [Part 9, #53 of the 401(k) Agreement], a terminated Employee who is Disabled at the time of termination, or who becomes Disabled after terminating employment with the Employer, is entitled to a distribution in the time and manner specified in Part 9, #35 of the Agreement [Part 9, #53 of the 401(k) Agreement], to the extent such election will result in an earlier distribution than would otherwise be available under Part 9 of the Agreement.

(e) Determining whether vested Account Balance exceeds $5,000. For distributions made on or after October 17, 2000, the determination of whether a Participant's vested Account Balance exceeds $5,000 is based on the value of the Participant's Account as of the most recent Valuation Date. In determining the value of a Participant's Account for distributions made before October 17, 2000, the "lookback rule" may apply. If the lookback rule applies, the Participant's vested Account Balance is deemed to exceed $5,000 for purposes of applying the provisions under this Article 8 and Article 9.

For distribution made after March 21, 1999 and before October 17, 2000, the "lookback rule" is applicable to a distribution to a Participant if the Participant previously received a distribution when his/her vested Account Balance exceeded $5,000, and either subsection (1) or (2) applies.

(1) The distribution is subject to the Joint and Survivor Annuity requirements of Article 9.

(2) The distribution is not subject to the Joint and Survivor Annuity requirements of Article 9, but a periodic distribution method (e.g., an installment distribution) is currently in effect with respect to the Participant's vested Account Balance, at least one scheduled payment still remains, and when the first periodic payment was made under such election, the vested Account Balance exceeded $5,000.

For distributions made before March 21, 1999, the lookback rule applies to all distributions, without regard to subsections (1) and (2) above. However, the Plan does not fail to satisfy the requirements of this subsection (e) if, prior to the adoption of this Plan, the lookback rule was applied to all distributions (without regard to the limitations described in subsections (1) and (2) above), or if the limitations described in subsections (1) and (2) above were applied to distributions made before March 22, 1999 but in a Plan Year beginning after August 5, 1997.

(f) Effective date of $5,000 vested Account Balance rule. The provisions under this Article 8 and Article 9 which refer to a $5,000 vested Account Balance are effective for Plan Years beginning after August 5, 1997, unless a later effective date is specified in the GUST provisions under Appendix B-3.a. of the Agreement. For plan years beginning prior to August 6, 1997 (or any later effective date specified in Appendix B-3.a. of the Agreement) any reference under this Article 8 or Article 9 to a $5,000 vested Account Balance should be applied by replacing $5,000 with $3,500.

8.4 Distribution upon the Death of the Participant. The death benefit payable with respect to a deceased Participant depends on whether the Participant dies after distribution of his Account Balance has commenced (see subsection (a) below) or before distribution commences (see subsection (b) below).

(a) Post-retirement death benefit. If a Participant dies after commencing distribution of his/her benefit under the Plan, the death benefit is the benefit payable under the form of payment that has commenced. If a Participant commences distribution prior to death only with respect to a portion of his/her Account Balance, then the rules in subsection (b) apply to the rest of the Account Balance.

(b) Pre-retirement death benefit. If a Participant dies before commencing distribution of his/her benefit under the Plan, the death benefit that is payable depends on whether the value of the death benefit exceeds $5,000 and whether the Joint and Survivor Annuity requirements of Article 9 apply. If there is both a QPSA death benefit and a non-QPSA death benefit, each death benefit is valued separately to determine whether it exceeds $5,000. For death benefits distributed before the $5,000 rule described in Section 8.3(f) is effective, substitute $3,500 for $5,000.

(1) Death benefit not exceeding $5,000. If the value of the pre-retirement death benefit does not exceed $5,000, it shall be paid in a single sum as soon as administratively feasible after the Participant's death.

(2) Death benefit that exceeds $5,000. If the value of the pre-retirement death benefit exceeds $5,000, the payment of the death benefit will depend on whether the Joint and Survivor Annuity requirements apply.

(i) If the Joint and Survivor Annuity requirements do not apply. In this case, the entire death benefit is payable in the form and at the time described below in subsection (ii)(B).

(ii) If the Joint and Survivor Annuity requirements apply. In this case, the death benefit consists of a QPSA death benefit (see Section 9.3) and, if the QPSA is defined to be less than 100% of the Participant's vested Account Balance, a non-QPSA death benefit. The QPSA death benefit is payable in accordance with subsection (A) below, unless the Participant has waived such death benefit under the waiver procedures described in Section 9.4(d). In the event there is a proper waiver of the QPSA death benefit, then such portion of the death benefit is payable in the same manner as the non-QPSA death benefit. The non-QPSA death benefit is payable in the form and at the time described below in subsection (B).

(A) QPSA death benefit. If the pre-retirement death benefit is payable in the QPSA form, then it shall be paid in accordance with Article 9. If the QPSA death benefit has not been waived, but the surviving spouse elects a different form of payment, then distribution of the QPSA death benefit is made in accordance with the form of payment elected by the spouse, provided such form of payment is available under Section 8.1. The surviving spouse may request the payment of the QPSA death benefit (in the QPSA form or in the form elected by the surviving spouse) as soon as administratively feasible after the death of the Participant. However, payment of the death benefit will not commence without the consent of the surviving spouse prior to the date the Participant would have reached Normal Retirement Age (or age 62, if later). If the QPSA death benefit has been waived, in accordance with the procedures in Article 9, then the portion of the Participant's vested Account Balance that would have been payable as a QPSA death benefit in the absence of such a waiver is treated as a death benefit payable under subsection (B).

(B) Non-QPSA death benefits. Any pre-retirement death benefit not described in subsection (A) is payable under this paragraph. Such death benefit is payable in lump sum as soon as administratively feasible after the Participant's death. However, the death benefit may be payable in a different form if prescribed by the Participant's Beneficiary designation, or if the Beneficiary, before a lump sum payment of the benefit is made, requests an election as to the form of payment. An alternative form of payment must be one that is available under Section 8.1.

(3) Minimum distribution requirements. In no event will any death benefit be paid in a manner that is inconsistent with the minimum distribution requirements of Section 10.2. In addition, the Beneficiary of any pre-retirement death benefit described above in subsection (2) may postpone the commencement of the death benefit to a date that is not later than the latest commencement date permitted under Section 10.2, unless such election is prohibited in Part 9, #37.b. of the Agreement [Part 9, #55.b. of the 401(k) Agreement].

(c) Determining a Participant's Beneficiary. A Participant may designate a Beneficiary to receive the death benefits described in this Section 8.4. Any Beneficiary designation is subject to the rules under subsections (1) - (4) below. A Participant may change or revoke a Beneficiary designation at any time by filing a new designation with the Plan Administrator. Any new Beneficiary designation is subject to the spousal consent rules described below, unless the spouse specifically waives such right under a general consent as authorized under Section 9.4(d). Unless specified otherwise in the Participant's designated beneficiary election form, if a Beneficiary does not predecease the Participant but dies before distribution of the death benefit is made to the Beneficiary, the death benefit will be paid to the Beneficiary's estate.

The Plan Administrator may request proper proof of the Participant's death and may require the Beneficiary to provide evidence of his/her right to receive a distribution from the Plan in any form or manner the Plan Administrator may deem appropriate. The Plan Administrator's determination of the Participant's death and of the right of a Beneficiary to receive payment under the Plan shall be conclusive. If a distribution is to be made to a minor or incompetent Beneficiary, payments may be made to the person's legal guardian, conservator, or custodian in accordance with the Uniform Gifts to Minors Act or similar law as permitted under the laws of the state where the Beneficiary resides. The Plan Administrator or Trustee will not be liable for any payments made in accordance with this subsection (c) and are not required to make any inquiries with respect to the competence of any person entitled to benefits under the Plan.

If a Participant designates his/her spouse as Beneficiary and subsequent to such Beneficiary designation, the Participant and spouse are divorced or legally separated, the designation of the spouse as Beneficiary under the Plan is automatically rescinded unless specifically provided otherwise under a divorce decree or QDRO, or unless the Participant enters into a new Beneficiary designation naming the prior spouse as Beneficiary.

(1) Spousal consent to Beneficiary designation: post-retirement death benefit. If a Participant is married at the time distribution commences to the Participant, the Beneficiary of any post-retirement death benefit is the Participant's surviving spouse, regardless of whether the Joint and Survivor Annuity requirements under Article 9 apply, unless there is no surviving spouse or the spouse has consented to the Beneficiary designation in a manner that is consistent with the requirements for a Qualified Election under Section 9.4(d), or makes a valid disclaimer of the benefit. If the Joint and Survivor Annuity requirements apply, the spouse is determined as of the Distribution Commencement Date for purposes of this spousal consent requirement. If the Joint and Survivor Annuity requirements do not apply, the spouse is determined as of the Participant's date of death for purposes of this spousal consent requirement.

(2) Spousal consent to Beneficiary designation: pre-retirement death benefit. The rules for spousal consent depend on whether the Joint and Survivor Annuity requirements in Article 9 apply.

(i) If the Joint and Survivor Annuity requirements apply. In this case, the QPSA death benefit will be payable in accordance with Section 9.3. The QPSA death benefit may be payable to a non-spouse Beneficiary only if the spouse consents to the Beneficiary designation, pursuant to the Qualified Election requirements under Section 9.4(d), or makes a valid disclaimer. The non-QPSA death benefit, if any, is payable to the person named in the Beneficiary designation, without regard to whether spousal consent is obtained for such designation. If a spouse does not properly consent to a Beneficiary designation, the QPSA waiver is invalid, and the QPSA death benefit is still payable to the spouse, but the Beneficiary designation remains valid with respect to any non-QPSA death benefit.

(ii) If the Joint and Survivor Annuity requirements do not apply. In this case, the surviving spouse (determined at the time of the Participant's death), if any, must be treated as the sole Beneficiary, regardless of any contrary Beneficiary designation, unless there is no surviving spouse, or the spouse has consented to the Beneficiary designation in a manner that is consistent with the requirements for a Qualified Election under Section 9.4(d) or makes a valid disclaimer.

(3) Default beneficiaries. To the extent a Beneficiary has not been named by the Participant (subject to the spousal consent rules discussed above) and is not designated under the terms of this Plan to receive all or any portion of the deceased Participant's death benefit, such amount shall be distributed to the Participant's surviving spouse (if the Participant was married at the time of death). If the Participant does not have a surviving spouse at the time of death, distribution will be made to the Participant's surviving children, in equal shares. If the Participant has no surviving children, distribution will be made to the Participant's estate. The Employer may modify the default beneficiary rules described in this subparagraph by addition attaching appropriate language as an addendum to the Agreement.

(4) One-year marriage rule. The Employer may elect under Part 11, #41.c. of the Agreement [Part 11, #59.c. of the 401(k) Agreement], for purposes of applying the provisions of this Section 8.4, that an individual will not be considered the surviving spouse of the Participant if the Participant and the surviving spouse have not been married for the entire one-year period ending on the date of the Participants death.

8.5 Distributions Prior to Termination of Employment.

(a) Employee After-Tax Contributions, Rollover Contributions, and transfers. A Participant may withdraw at any time, upon written request, all or any portion of his/her Account Balance attributable to Employee After-Tax Contributions or Rollover Contributions. Any amounts transferred to the Plan pursuant to a Qualified Transfer (as defined in Section 3.3(d)) also may be withdrawn at any time pursuant to a written request. No forfeiture will occur solely as a result of an Employer's withdrawal of Employee After-Tax Contributions. The Employer may elect in Part 10, #39.d. of the Nonstandardized Agreement [Part 10, #57.d. of the Nonstandardized 401(k) Agreement] to modify the availability of in-service withdrawals of Employee After-Tax Contributions, Rollover Contributions, or Qualified Transfers.

With respect to transfers (other than Qualified Transfers) and subject to the restrictions on distributions of transferred assets under Section 3.3, a Participant may request a distribution of all or any portion of his/her Transfer Account only as permitted under this Article with respect to contributions of the same type as are being withdrawn.

(b) Employer Contributions. Except as provided in Section 14.10 dealing with defaulted Participant loans, a Participant may receive a distribution of all or any portion of his/her vested Account Balance attributable to Employer Contributions prior to termination of employment only as permitted under Part 10 of the Agreement. If the Joint and Survivor Annuity requirements under Article 9 apply to the Participant, the Participant's spouse (if the Participant is married at the time of distribution) must consent to a distribution in accordance with Section 9.2.

The Employer may elect under the profit sharing or 401(k) plan Agreement to permit in-service distributions of Employer Contributions (other than Section 401(k) Deferrals, QMACs, QNECs, and Safe Harbor Contributions) upon the occurrence of a specified event or upon the completion of a certain number of years. In no case, however, may a distribution that is made solely on account of the completion of a designated number of years be made with respect to Employer Contributions that have been accumulated in the Plan for less than 2 years. This rule does not apply if the Participant has been an Eligible Participant in the Plan for at least 5 years. An in-service distribution may be made on account of a specified event (other than the completion of a designated number of years) at any time, if authorized under Part 10 of the Agreement.

If a Participant with a partially vested benefit receives an in-service distribution under the Plan, the special vesting schedule under Section 4.8 must be applied to determine the Participant's vested percentage in his/her remaining Account Balance. This special vesting schedule will not apply if the Employer limits the availability of in-service distributions under Part 10 of the Agreement to Participants who are 100% vested.

(c) Section 401(k) Deferrals, Qualified Nonelective Contributions, Qualified Matching Contributions, and Safe Harbor Contributions. If the Employer has adopted the 401(k) Agreement, a Participant may receive an in-service distribution of all or any portion of his/her Section 401(k) Deferral Account, QMAC Account, QNEC Account, Safe Harbor Matching Contribution Account and Safe Harbor Nonelective Contribution Account only as permitted under Part 10 of the Agreement. No provision in this Plan or in Part 10 of the

Agreement may be interpreted to permit a Participant to receive a distribution of such amounts prior to the occurrence of one of the following events:

(1) the Participant becoming Disabled;

(2) the Participant's attainment of age 59 1/2;

(3) the Participant's Hardship (as defined in Section 8.6).

(d) Corrective distributions. Nothing in this Article 8 precludes the Plan Administrator from making a distribution to a Participant, to the extent such distribution is made to correct a qualification defect in accordance with the corrective procedures under the IRS' voluntary compliance programs. Thus, for example, nothing in this Article 8 would preclude the Plan from making a corrective distribution to an Employee who received contributions under the Plan prior to becoming an Eligible Participant. Any such distribution must be made in accordance with the correction procedures applicable under the IRS' voluntary correction programs.

8.6 Hardship Distribution. To the extent permitted under Part 10 of the Agreement, a Participant may receive an in-service distribution on account of a Hardship. The Employer may elect under Part 10, #38.c. of the Agreement [Part 10, #56.c. of the 401(k) Agreement] to permit a Hardship distribution only if the Participant satisfies the safe harbor Hardship requirements under subsection (a) below. Alternatively, the Employer may elect under Part 10, #38.d. of the Agreement [Part 10, #56.d. of the 401(k) Agreement] to permit a Hardship distribution of Employer Contributions (other than Section 401(k) Deferrals) in accordance with the requirements of subsection (b) below. A Hardship distribution of Section 401(k) Deferrals must meet the requirements of a safe harbor Hardship as described under subsection (a) below. A Hardship distribution under this Section 8.6 is not available for QNECs, QMACs or Safe Harbor Contributions.

(a) Safe harbor Hardship distribution. To qualify for a safe harbor Hardship, a Participant must demonstrate an immediate and heavy financial need, as described in subsection (1), and must satisfy the conditions described in subsection (2).

(1) Immediate and heavy financial need. To be considered an immediate and heavy financial need, the Hardship distribution must be made on account of one of the following events:

(i) the incurrence of medical expenses (as described in (S)213(d) of the Code), of the Participant, the Participant's spouse or dependents;

(ii) the purchase (excluding mortgage payments) of a principal residence for the Participant;

(iii) payment of tuition and related educational fees (including room and board) for the next 12 months of post-secondary education for the Participant, the Participant's spouse, children or dependents;

(iv) to prevent the eviction of the Participant from, or a foreclosure on the mortgage of, the Participant's principal residence; or

(v) any other event that the IRS recognizes as a safe harbor Hardship distribution event under ruling, notice or other guidance of general applicability.

A Participant must provide the Plan Administrator with a written request for a Hardship distribution. The Plan Administrator may require written documentation, as it deems necessary, to sufficiently document the existence of a proper Hardship event.

(2) Conditions for taking a safe harbor Hardship withdrawal. A Participant may receive a safe harbor Hardship withdrawal only if all of the following conditions are satisfied.

(i) The Participant has obtained all available distributions, other than Hardship distributions, and all nontaxable loans under the Plan and all other qualified plans maintained by the Employer.

(ii) The Participant is suspended from making any Section 401(k) Deferrals (and any Employee After-Tax Contributions) under the Plan or any other plans (other than welfare benefit plans) maintained by the Employer for 12 months after the receipt of the Hardship distribution.

(iii) The distribution is not in excess of the amount of the immediate and heavy financial need (including amounts necessary to pay any federal, state or local income taxes or penalties reasonably anticipated to result from the distribution).

(iv) The limitation on Elective Deferrals under Code (S)402(g) for the Participant for the taxable year immediately following the taxable year of the Hardship distribution is reduced by the amount of any Elective Deferrals the Participant made during the taxable year of the Hardship distribution.

(b) Non-safe harbor Hardship distribution. The Employer may elect under Part 10, #38.d. of the Agreement [Part 10, #56.d. of the 401(k) Agreement] to permit a Hardship distribution of Employer Contributions (other than Section 401(k) Deferrals) on account of an immediate and heavy financial need (as described in subsection (a)(1) above), but without regard to the requirements of subsection (a)(2) above. Solely for the purpose of applying this subsection (b), a Hardship distribution will be on account of an immediate and heavy financial need if such Hardship distribution is made to pay for funeral expenses for a family member of the Participant or upon the Participant's Disability. The Employer may add other permitted Hardship events under Part 10, #39.d. of the Nonstandardized Agreement [Part 10, #57.d. of the Nonstandardized 401(k) Agreement]. A non-safe harbor Hardship distribution is not available for Section 401(k) Deferrals, QNECs, QMACs, or Safe Harbor Contributions.

(c) Amount available for distribution. A Participant may receive a Hardship distribution of any portion of his/her vested Employer Contribution Account or Employer Matching Contribution Account (including earnings thereon), as permitted under Part 10 of the Agreement. A Participant may receive a Hardship distribution of any portion of his/her Section 401(k) Deferral Account, if permitted under Part 10 of the Agreement, provided such distribution, when added to other Hardship distributions from Section 401(k) Deferrals, does not exceed the total Section 401(k) Deferrals the Participant has made to the Plan (increased by income allocable to such Section 401(k) Deferrals that was credited by the later of December 31, 1988 or the end of the last Plan Year ending before July l, 1989). A Participant may not receive a Hardship distribution from his/her QNEC Account, QMAC Account, Safe Harbor Nonelective Contribution Account or Safe Harbor Matching Contribution Account.

8.7 Participant Consent. If the value of a Participant's entire vested Account Balance exceeds $5,000 (as determined in accordance with Section 8.3(e)), the Participant must consent to any distribution of such Account Balance prior to his/her Required Beginning Date (as defined in Section 10.3(a)). The Employer may modify this provision under Part 9, #37.b. of the Agreement [Part 9, #55.b. of the 401(k) Agreement] to provide for automatic distribution to a terminated Participant (or Beneficiary) as of the date the Participant attains (or would have attained if not deceased) the later of Normal Retirement Age or age 62. A Participant must consent in writing to a distribution under this Section 8.7 within the 90-day period ending on the Distribution Commencement Date (as defined in Section 22.56). If the Participant is subject to the Joint and Survivor Annuity requirements under Article 9 of this Plan, the Participant's spouse (if the Participant is married at the time of the distribution) also must consent to the distribution in accordance with Section 9.2. If the distribution is an Eligible Rollover Distribution, the Participant must also direct the Plan Administrator as to whether he/she wants a Direct Rollover and if so, the name of the Eligible Retirement Plan to which the distribution will be made. (See Section 8.8 for more information regarding the Direct Rollover rules.)

(a) Participant notice. Prior to receiving a distribution from the Plan, the Participant must be notified of his/her right to defer any distribution from the Plan in accordance with the provisions under Article 10 of this BPD. The notification shall include a general description of the material features and the relative values of the optional forms of benefit available under the Plan (consistent with the requirements under Code (S)417(a)(3)). The notice must be provided no less than 30 days and no more than 90 days prior to the Participant's Distribution Commencement Date. However, distribution may commence less than 30 days after the notice is given, if the Participant is clearly informed of his/her right to take 30 days after receiving the notice to decide whether or not to elect a distribution (and, if applicable, a particular distribution option), and the Participant, after receiving the notice, affirmatively elects to receive the distribution prior to the expiration of the 30-day minimum period. (But see Section 9.5(a) for the rules regarding the timing of distributions when the Joint and Survivor Annuity requirements apply.) The notice requirements described in this paragraph may be satisfied by providing a summary of the required information, so long as the conditions described in applicable regulations for the provision of such a summary are satisfied, and the full notice is also provided (without regard to the 90-day period described in this subsection).

(b) Special rules. The consent rules under this Section 8.7 apply to distributions made after the Participant's termination of employment and to distributions made prior to the Participant's termination of employment. However, the consent of the Participant (and the Participant's spouse, if applicable) shall not be required to the

extent that a distribution is made:

(1) to satisfy the required minimum distribution rules under Article 10;

(2) to satisfy the requirements of Code (S)415, as described in Article 7;

(3) to correct Excess Deferrals, Excess Contributions or Excess Aggregate Contributions, as described in Article 17.

In addition, if distributions are being made on account of the termination of the Plan, and an annuity option is not available under the Plan, the Participant's Account Balance will, without the Participant's consent, be distributed to the Participant, without regard to the value of the Participant's vested Account Balance, unless the Employer (or any Related Employer) maintains another Defined Contribution Plan (other than an employee stock ownership plan as defined in Code (S)4975(e)(7)). If the Employer or any Related Employer maintains another Defined Contribution Plan (other than an employee stock ownership plan), then the Participant's Account Balance will be transferred, without the Participant's consent, to the other plan, if the Participant does not consent to an immediate distribution (to the extent consent to an immediate distribution is otherwise required under this Section 8.7).

8.8 Direct Rollovers. This Section 8.8 applies to distributions made on or after January 1, 1993. Notwithstanding any provision in the Plan to the contrary, a Participant may elect to have all or any portion of an Eligible Rollover Distribution paid directly to an Eligible Retirement Plan in a Direct Rollover. If a Participant elects a Direct Rollover of only a portion of an Eligible Rollover Distribution, the Plan Administrator may require that the amount being rolled over equals at least $500.

For purposes of this Section 8.8, a Participant includes a Participant or former Participant. In addition, this Section applies to any distribution from the Plan made to a Participant's surviving spouse or to a Participant's spouse or former spouse who is the Alternate Payee under a QDRO, as defined in Section 22.151.

If it is reasonable to expect (at the time of the distribution) that the total amount the Participant will receive as a distribution during the calendar year will total less than $200, the Employer need not offer the Participant a Direct Rollover option with respect to such distribution.

(a) Eligible Rollover Distribution. An Eligible Rollover Distribution is any distribution of all or any portion of a Participant's Account Balance, except for the following distributions:

(1) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or Life Expectancy) of the Participant or the joint lives (or joint Life Expectancies) of the Participant and the Participant's Beneficiary, or for a specified period of ten years or more;

(2) any distribution to the extent such distribution is a required minimum distribution under Article 10;

(3) the portion of any distribution that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to Employer securities);

(4) an in-service Hardship withdrawal of Section 401(k) Deferrals, as described in subsection (e) below; and

(5) a distribution made to satisfy the requirements of Code (S)415, as described in Article 7, or a distribution to correct Excess Deferrals, Excess Contributions or Excess Aggregate Contributions, as described in Article 17.

(b) Eligible Retirement Plan. An Eligible Retirement Plan is:

(1) an individual retirement account described in (S)408(a) of the Code;

(2) an individual retirement annuity described in (S)408(b) of the Code;

(3) an annuity plan described in (S)403(a) of the Code; or

(4) a qualified plan described in (S)401 (a) of the Code.

However, in the case of an Eligible Rollover Distribution to a surviving spouse, an Eligible Retirement Plan is only an individual retirement account or individual retirement annuity.

(c) Direct Rollover. A Direct Rollover is a payment made directly from the Plan to the Eligible Retirement Plan specified by the Participant. The Plan Administrator may develop reasonable procedures for accommodating Direct Rollover requests.

(d) Direct Rollover notice. A Participant entitled to an Eligible Rollover Distribution must receive a written explanation of his/her right to a Direct Rollover, the tax consequences of not making a Direct Rollover, and, if applicable, any available special income tax elections. The notice must be provided within the same 30 - 90 day timeframe applicable to the Participant consent notice under Section 8.7(a). The Direct Rollover notice must be provided to all Participants, unless the total amount the Participant will receive as a distribution during the calendar year is expected to be less than $200.

If a Participant terminates employment with a total vested Account Balance of $5,000 or less (as determined under Section 8.3(e)) and the Participant does not respond to the Direct Rollover notice indicating whether a Direct Rollover is desired and the name of the Eligible Retirement Plan to which the Direct Rollover is to be made, the Plan Administrator will distribute the Participant's entire vested Account Balance (in accordance with Section 8.3(b)) no earlier than 30 days and no later than 90 days following the provision of the notice under Section 8.7. The notice will describe the procedures for making a default distribution under this paragraph, including any rules for making a default Direct Rollover to an IRA. Any default provisions described under the notice must be applied uniformly and in a nondiscriminatory manner. If the notice provides for a default Direct Rollover, the default distribution will be made as a Direct Rollover to the IRA designated under the notice. The notice must contain pertinent information regarding the Direct Rollover, including the name, address, and telephone number of the IRA trustee and information regarding IRA maintenance and withdrawal fees and how the IRA funds will be invested. The notice will describe the timing of the Direct Rollover and the Participant's ability to affirmatively opt out of the Direct Rollover. The selection of an IRA trustee, custodian or issuer and the selection of IRA investments for purposes of a default Direct Rollover constitutes a fiduciary act subject to the general fiduciary standards and prohibited transaction provisions of ERISA.

(e) Special rules for Hardship withdrawals of Section 401(k) Deferrals. A Hardship withdrawal of Section 401(k) Deferrals (as described in Code (S)401(k)(2)(B)(i)(IV)) is not an Eligible Rollover Distribution to the extent such withdrawal is made after December 31, 1998 or, if later, the first day (but not later than January 1, 2000) that the Plan Administrator begins to treat such Hardship withdrawals as ineligible for rollover. Subject to any contrary pronouncement under statute, regulation or IRS guidance, the Employer may treat a Hardship withdrawal of Section 401(k) Deferrals as an Eligible Rollover Distribution if the Participant otherwise satisfies a non-Hardship distribution event described in Code (S)401(k)(2) or (10) at the time of the withdrawal, regardless of whether the Plan's procedures characterizes such distribution as a Hardship withdrawal.

8.9 Sources of Distribution. Unless provided otherwise in separate administrative provisions adopted by the Plan Administrator, in applying the distribution provisions under this Article 8, distributions will be made on a pro rata basis from all Accounts from which a distribution is permitted under this Article. Alternatively, the Plan Administrator may permit Participants to direct the Plan Administrator as to which Account the distribution is to be made. Regardless of a Participant's direction as to the source of any distribution, the tax effect of such a distribution will be governed by Code (S)72 and the regulations thereunder.

(a) Exception for Hardship withdrawals. If the Plan permits a Hardship withdrawal from both Section 401(k) Deferrals and Employer Contributions, a Hardship distribution will first be treated as having been made from a Participant's Employer Contribution Account and then from the Employer's Matching Contribution Account, to the extent such Hardship distribution is available with respect to such Accounts. Only when all available amounts have been exhausted under the Participant's Employer Contribution Account and/or Employer Matching Contribution Account will a Hardship distribution be made from a Participant's Section 401(k) Deferral Account. The Plan Administrator may modify this provision in separate administrative procedures.

(b) In-kind distributions. Nothing in this Article precludes the Plan Administrator from making a distribution in the form of property, or other in-kind distribution

ARTICLE 9
JOINT AND SURVIVOR ANNUITY REQUIREMENTS

This Article provides rules concerning the application of the Joint and Survivor Annuity requirements under this Plan. If the Plan is a profit sharing plan or a 401(k) plan, Part 11. #41.b. of the Agreement (Part 11, #59.b. of the 401(k) Agreement] permits the Employer to apply the Joint and Survivor Annuity requirements to all Participants under the Plan. If the Employer does not elect to apply the Joint and Survivor Annuity requirements to all Participants, the Plan is only subject to the Joint and Survivor Annuity requirements to the extent required under Section 9.1(b) of this Article.

9.1 Applicability. Except as provided in Section 9.6 below, this Article 9 applies to any distribution received by a Participant under the money purchase plan Agreement or the target benefit plan Agreement. For a profit sharing plan or 401(k) plan, the following rules apply.

(a) Election to have requirements apply. If this Plan is a profit sharing plan or a 401(k) plan, and the Employer elects under Part 11, #41.b. of the profit sharing plan Agreement or Part 11, #59.b. of the 401(k) Agreement to apply the Joint and Survivor Annuity requirements, then this Article 9 applies in the same manner as it does to a money purchase plan or a target benefit plan.

(b) Election to have requirements not apply. If this Plan is a profit sharing plan or a 401(k) plan, and the Employer elects under Part 11, #41.a. of the profit sharing plan Agreement or Part 11, #59.a. of the 401(k) Agreement not to apply the Joint and Survivor Annuity requirements, this Article 9 generally will not apply to distributions from the Plan. However, the rules of this Article 9 will apply to a Participant under the following conditions:

(1) the Participant elects to receive his/her benefit in the form of a life annuity (if a life annuity is a permissible distribution option under Part 11 of the Agreement); or

(2) the Participant has received a direct or indirect transfer of benefits (other than a Qualified Transfer as defined in Section 3.3(d)) from any plan which was subject to the Joint and Survivor Annuity requirements at the time of the transfer (but only to such transferred benefits); or

(3) the Participant's benefits under the Plan are used to offset the benefits under another plan of the Employer that is subject to the Joint and Survivor Annuity requirements.

Nothing in this subsection (b) prohibits a Plan Administrator from developing administrative procedures that apply the spousal consent requirements outlined in this Article 9 to a Plan that is not otherwise subject to the Joint and Survivor Annuity requirements. For example, the Plan Administrator may require under separate administrative procedures to require spousal consent to Participant distributions or may in a separate loan procedure require spousal consent prior to granting a Participant loan, without subjecting the Plan to the Joint and Survivor Annuity requirements.

(c) Accumulated deductible employee contributions. For purposes of applying the rules under this Section 9.1, any distribution from a separate Account under a money purchase plan or a target benefit plan which is attributable solely to accumulated deductible employee contributions, as defined in Code (S)72(o)(5)(B), is treated as a distribution from a profit sharing plan or 401(k) plan for which the rules under subsection (b) above apply.

9.2 Qualified Joint and Survivor Annuity (QJSA). If the Joint and Survivor Annuity requirements apply to a Participant, any distribution from the Plan to that Participant must be in the form of a QJSA (as defined in Section 9.4(a)), unless the Participant (and the Participant's spouse, if the Participant is married) elects to receive the distribution in an alternative form, as authorized under Part 11 of the Agreement. Any election of an alternative form of distribution must be pursuant to a Qualified Election. Only the Participant needs consent (pursuant to Section 8.7) to the commencement of a distribution in the form of a QJSA.

9.3 Qualified Preretirement Survivor Annuity (QPSA). If the Joint and Survivor Annuity requirements apply to a Participant who dies before the Distribution Commencement Date, the spouse of that Participant is entitled to receive a QPSA (as defined in Section 9.4(b)), unless the Participant and spouse have waived the QPSA pursuant to a Qualified Election. The Employer may elect under Part 11, #41 .c. of the Agreement [Part 11, #59.c. of the 401(k) Agreement] that a surviving spouse is not entitled to a QPSA benefit if the Participant and surviving spouse were not married throughout the one year period ending on the date of the Participant's death. Any portion of a Participant's vested Account Balance that is not payable to the surviving spouse as a QPSA (or other form elected by the surviving spouse) constitutes a non-QPSA death benefit and is payable under the rules described in Section 8.4.

9.4 Definitions.

(a) Qualified Joint and Survivor Annuity (QJSA). A QJSA is an immediate annuity payable over the life of the Participant with a survivor annuity payable over the life of the spouse. If the Participant is not married as of the Distribution Commencement Date, the QJSA is an immediate annuity payable over the life of the Participant. The survivor annuity must provide for payments to the surviving spouse equal to 50% of the payments that the Participant is entitled under the annuity during the joint lives of the Participant and the spouse. The Employer may elect under Part 11, #41.b. of the Agreement [Part 11, #59.b. of the 401(k) Agreement] to make payments to the surviving spouse equal to 100%, 75% or 66-2/3% (instead of 50%) of the payments the Participant is entitled to under the annuity.

(b) Qualified Preretirement Survivor Annuity (QPSA). A QPSA is an annuity payable over the life of the surviving spouse that is purchased using 50% of the Participant's vested Account Balance as of the date of death. The Employer may elect under Part 11, #41.b. of the Agreement [Part 11, #59.b. of the 401(k) Agreement] to provide a QPSA equal to 100% (instead of 50%) of the Participant's vested Account Balance. The remaining vested Account Balance will be distributed in accordance with the death distribution provisions under Section 8.4. To the extent the Participant's vested Account Balance is derived from Employee After-Tax Contributions, the QPSA will share in the Employee After-Tax Contributions in the same proportion as the Employee After-Tax Contributions bear to the total vested Account Balance of the Participant.

The surviving spouse may elect to have the QPSA distributed at any time following the Participant's death (subject to the required minimum distribution rules under Article 10) and may elect to receive distribution in any form permitted under Section 8.1 of the Plan. If the surviving spouse fails to elect distribution upon the Participant's death, the QPSA benefit will be distributed in accordance with Section 8.4.

(c) Distribution Commencement Date. The Distribution Commencement Date is the date an Employee commences distributions from the Plan. If a Participant commences distribution with respect to a portion of his/her Account Balance, a separate Distribution Commencement Date applies to any subsequent distribution. If distribution is made in the form of an annuity, the Distribution Commencement Date is the first day of the first period for which annuity payments are made.

(d) Qualified Election. A Participant (and the Participant's spouse) may waive the QJSA or QPSA pursuant to a Qualified Election. If it is established to the satisfaction of a plan representative that there is no spouse or that the spouse cannot be located, any waiver signed by the Participant is deemed to be a Qualified Election. For this purpose, a Participant will be deemed to not have a spouse if the Participant is legally separated or has been abandoned and the Participant has a court order to such effect. However, a former spouse of the Participant will be treated as the spouse or surviving spouse and any current spouse will not be treated as the spouse or surviving spouse to the extent provided under a QDRO.

A Qualified Election is a written election signed by both the Participant and the Participant's spouse (if applicable) that specifically acknowledges the effect of the election. The spouse's consent must be witnessed by a plan representative or notary public. In the case of a waiver of the QJSA, the election must designate an alternative form of benefit payment that may not be changed without spousal consent (unless the spouse enters into a general consent agreement expressly permitting the Participant to change the form of payment without any further spousal consent). In the case of a waiver of the QPSA, the election must be made within the QPSA Election Period and the election must designate a specific alternate Beneficiary, including any class of Beneficiaries or any contingent Beneficiaries, which may not be changed without spousal consent (unless the spouse enters into a general consent agreement expressly permitting the Participant to change the Beneficiary designation without any further spousal consent).

Any consent by a spouse under a Qualified Election (or a determination that the consent of a spouse is not required) shall be effective only with respect to such spouse. If the Qualified Election permits the Participant to change a payment form or Beneficiary designation without any further consent by the spouse, the Qualified Election must acknowledge that the spouse has the right to limit consent to a specific form of benefit or a specific Beneficiary, as applicable, and that the spouse voluntarily elects to relinquish either or both of such rights. A Participant or spouse may revoke a prior waiver of the QPSA benefit at any time before the commencement of benefits. Spousal consent is not required for a Participant to revoke a prior QPSA waiver. No consent obtained under this provision shall be valid unless the Participant has received notice as provided in Section 9.5 below.

(e) QPSA Election Period. A Participant (and the Participant's spouse) may waive the QPSA at any time during the QPSA Election Period. The QPSA Election Period is the period beginning on the first day of the Plan Year in which the Participant attains age 35 and ending on the date of the Participant's death. If a Participant separates from service prior to the first day of the Plan Year in which age 35 is attained, with

respect to the Account Balance as of the date of separation, the QPSA Election Period begins on the date of separation.

(f) Pre-Age 35 Waiver. A Participant who has not yet attained age 35 as of the end of a Plan Year may make a special Qualified Election to waive, with spousal consent, the QPSA for the period beginning on the date of such election and ending on the first day of the Plan Year in which the Participant will attain age 35. Such election is not valid unless the Participant receives the proper notice required under Section 9.5 below. QPSA coverage is automatically reinstated as of the first day of the Plan Year in which the Participant attains age 35. Any new waiver on or after such date must satisfy all the requirements for a Qualified Election.

9.5 Notice Requirements.

(a) QJSA. In the case of a QJSA, the Plan Administrator shall provide each Participant with a written explanation of: (1) the terms and conditions of the QJSA; (2) the Participant's right to make and the effect of an election to waive the QJSA form of benefit; (3) the rights of the Participant's spouse; and (4) the right to make, and the effect of, a revocation of a previous election to waive the QJSA. The notice must be provided to each Participant under the Plan no less than 30 days and no more than 90 days prior to the Distribution Commencement Date.

A Participant may commence receiving a distribution in a form other than a QJSA less than 30 days after receipt of the written explanation described in the preceding paragraph provided: (1) the Participant has been provided with information that clearly indicates that the Participant has at least 30 days to consider whether to waive the QJSA and elect (with spousal consent) a form of distribution other than a QJSA; (2) the Participant is permitted to revoke any affirmative distribution election at least until the Distribution Commencement Date or, if later, at any time prior to the expiration of the 7-day period that begins the day after the explanation of the QJSA is provided to the Participant; and (3) the Distribution Commencement Date is after the date the written explanation was provided to the Participant. For distributions on or after December 31, 1996, the Distribution Commencement Date may be a date prior to the date the written explanation is provided to the Participant if the distribution does not commence until at least 30 days after such written explanation is provided, subject to the waiver of the 30-day period.

(b) QPSA. In the case of a QPSA, the Plan Administrator shall provide each Participant within the applicable period for such Participant a written explanation of the QPSA in such terms and in such manner as would be comparable to the explanation provided for the QJSA in subsection (a) above. The applicable period for a Participant is whichever of the following periods ends last: (1) the period beginning with the first day of the Plan Year in which the Participant attains age 32 and ending with the close of the Plan Year preceding the Plan Year in which the Participant attains age 35; (2) a reasonable period ending after the individual becomes a Participant; or (3) a reasonable period ending after the joint and survivor annuity requirements first apply to the Participant. Notwithstanding the foregoing, notice must be provided within a reasonable period ending after separation from service in the case of a Participant who separates from service before attaining age 35.

For purposes of applying the preceding paragraph, a reasonable period ending after the enumerated events described in (2) and (3) is the end of the two-year period beginning one year prior to the date the applicable event occurs, and ending one year after that date. In the case of a Participant who separates from service before the Plan Year in which age 35 is attained, notice shall be provided within the two-year period beginning one year prior to separation and ending one year after separation. If such a Participant thereafter returns to employment with the employer, the applicable period for such Participant shall be redetermined.

9.6 Exception to the Joint and Survivor Annuity Requirements. Except as provided in Section 9.7, this Article 9 does not apply to any Participant who has not earned an Hour of Service with the Employer on or after August 23, 1984. In addition, if, as of the Distribution Commencement Date, the Participant's vested Account Balance (for pre-death distributions) or the value of the QPSA death benefit (for post-death distributions) does not exceed $5,000, the Participant or surviving spouse, as applicable, will receive a lump sum distribution pursuant to Section 8.4(b)(1), in lieu of any QJSA or QPSA benefits. (See Section 8.3(e) for special rules for calculating the value of a Participant's vested Account Balance.)

9.7 Transitional Rules. Any living Participant not receiving benefits on August 23, 1984, who would otherwise not receive the benefits prescribed under this Article 9 must be given the opportunity to elect to have the preceding provisions of this Article 9 apply if such Participant is credited with at least one Hour of Service under this Plan or a predecessor plan in a Plan Year beginning on or after January 1, 1976, and such Participant had at least 10 years of vesting service when he or she separated from service. The Participant must be given the opportunity to elect to have this Article 9 apply during the period commencing on August 23, 1984, and ending on the date benefits would otherwise commence to such Participant. A Participant described in this paragraph who has not elected to have this Article 9 apply is subject to the rules in this Section 9.7 instead. Also, a Participant who does not qualify to elect to have this Article 9 apply because such Participant does not have at least 10 Years of Service for vesting purposes is subject to the rules of this Section 9.7.

Any living Participant not receiving benefits on August 23, 1984, who was credited with at least one Hour of Service under this Plan or a predecessor plan on or after September 2, 1974, and who is not otherwise credited with any service in a Plan Year beginning on or after January 1, 1976, must be given the opportunity to have his/her benefits paid in accordance with the following paragraph. The Participant must be given the opportunity to elect to have this Section 9.7 apply (other than the first paragraph of this Section) during the period commencing on August 23, 1984, and ending on the date benefits would otherwise commence to such Participant.

If, under either of the preceding two paragraphs, a Participant is subject to this Section 9.7, the following rules apply.

(a) Automatic joint and survivor annuity. If benefits in the form of a life annuity become payable to a married Participant who:

(1) begins to receive payments under the Plan on or after Normal Retirement Age;

(2) dies on or after Normal Retirement Age while still working for the Employer;

(3) begins to receive payments on or after the Qualified Early Retirement Age; or

(4) separates from service on or after attaining Normal Retirement Age (or the Qualified Early Retirement Age) and after satisfying the eligibility requirements for the payment of benefits under the plan and thereafter dies before beginning to receive such benefits;

then such benefits will be received under this plan in the form of a QJSA, unless the Participant has elected otherwise during the election period. For this purpose, the election period must begin at least 6 months before the participant attains Qualified Early Retirement Age and end not more than 90 days before the commencement of benefits. Any election hereunder will be in writing and may be changed by the Participant at any time.

(b) Election of early survivor annuity. A Participant who is employed after attaining the Qualified Early Retirement Age will be given the opportunity to elect, during the election period, to have a survivor annuity payable on death. If the Participant elects the survivor annuity, payments under such annuity must not be less than the payments that would have been made to the spouse under the QJSA if the Participant had retired on the day before his or her death. Any election under this provision will be in writing and may be changed by the Participant at any time. For this purpose, the election period begins on the later of (1) the 90th day before the Participant attains the Qualified Early Retirement Age, or (2) the date on which participation begins, and ends on the date the Participant terminates employment.

(c) Qualified Early Retirement Age. The Qualified Early Retirement Age is the latest of:

(1) the earliest date, under the plan, on which the Participant may elect to receive retirement benefits,

(2) the first day of the 120th month beginning before the Participant reaches Normal Retirement Age, or

(3) the date the Participant begins participation under the Plan.

ARTICLE 10
REQUIRED DISTRIBUTIONS

This Article provides for the required commencement of distributions upon certain events. In addition, this Article places limitations on the period over which distributions may be made to a Participant or Beneficiary. To the extent the distribution provisions of this Plan, particularly Articles 8 and 9, are inconsistent with the provisions of this Article 10, the provisions of this Article control. Part 13 of the Agreement contains specific elections for applying the rules under this Article 10.

10.1 Required Distributions Before Death.

(a) Deferred distributions. A Participant must be permitted to receive a distribution from the Plan no later than the 60th day after the latest of the close of the Plan Year in which:

(1) the Participant attains age 65 (or Normal Retirement Age, if earlier);

(2) occurs the 10th anniversary of the year in which the Participant commenced participation in the Plan; or,

(3) the Participant terminates service with the Employer.

(b) Required minimum distributions. The entire interest of a Participant must be distributed or begin to be distributed no later than the Participant's Required Beginning Date (as defined in Section 10.3(a)) over one of the following periods (or a combination thereof):

(1) the life of the Participant,

(2) the life of the Participant and a Designated Beneficiary,

(3) a period certain not extending beyond the Life Expectancy of the Participant, or

(4) a period certain not extending beyond the joint and last survivor Life Expectancy of the Participant and a Designated Beneficiary.

If the Participant's interest is to be distributed over a period designated under subsection (3) or (4) above, the amount required to be distributed for each calendar year must at least equal the quotient obtained by dividing the Participant's Benefit (as determined under Section 10.3(g)) by the lesser of (i) the Applicable Life Expectancy or (ii) if the Participant's Designated Beneficiary is not his/her spouse, the minimum distribution incidental benefit factor set forth in Q&A-4 of Prop. Treas. Reg. (S)401(a)(9)-2. Distributions after the death of the Participant shall be determined using the Applicable Life Expectancy as the relevant divisor regardless of the Participant's Designated Beneficiary.

The minimum distribution required for the Participant's first Distribution Calendar Year must be made on or before the Participant's Required Beginning Date. The minimum distribution for other Distribution Calendar Years, including the minimum distribution for the Distribution Calendar Year in which the Participant's Required Beginning Date occurs, must be made on or before December 31 of that Distribution Calendar Year.

If a Participant receives a distribution in the form of an annuity purchased from an insurance company, distributions thereunder shall be made in accordance with the requirements of Code (S)401 (a)(9) and the regulations thereunder. For calendar years beginning before January 1, 1989, if the Participant's spouse is not the Designated Beneficiary, the method of distribution selected must ensure that at least 50% of the Present Value of the amount available for distribution is paid within the life expectancy of the Participant.

10.2 Required Distributions After Death.

(a) Distribution beginning before death. If the Participant dies after he/she has begun receiving distributions under Section 10.1(b), the remaining portion of the Participant's vested Account Balance shall continue to be distributed at least as rapidly as under the method of distribution being used prior to the Participant's death.

(b) Distribution beginning after death. Subject to the rules under Section 8.4(b), if the Participant dies before receiving distributions under Section 10.1(b), distribution of the Participant's entire vested Account Balance shall be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death, except to the extent an election is made to receive distributions in accordance with subsection (1) or (2) below.

(1) To the extent any portion of the Participant's vested Account Balance is payable to a Designated Beneficiary, distributions may be made over the life of the Designated Beneficiary or over a period certain not greater than the Life Expectancy of the Designated Beneficiary, provided such distributions begin on or before December 31 of the calendar year immediately following the calendar year in which the Participant died.

(2) If the Designated Beneficiary is the Participant's surviving spouse, he/she may delay the distribution under subsection (1) until December 31 of the calendar year in which the Participant would have attained age 70-1/2, if such date is later than the date described in subsection (1).

If the Participant has not made an election pursuant to this subsection (b) by the time of his/her death, the Participant's Designated Beneficiary must elect the method of distribution no later than the earlier of (1) December 31 of the calendar year in which distributions would be required to begin under this subsection (b), or (2) December 31 of the calendar year which contains the fifth anniversary of the date of death of the Participant. If the Participant has no Designated Beneficiary, or if the Designated Beneficiary does not elect a method of distribution, distribution of the Participant's entire interest must be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

For purposes of this subsection (b), if the surviving spouse dies after the Participant, but before payments to such spouse begin, the provisions of this subsection (b), with the exception of subsection (2) above, shall be applied as if the surviving spouse were the Participant.

(c) Treatment of trust beneficiaries as Designated Beneficiaries. If a trust is properly named as a Beneficiary under the Plan, the beneficiaries of the trust will be treated as the Designated Beneficiaries of the Participant solely for purposes of determining the distribution period under this Article 10 with respect to the trust's interests in the Participant's vested Account Balance. The beneficiaries of a trust will be treated as Designated Beneficiaries for this purpose only if, as of the later of the date the trust is named as a Beneficiary of the Participant or the Participant's Required Beginning Date (and as of all subsequent periods during which the trust is named as a Beneficiary of the Participant), the following requirements are met:

(1) the trust is a valid trust under state law, or would be but for the fact there is no corpus;

(2) the trust is irrevocable or will, by its terms, become irrevocable upon the death of the Participant;

(3) the beneficiaries of the trust who are beneficiaries with respect to the trust's interests in the Participant's vested Account Balance are identifiable from the trust instrument; and

(4) the Plan Administrator receives the documentation described in Question D-7 of Proposed Treas. Reg. (S)1.401(a)(9)-1, as subsequently amended or finally adopted.

If the foregoing requirements are satisfied and the Plan Administrator receives such additional information as it may request, the Plan Administrator may treat such beneficiaries of the trust as Designated Beneficiaries.

(d) Trust beneficiary qualifying for marital deduction. If a Beneficiary is a trust (other than an estate marital trust) that is intended to qualify for the federal estate tax marital deduction under Code (S)2056 ("marital trust"), then:

(1) in no event will the annual amount distributed from the Plan to the marital trust be less than the greater of:

(i) all fiduciary accounting income with respect to such Beneficiary's interest in the Plan, as determined by the trustee of the marital trust, or

(ii) the minimum distribution required under this Article 10;

(2) the trustee of the marital trust (or the trustee's legal representative) shall be responsible for calculating the amount to be distributed under subsection (1) above and shall instruct the Plan Administrator in writing to distribute such amount to the marital trust;

(3) the trustee of the marital trust may from time to time notify the Plan Administrator in writing to accelerate payment of all or any part of the portion of such Beneficiary's interest that remains to be distributed, and may also notify the Plan Administrator to change the frequency of distributions (but not less often than annually); and

(4) the trustee of the marital trust shall be responsible for characterizing the amounts so distributed form the Plan as income

or principle under applicable state laws.

10.3 Definitions.

(a) Required Beginning Date. A Participant's Required Beginning Date is the date designated under subsection (1)(i) or (ii) below, as applicable, unless the Employer elects under Part 13, #52 of the Agreement [Part 13, #70 of the 401(k) Agreement] to apply the Old-Law Required Beginning Date, as described in subsection (2) below. If the Employer does not select the Old-Law Required Beginning Date under Part 13, #52 of the Agreement [Part 13, #70 of the 401(k) Agreement], the Required Beginning Date rules under subsection (1) below apply. (But see Section 10.4 for special rules dealing with operational compliance with the GUST Legislation.)

(1) "New-law" Required Beginning Date. If the Employer does not elect to apply the Old-Law Required Beginning Date under Part 13, #52 of the Agreement [Part 13, #70 of the 401(k) Agreement], a Participant's Required Beginning Date under the Plan is:

(i) For Five-Percent Owners. April 1 that follows the end of the calendar year in which the Participant attains age 70-1/2.

(ii) For Participants other than Five-Percent Owners. April 1 that follows the end of the calendar year in which the later of the following two events occurs:

(A) the Participant attains age 70-1/2 or

(B) the Participant retires.

If a Participant is not a Five-Percent Owner for the Plan Year that ends with or within the calendar year in which the Participant attains age 70-1/2, and the Participant has not retired by the end of such calendar year, his/her Required Beginning Date is April 1 that follows the end of the first subsequent calendar year in which the Participant becomes a Five-Percent Owner or retires.

A Participant may begin in-service distributions prior to his/her Required Beginning Date only to the extent authorized under Article 10 and Part 9 of the Agreement. However, if this Plan were amended to add the Required Beginning Date rules under this subsection (1), a Participant who attained age 70-1/2 prior to January 1, 1999 (or, if later, January 1 following the date the Plan is first amended to contain the Required Beginning Date rules under this subsection (1)) may receive in-service minimum distributions in accordance with the terms of the Plan in existence prior to such amendment.

(2) Old-Law Required Beginning Date. If the Old-Law Required Beginning Date is elected under Part 13, #52 of the Agreement [Part 13, #70 of the 401(k) Agreement], the Required Beginning Date for all Participants will be determined under subsection (1)(i) above, without regard to the rule in subsection (1)(ii). The Required Beginning Date for all Participants under the Plan will be April 1 of the calendar year following attainment of age 70-1/2.

(b) Five-Percent Owner. A Participant is a Five-Percent Owner for purposes of this Section if such Participant is a Five-Percent Owner (as defined in Section 22.88) at any time during the Plan Year ending with or within the calendar year in which the Participant attains age 70-1/2. Once distributions have begun to a Five-Percent Owner under this Article, they must continue to be distributed, even if the Participant ceases to be a Five-Percent Owner in a subsequent year.

(c) Designated Beneficiary. A Beneficiary designated by the Participant (or the Plan), whose Life Expectancy may be taken into account to calculate minimum distributions, pursuant to Code (S)401(a)(9) and the regulations thereunder.

(d) Applicable Life Expectancy. The determination of the Applicable Life Expectancy depends on whether the term certain method or the recalculation method is being use to adjust the Life Expectancy in each Distribution Calendar Year. The recalculation method may only be used to determine the Life Expectancy of the Participant and/or the Participant's spouse. The recalculation method is not available with respect to a nonspousal Designated Beneficiary.

If the Designated Beneficiary is the Participant's spouse, or if the Participant's (or surviving spouse's) single life expectancy is the Applicable Life Expectancy, the term certain method is used unless the recalculation method is elected by the Participant (or by the surviving spouse). If the Designated Beneficiary is not the Participant's spouse, the term certain method is used to determine the Life Expectancy of both the Participant and the Designated Beneficiary, unless the recalculation method is elected by the Participant with respect to his/her Life Expectancy. The term certain method will always apply for purposes of determining the

Applicable Life Expectancy of a nonspousal Designated Beneficiary. An election to recalculate Life Expectancy (or the failure to elect recalculation) shall be irrevocable as of the Participant's Required Beginning Date as to the Participant (or spouse) and shall apply to all subsequent years.

If the term certain method is being used, the Life Expectancy determined for the first Distribution Calendar Year is reduced by one for each subsequent Distribution Year. If the recalculation method is used, the following rules apply:

(1) If the Life Expectancy is the Participant's (or surviving spouse's) single Life Expectancy, the Applicable Life Expectancy is redetermined for each Distribution Year based on the Participant's (or surviving spouse's) age on his/her birthday which falls in such year.

(2) If the Life Expectancy is a joint and last survivor Life Expectancy based on the ages of the Participant and the Participant's spouse, and the recalculation method is elected with respect to both the Participant and his/her spouse, the Applicable Life Expectancy is redetermined for each Distribution Year based on the ages of the individuals on their birthdays that fall in such year.

(3) If the Life Expectancy is a joint and last survivor Life Expectancy based on the ages of the Participant and the Participant's spouse, and the recalculation method is elected with respect to only one such individual, or if the Life Expectancy is a joint and last survivor Life Expectancy based on the ages of the Participant and a nonspousal Designated Beneficiary, and the recalculation method is elected with respect to the Participant, the Applicable Life Expectancy is determined in accordance with the procedures outlined in Prop. Treas. Reg. (S)1.401(a)(9)-1, E-8(b), or other applicable guidance.

(e) Life Expectancy. For purposes of determining a Participant's required minimum distribution amount, Life Expectancy and joint and last survivor Life Expectancy are computed using the expected return multiples in Tables V and VI of (S)1.72-9 of the Income Tax Regulations.

(f) Distribution Calendar Year. A calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first Distribution Calendar Year is the calendar year immediately preceding the calendar year that contains the Participant's Required Beginning Date. For distributions beginning after the Participant's death, the first Distribution Calendar Year is the calendar year in which distributions are required to begin pursuant to Section 10.2.

(g) Participant's Benefit. For purposes of determining a Participant's required minimum distribution, the Participant's Benefit is determined based on his/her Account Balance as of the last Valuation Date in the calendar year immediately preceding the Distribution Calendar Year increased by the amount of any contributions or forfeitures allocated to the Account Balance as of dates in the Distribution Calendar Year after the Valuation Date and decreased by distributions made in the Distribution Calendar Year after the Valuation Date.

If any portion of the minimum distribution for the first Distribution Calendar Year is made in the second Distribution Calendar Year on or before the Required Beginning Date, the amount of the minimum distribution made in the second Distribution Calendar Year shall be treated as if it had been made in the immediately preceding Distribution Calendar Year.

10.4 GUST Elections. If this Plan is being restated to comply with the GUST Legislation (as defined in Section 22.96), Appendix B-2 of the Agreement permits the Employer to designate how it operated this Plan in compliance with the required minimum distribution rules for years prior to the date the Plan is adopted.

(a) Distributions under Old-Law Required Beginning Date rules. Unless the Employer specifically elects to apply the Old-Law Required Beginning Date rule under Part 13, #52 of the Agreement [Part 13, #70 of the 401(k) Agreement], the Required Beginning Date rules (as described in Section 10.3(a)(1)) apply. However, if prior to the adoption of this Prototype Plan, the terms of the Plan reflected the Old-Law Required Beginning Date rules, minimum distributions for such years are required to be calculated in accordance with that Old-Law Required Beginning Date, except to the extent any operational elections described in subsection (b) or (c) below applied.

(b) Option to postpone distributions. For calendar years beginning after December 31, 1996 and prior to the restatement of this Plan to comply with the GUST changes, the Plan may have permitted Participants (other than Five-Percent Owners) who would otherwise have begun receiving minimum distributions under the terms of the Plan in effect for such years to postpone receiving their minimum distributions until the Required Beginning Date under Section 10.3(a)(1), even though the terms of the Plan (prior to the restatement) did not permit such an election. Appendix B-2.a. of the Agreement permits the Employer to specify the years during which Participants were permitted to postpone

receiving minimum distributions under the Plan. Appendix B-2 need not be completed if Participants were not provided the option to postpone

receiving minimum distributions, either because the Plan used the "Old-Law" Required Beginning Date rules or because the Plan made distributions under the "New-Law" Required Beginning Date rules and contained other optional forms of benefit under its general elective distribution provisions that preserved the optional forms of benefit under the "Old Law Required Beginning Date" rules.

(c) Election to stop minimum required distributions. A Participant (other than a Five-Percent Owner) who began receiving minimum distributions in accordance with the Old-Law Required Beginning Date rules under the Plan prior to the date the Plan was amended to comply with the GUST changes generally must continue to receive such minimum distributions, even if the Participant is still employed with the Employer. However, prior to the restatement of this Plan to comply with the GUST changes, the Plan may have permitted Participants to stop minimum distributions if they had not reached the Required Beginning Date described in Section 10.3(a)(1), even though the terms of the Plan did not permit such an election. Under Appendix B-2.b. of the Agreement, the Employer may designate the year in which Participants were permitted to stop receiving minimum distributions in accordance with this subsection (c). A Participant must recommence minimum distributions as required under the Required Beginning Date rules applicable under this restated Plan.

A Participant's election to stop and recommence distributions is subject to the spousal consent requirements under Article 9 (if the Plan is otherwise subject to the Joint and Survivor Annuity requirements) and is subject to the terms of any applicable QDRO. The manner in which the Plan must comply with the spousal consent requirements depends on whether or not the Employer elects under Appendix B-2.c. of the Agreement to have the recommencement of benefits constitute a new Distribution Commencement Date. If the Plan is not otherwise subject to the Joint and Survivor Annuity requirements, Appendix B-2.c. need not be completed.

(1) New Distribution Commencement Date. If the Employer elects under Appendix B-2.c.(1) of the Agreement that recommencement of benefits will create a new Distribution Commencement Date, no spousal consent is required for a Participant to elect to stop distributions, except where such distributions are being paid in the form of a QJSA. Where such distributions are being paid in the form of a QJSA, in order to comply with this subsection (1), the person who was the Participant's spouse on the original Distribution Commencement Date must consent to the election to stop distributions and the spouse's consent must acknowledge the effect of the election. Because there is a new Distribution Commencement Date upon recommencement of benefits, the Plan, in order to satisfy this subsection (1), must comply with all of the requirements of Article 9 upon such recommencement, including payment of a QPSA (as defined in Section 9.4(b)) if the Participant dies before the new Distribution Commencement Date.

(2) No new Distribution Commencement Date. If the Employer elects under Appendix B-2.c.(2) of the Agreement that recommencement of benefits will not create a new Distribution Commencement Date, no spousal consent is required for the Participant to elect to stop required minimum distributions prior to retirement. In addition, no spousal consent is required when payments recommence to the Participant if:

(i) payments recommence to the Participant with the same Beneficiary and in a form of benefit that is the same but for the cessation of distributions;

(ii) the individual who was the Participant's spouse on the Distribution Commencement Date executed a general consent within the meaning of (S)1.401(a)-20, A-31 of the regulations; or

(iii) the individual who was the Participant's spouse on the Distribution Commencement Date executed a specific consent to waive a QJSA within the meaning of (S)1.401(a)-20, A-31, and the Participant is not married to that individual when benefits recommence.

To qualify under this subsection (2), consent of the individual who was the Participant's spouse on the Distribution Commencement Date is required prior to recommencement of distributions if the Participant chooses to recommence benefits in a different form than the form in which benefits were being distributed prior to the cessation of distributions or with a different Beneficiary. Consent of the Participant's spouse is also required if the original form of distribution was a QJSA (as defined in Section 9.4(a)) or the spouse originally executed a specific consent to waive the QJSA within the meaning of (S)1.401(a)-20, A-31, of the regulations, and the Participant is still married to that individual when benefits recommence.

10.5 Transitional Rule. The minimum distribution requirements in Section 10.2 do not apply if distribution of the Participant's Account Balance is subject to a TEFRA (S)242(b)(2) election. A TEFRA (S)242(b) election overrides,the required minimum distribution rules only if the following requirements are satisfied.

(a) The distribution by the Plan is one that would not have disqualified the Plan under (S)401(a)(9) of the Code as in effect prior to amendment by the Deficit Reduction Act of 1984.

(b) The distribution is in accordance with a method of distribution designated by the Participant whose interest in the Plan is being distributed or, if the Participant is deceased, by a Beneficiary of such Participant.

(c) Such designation was in writing, was signed by the Participant or the Beneficiary, and was made before January 1, 1984.

(d) The Participant had accrued a benefit under the Plan as of December 31, 1983.

(e) The method of distribution designated by the Participant or the Beneficiary specifies the time at which distribution will commence, the period over which distributions will be made, and in the case of any distribution upon the Participant's death, the Beneficiaries of the Participant listed in order of priority.

A distribution upon death will not be covered by this transitional rule unless the information in the designation contains the required information described above with respect to the distributions to be made upon the death of the Participant.

For any distribution which commences before January 1, 1984, but continues after December 31, 1983, the Participant, or the Beneficiary, to whom such distribution is being made, will be presumed to have designated the method of distribution under which the distribution is being made if the method of distribution was specified in writing and the distribution satisfies the requirements in subsections (a) and (e) above.

If a designation is revoked any subsequent distribution must satisfy the requirements of Code (S)401(a)(9) and the proposed regulations thereunder. If a designation is revoked subsequent to the date distributions are required to begin, the Plan must distribute by the end of the calendar year following the calendar year in which the revocation occurs the total amount not yet distributed which would have been required to have been distributed to satisfy Code (S)401(a)(9) and the proposed regulations thereunder, but for the TEFRA (S)242(b)(2) election. For calendar years beginning after December 31, 1988, such distributions must meet the minimum distribution incidental benefit requirements in (S)1.401(a)(9)-2 of the proposed regulations (or other applicable regulations). Any changes in the designation will be considered to be a revocation of the designation. However, the mere substitution or addition of another Beneficiary (one not named in the designation) under the designation will not be considered to be a revocation of the designation, so long as such substitution or addition does not alter the period over which distributions are to be made under the designation, directly or indirectly (for example, by altering the relevant measuring life). In the case in which an amount is transferred or rolled over from one plan to another plan, the rules in Questions J-2 and J-3 of (S)1.401(a)(9)-l of the proposed regulations (or other applicable regulations) shall apply.

ARTICLE 11
PLAN ADMINISTRATION AND SPECIAL OPERATING RULES

This Article describes the duties and responsibilities of the Plan Administrator. In addition, this Article sets forth default QDRO procedures and benefit claims procedures, as well as special operating rules when an Employer is a member of a Related Employer group and when there is a Short Plan Year. Provisions related to Plan accounting and investments are contained in Article 13.

11.1 Plan Administrator. The Employer is the Plan Administrator, unless the Employer designates in writing another person or persons as the Plan Administrator. The Employer may designate the Plan Administrator by name, by reference to the person or group of persons holding a certain position, by reference to a procedure under which the Plan Administrator is designated, or by reference to a person or group of persons charged with the specific responsibilities of Plan Administrator. If any Related Employer has executed a Co-Sponsor Adoption Page, the Employer referred to in this Section is the Employer that executes the Signature Page of the Agreement.

(a) Acceptance of responsibility by designated Plan Administrator. If the Employer designates a Plan Administrator other than itself, the designated Plan Administrator must accept its responsibilities in writing. The designated Plan Administrator will serve in a manner and for the time period as agreed upon with the Employer. If more than one person has the responsibility of Plan Administrator, the group shall act by majority vote, but may designate specific persons to act on the Plan Administrator's behalf.

(b) Resignation of designated Plan Administrator. A designated Plan Administrator may resign by delivering a written resignation to the Employer. The Employer may remove a designated Plan Administrator by delivering a written notice of removal. If a designated Plan Administrator resigns or is removed, and no new Plan Administrator is designated, the Employer is the Plan Administrator.

(c) Named Fiduciary. The Plan Administrator is the Plan's Named Fiduciary, unless the Plan Administrator specifically names another person as Named Fiduciary and the designated person accepts its responsibilities as Named Fiduciary in writing.

11.2 Duties and Powers of the Plan Administrator. The Plan Administrator will administer the Plan for the exclusive benefit of the Plan Participants and Beneficiaries, and in accordance with the terms of the Plan. To the extent the terms of the Plan are unclear, the Plan Administrator may interpret the Plan, provided such interpretation is consistent with the rules of ERISA and Code (S)401 and is performed in a uniform and nondiscriminatory manner. This right to interpret the Plan is an express grant of discretionary authority to resolve ambiguities in the Plan document and to make discretionary decisions regarding the interpretation of the Plan's terms, including who is eligible to participate under the Plan, and the benefit rights of a Participant or Beneficiary. The Plan Administrator will not be held liable for any interpretation of the Plan terms or decision regarding the application of a Plan provision provided such interpretation or decision is not arbitrary or capricious.

(a) Delegation of duties and powers. To the extent provided for in an agreement with the Employer, the Plan Administrator may delegate its duties and powers to one or more persons. Such delegation must be in writing and accepted by the person or persons receiving the delegation.

(b) Specific duties and powers. The Plan Administrator has the general responsibility to control and manage the operation of the Plan. This responsibility includes. but is not limited to, the following:

(1) To construe and enforce the terms of the Plan, including those related to Plan eligibility, vesting and benefits;

(2) To develop separate procedures, consistent with the terms of the Plan, to assist in the administration of the Plan, including the adoption of separate or modified loan policy procedures (see Article 14), procedures for direction of investment by Participants (see Section 13.5(c)), procedures for determining whether domestic relations orders are QDROs (see Section 11.5), and procedures for the proper determination of investment earnings to be allocated to Participants' Accounts (see Section 13.4);

(3) To communicate with the Trustee and other responsible persons with respect to the crediting of Plan contributions, the disbursement of Plan distributions and other relevant matters;

(4) To maintain all necessary records which may be required for tax and other administration purposes;

(5) To furnish and to file all appropriate notices, reports and other information to Participants, Beneficiaries, the Employer, the Trustee and government agencies (as necessary);

(6) To answer questions Participants and Beneficiaries may have relating to the Plan and their benefits;

(7) To review and decide on claims for benefits under the Plan;

(8) To retain the services of other persons, including Investment Managers, attorneys, consultants, advisers and others, to assist in the administration of the plan;

(9) To correct any defect or error in the administration of the Plan;

(10) To establish a "funding policy and method" for the Plan for purposes of ensuring the Plan is satisfying its financial objectives and is able to meet its liquidity needs; and

(11) To suspend contributions, including Section 401(k) Deferrals and/or Employee After-Tax Contributions, on behalf of any or all Highly Compensated Employees, if the Plan Administrator reasonably believes that such contributions will cause the Plan to discriminate in favor of Highly Compensated Employees. See Sections 17.2(e) and 17.3(e).

11.3 Employer Responsibilities. The Employer will provide in a timely manner all appropriate information necessary for the Plan Administrator to perform its duties. This information includes, but is not limited to, Participant compensation data, Employee employment, service and termination information, and other information the Plan Administrator may require. The Plan Administrator may rely on the accuracy of any information and data provided by the Employer.

The Employer will provide to the Trustee written notification of the appointment of any person or persons as Plan Administrator, Investment Manager, or other Plan fiduciary, and the names, titles and authorities of any individuals who are authorized to act on behalf of such persons. The Trustee shall be entitled to rely upon such information until it receives written notice of a change in such appointments or authorizations.

11.4 Plan Administration Expenses. All reasonable expenses related to plan administration will be paid from Plan assets, except to the extent the expenses are paid (or reimbursed) by the Employer. For this purpose, Plan expenses include all reasonable costs, charges and expenses incurred by the Trustee in connection with the administration of the Trust (including such reasonable compensation to the Trustee as may be agreed upon from time to time between the Employer or Plan Administrator and the Trustee and any fees for legal services rendered to the Trustee). All reasonable additional administrative expenses incurred to effect investment elections made by Participants and Beneficiaries under Section 13.5(c) shall be paid from the Trust and, as elected by the Plan Administrator, shall either be charged (in accordance with such reasonable nondiscriminatory rules as the Plan Administrator deems appropriate under the circumstances) to the Account of the individual making such election or treated as a general expense of the Trust. All transaction-related expenses incurred to effect a specific investment for an individually-directed Account (such as brokerage commissions and other transfer expenses) shall, as elected by the Plan Administrator, either be paid from or otherwise charged directly to the Account of the individual providing such direction or treated as a general Trust expense. In addition, unless specifically prohibited under statute, regulation or other guidance of general applicability, the Plan Administrator may charge to the Account of an individual Participant a reasonable charge to offset the cost of making a distribution to the Participant, Beneficiary, or Alternate Payee. If liquid assets of the Trust are insufficient to cover the fees of the Trustee or the Plan Administrator, then Trust assets shall be liquidated to the extent necessary for such fees. In the event any part of the Trust becomes subject to tax, all taxes incurred will be paid from the Trust.

11.5 Qualified Domestic Relations Orders (QDROs).

(a) In general. The Plan Administrator must develop written procedures for determining whether a domestic relations order is a QDRO and for administering distributions under a QDRO. For this purpose, the Plan Administrator may use the default QDRO procedures set forth in subsection (h) below or may develop separate QDRO procedures.

(b) Qualified Domestic Relations Order (QDRO). A QDRO is a domestic relations order that creates or recognizes the existence of an Alternate Payee's right to receive, or assigns to an Alternate Payee the right to receive, all or a portion of the benefits payable with respect to a Participant under the Plan. (See Code (S)414(p).) The QDRO must contain certain information and meet other requirements described in this Section 11.5.

(c) Recognition as a QDRO. To be recognized as a QDRO, an order must be a "domestic relations order" that relates to the provision of child support, alimony payments, or marital property rights for the benefit of an Alternate Payee. The Plan Administrator is not required to determine whether the court or agency issuing the domestic relations order had jurisdiction to issue an order, whether state law is correctly applied in the order, whether service was properly made on the parties, or whether an individual identified in an order as an Alternate Payee is a proper Alternate Payee under state law.

(1) Domestic relations order. A domestic relations order is a judgment, decree, or order (including the approval of a property settlement) that is made pursuant to state domestic relations law (including community property law).

(2) Alternate Payee. An Alternate Payee must be a spouse, former spouse, child, or other dependent of a Participant.

(d) Contents of QDRO. A QDRO must contain the following information:

(1) the name and last known mailing address of the Participant and each Alternate Payee;

(2) the name of each plan to which the order applies;

(3) the dollar amount or percentage (or the method of determining the amount or percentage) of the benefit to be paid to the Alternate Payee; and

(4) the number of payments or time period to which the order applies.

(e) Impermissible QDRO provisions.

(1) The order must not require the Plan to provide an Alternate Payee or Participant with any type or form of benefit, or any option, not otherwise provided under the Plan;

(2) The order must not require the Plan to provide for increased benefits (determined on the basis of actuarial value);

(3) The order must not require the Plan to pay benefits to an Alternate Payee that are required to be paid to another Alternate Payee under another order previously determined to be a QDRO; and

(4) The order must not require the Plan to pay benefits to an Alternate Payee in the form of a Qualified Joint and Survivor Annuity for the lives of the Alternate Payee and his or her subsequent spouse.

(f) Immediate distribution to Alternate Payee. Even if a Participant is not eligible to receive an immediate distribution from the Plan, an Alternate Payee may receive a QDRO benefit immediately in a lump sum, provided such distribution is consistent with the QDRO provisions.

(g) No fee for QDRO determination. The Plan Administrator shall not condition the making of a QDRO determination on the payment of a fee by a Participant or an Alternate Payee (either directly or as a charge against the Participant's Account).

(h) Default QDRO procedure. If the Plan Administrator chooses this default QDRO procedure or if the Plan Administrator does not establish a separate QDRO procedure, this Section 11.5(h) will apply as the procedure the Plan Administrator will use to determine whether a domestic relations order is a QDRO. This default QDRO procedure incorporates the requirements set forth under Sections 11.5(a) through (g).

(1) Access to information. The Plan Administrator will provide access to Plan and Participant benefit information sufficient for a prospective Alternate Payee to prepare a QDRO. Such information might include the summary plan description, other relevant plan documents, and a statement of the Participant's benefit entitlements. The disclosure of this information is conditioned on the prospective Alternate Payee providing to the Plan Administrator information sufficient to reasonably establish that the disclosure request is being made in connection with a domestic relations order.

(2) Notifications to Participant and Alternate Payee. The Plan Administrator will promptly notify the affected Participant and each Alternate Payee named in the domestic relations order of the receipt of the order. The Plan Administrator will send the notification to the address included in the domestic relations order. Along with the notification, the Plan Administrator will provide a copy of the Plan's procedures for determining whether a domestic relations order is a QDRO.

(3) Alternate Payee representative. The prospective Alternate Payee may designate a representative to receive copies of notices and Plan information that are sent to the Alternate Payee with respect to the domestic relations order.

(4) Evaluation of domestic relations order. Within a reasonable period of time, the Plan Administrator will evaluate the domestic relations order to determine whether it is a QDRO. A reasonable period will depend on the specific circumstances. The domestic relations order must

contain the information described in Section 11.5(c). If the order is only deficient in a minor respect, the Plan Administrator may supplement information in the order from information within the Plan Administrator's control or through communication with the prospective Alternate Payee.

(i) Separate accounting. Upon receipt of a domestic relations order, the Plan Administrator will separately account for and preserve the amounts that would be payable to an Alternate Payee until a determination is made with respect to the status of the order. During the period in which the status of the order is being determined, the Plan Administrator will take whatever steps are necessary to ensure that amounts that would be payable to the Alternate Payee, if the order were a QDRO, are not distributed to the Participant or any other person. The separate accounting requirement may be satisfied, at the Plan Administrator's discretion, by a segregation of the assets that are subject to separate accounting.

(ii) Separate accounting until the end of "18 month period." The Plan Administrator will continue to separately account for amounts that are payable under the QDRO until the end of an "18-month period." The "18-month period" will begin on the first date following the Plan's receipt of the order upon which a payment would be required to be made to an Alternate Payee under the order. If, within the "18-month period," the Plan Administrator determines that the order is a QDRO, the Plan Administrator must pay the Alternate Payee in accordance with the terms of the QDRO. If, however, the Plan Administrator determines within the "18-month period" that the order is not a QDRO, or if the status of the order is not resolved by the end of the "18-month period," the Plan Administrator may pay out the amounts otherwise payable under the order to the person or persons who would have been entitled to such amounts if there had been no order. If the order is later determined to be a QDRO, the order will apply only prospectively; that is, the Alternate Payee will be entitled only to amounts payable under the order after the subsequent determination.

(iii) Preliminary review. The Plan Administrator will perform a preliminary review of the domestic relations order to determine if it is a QDRO. If this preliminary review indicates the order is deficient in some manner, the Plan Administrator will allow the parties to attempt to correct any deficiency before issuing a final decision on the domestic relations order. The ability to correct is limited to a reasonable period of time.

(iv) Notification of determination. The Plan Administrator will notify in writing the Participant and each Alternate Payee of the Plan Administrator's decision as to whether a domestic relations order is a QDRO. In the case of a determination that an order is not a QDRO, the written notice will contain the following information:

(A) references to the Plan provisions on which the Plan Administrator based its decision;

(B) an explanation of any time limits that apply to rights available to the parties under the Plan (such as the duration of any protective actions the Plan Administrator will take); and

(C) a description of any additional material, information, or modifications necessary for the order to be a QDRO and an explanation of why such material, information, or modifications are necessary.

(v) Treatment of Alternate Payee. If an order is accepted as a QDRO, the Plan Administrator will act in accordance with the terms of the QDRO as if it were a part of the Plan. An Alternate Payee will be considered a Beneficiary under the Plan and be afforded the same rights as a Beneficiary. The Plan Administrator will provide any appropriate disclosure information relating to the Plan to the Alternate Payee.

11.6 Claims Procedure. Unless the Plan uses the default claims procedure under subsection (e) below, the Plan Administrator shall establish a procedure for benefit claims consistent with the requirements of ERISA Reg. (S)2560.503-1. The Plan Administrator is authorized to conduct an examination of the relevant facts to determine the merits of a Participant's or Beneficiary's claim for Plan benefits. The claims procedure must incorporate the following guidelines:

(a) Filing a claim. The claims procedure will set forth a reasonable means for a Participant or Beneficiary to file a claim for benefits under the Plan.

(b) Notification of Plan Administrator's decision. The Plan Administrator must provide a claimant with written notification of the Plan Administrator's decision relating to a claim within a reasonable period of time (not more than 90 days unless special circumstances require an extension to process the claim) after the claim was filed. If the claim is denied, the notification must set forth the reasons for the denial, specific reference to pertinent Plan provisions on which the denial is based, a description of any additional information necessary for the claimant to perfect the claim, and the steps the claimant must take to submit the claim for review.

(c) Review procedure. The claims procedure will provide a claimant a reasonable opportunity to have a full and fair review of a denied claim. Such procedure shall allow a review upon a written application, for the claimant to review pertinent documents, and to allow the claimant to submit written comments to the Plan Administrator. The procedure may establish a limited period (not less than 60 days after the claimant receives written notification of the denial of the claim) for the claimant to request a review of the claim denial.

(d) Decision on review. If a claimant requests a review, the Plan Administrator must respond promptly to the request. Unless special circumstances exist (such as the need for a hearing), the Plan Administrator must respond in writing within 60 days of the date the claimant submitted the review application. The response must explain the Plan Administrator's decision on review.

(e) Default claims procedure. If the Plan Administrator chooses this default claims procedure or if the Plan Administrator does not establish a separate claims procedure, the following will apply.

(1) A person may submit to the Plan Administrator a written claim for benefits under the Plan. The claim shall be submitted on a form provided by the Plan Administrator.

(2) The Plan Administrator will evaluate the claim to determine if benefits are payable to the Participant or Beneficiary under the terms of the Plan. The Plan Administrator may solicit additional information from the claimant if necessary to evaluate the claim.

(3) If the Plan Administrator determines the claim is valid, the Participant or Beneficiary will receive in writing from the Plan Administrator a statement describing the amount of benefit, the method or methods of payment, the timing of distributions and other information relevant to the payment of the benefit.

(4) If the Plan Administrator denies all or any portion of the claim, the claimant will receive, within 90 days after receipt of the claim form, a written explanation setting forth the reasons for the denial, specific reference to pertinent Plan provisions on which the denial is based, a description of any additional information necessary for the claimant to perfect the claim, and the steps the claimant must take to submit the claim for review.

(5) The claimant has 60 days from the date the claimant received the denial of claim to appeal the adverse decision of the Plan Administrator. The claimant may review pertinent documents and submit written comments to the Plan Administrator. The Plan Administrator will submit all relevant documentation to the Employer. The Employer may hold a hearing or seek additional information from the claimant and the Plan Administrator.

(6) Within 60 days (or such longer period due to the circumstances) of the request for review, the Employer will render a written decision on the claimant's appeal. The Employer shall explain the decision, in terms that are understandable to the claimant and by specific references to the Plan document provisions.

11.7 Operational Rules for Short Plan Years. The following operational rules apply if the Plan has a Short Plan Year. A Short Plan Year is any Plan Year that is less than a 12-month period, either because of the amendment of the Plan Year, or because the Effective Date of a new Plan is less than 12 months prior to the end of the first Plan Year.

(a) If the Plan is amended to create a Short Plan Year, and an Eligibility Computation Period or Vesting Computation Period is based on the Plan Year, the applicable computation period begins on the first day of the Short Plan Year, but such period ends on the day which is 12 months from the first day of such Short Plan Year. Thus, the computation period that begins on the first day of the Short Plan Year overlaps with the computation period that starts on the first day of the next Plan Year. This rule applies only to an Employee who has at least one Hour of Service during the Short Plan Year.

If a Plan has an initial Short Plan Year, the rule in the above paragraph applies only for purposes of determining an Employee's Vesting Computation Period and only if the Employer elects under Part 6, #20.a. of the Agreement [Part 6, #38.a. of the 401(k) Agreement] to exclude service earned prior to the adoption of the Plan. For eligibility and vesting (where service prior to the adoption of the Plan is not ignored), if the Eligibility Computation Period or Vesting Computation Period is based on the Plan Year, the applicable

computation period will be determined on the basis of the Plan's normal Plan Year, without regard to the initial short Plan Year.

(b) If Employer Contributions are allocated for a Short Plan Year, any allocation condition under Part 4 of the Agreement that requires an Eligible Participant to complete a specified number of Hours of Service to receive an allocation of such Employer Contributions will not be prorated as a result of such Short Plan Year unless otherwise specified in Part 4 of the Agreement.

(c) If the Permitted Disparity Method is used to allocate any Employer Contributions made for a Short Plan Year, the Integration Level will be prorated to reflect the number of months (or partial months) included in the Short Plan Year.

(d) The Compensation Dollar Limitation, as defined in Section 22.32, will be prorated to reflect the number of months (or partial months) included in the Short Plan Year unless the compensation used for such Short Plan Year is a period of 12 months.

In all other respects, the Plan shall be operated for the Short Plan Year in the same manner as for a 12-month Plan Year, unless the context requires otherwise. If the terms of the Plan are ambiguous with respect to the operation of the Plan for a Short Plan Year, the Plan Administrator has the authority to make a final determination on the proper interpretation of the Plan.

11.8 Operational Rules for Related Employer Groups. If an Employer has one or more Related Employers, the Employer and such Related Employer(s) constitute a Related Employer group. In such case, the following rules apply to the operation of the Plan.

(a) If the term "Employer" is used in the context of administrative functions necessary to the operation, establishment, maintenance, or termination of the Plan, only the Employer executing the Signature Page of the Agreement, and any Co-Sponsor of the Plan, is treated as the Employer.

(b) Hours of Service are determined by treating all members of the Related Employer group as the Employer.

(c) The term Excluded Employee is determined by treating all members of the Related Employer group as the Employer, except as specifically provided in the Plan.

(d) Compensation is determined by treating all members of the Related Employer group as the Employer, except as specifically provided in the Plan.

(e) An Employee is not treated as separated from service or terminated from employment if the Employee is employed by any member of the Related Employer group.

(f) The Annual Additions Limitation described in Article 7 and the Top-Heavy Plan rules described in Article 16 are applied by treating all members of the Related Employer group as the Employer.

In all other contexts, the term "Employer" generally means a reference to all members of the Related Employer group, unless the context requires otherwise. If the terms of the Plan are ambiguous with respect to the treatment of the Related Employer group as the Employer, the Plan Administrator has the authority to make a final determination on the proper interpretation of the Plan.

ARTICLE 12
TRUST PROVISIONS

This Article sets forth the creation of the Plan's Trust (or, in the case of an amendment of the Plan, the amended terms of the Trust) and the duties and responsibilities of the Trustee under the Plan. By executing the Trustee Declaration under the Agreement, the Trustee agrees to be bound by the duties, responsibilities and liabilities imposed on the Trustee under the Plan and to act in accordance with the terms of this Plan. The Employer may act as Trustee under the Plan by executing the Trustee Declaration.

12.1 Creation of Trust. By adopting this Plan, the Employer creates a Trust to hold the assets of the Plan (or, in the event that this Plan document represents an amendment of the Plan, the Employer hereby amends the terms of the Trust maintained in connection with the Plan). The Trustee is the owner of the Plan assets held by the Trust. The Trustee is to hold the Plan assets for the exclusive benefit of Plan Participants and Beneficiaries. Plan Participants and Beneficiaries do not have ownership interests in the assets held by the Trust.

12.2 Trustee. The Trustee identified in the Trustee Declaration under the Agreement shall act either as a Discretionary Trustee or as a Directed Trustee, as identified under the Agreement.

(a) Discretionary Trustee. A Trustee is a Discretionary Trustee to the extent the Trustee has exclusive authority and discretion with respect to the investment, management or control of Plan assets. Notwithstanding a Trustee's designation as a Discretionary Trustee, a Trustee's discretion is limited, and the Trustee shall be considered a Directed Trustee, to the extent the Trustee is subject to the direction of the Plan Administrator, the Employer, a properly appointed Investment Manager, or a Named Fiduciary under an agreement between the Plan Administrator and the Trustee. A Trustee also is considered a Directed Trustee to the extent the Trustee is subject to investment direction of Plan Participants. (See Section 13.5(c) for a discussion of the Trustee's responsibilities with regard to Participant-directed investments.)

(b) Directed Trustee. A Trustee is a Directed Trustee with respect to the investment of Plan assets to the extent the Trustee is subject to the direction of the Plan Administrator, the Employer, a properly appointed Investment Manager, a Named Fiduciary, or Plan Participant. To the extent the Trustee is a Directed Trustee, the Trustee does not have any discretionary authority with respect to the investment of Plan assets. In addition, the Trustee is not responsible for the propriety of any directed investment made pursuant to this Section and shall not be required to consult or advise the Employer regarding the investment quality of any directed investment held under the Plan.

The Trustee shall be advised in writing regarding the retention of investment powers by the Employer or the appointment of an Investment Manager or other Named Fiduciary with power to direct the investment of Plan assets. Any such delegation of investment powers will remain in force until such delegation is revoked or amended in writing. The Employer is deemed to have retained investment powers under this subsection to the extent the Employer directs the investment of Participant Accounts for which affirmative investment direction has not been received pursuant to Section 13.5(c).

The Employer is a Named Fiduciary for investment purposes if the Employer directs investments pursuant to this subsection. Any investment direction shall be made in writing by the Employer, Investment Manager, or Named Fiduciary, as applicable. A Directed Trustee must act solely in accordance with the direction of the Plan Administrator, the Employer, any employees or agents of the Employer, a properly appointed Investment Manager or other fiduciary of the Plan, a Named Fiduciary, or Plan Participants. (See Section 13.5(c) for a discussion of the Trustee's responsibilities with regard to Participant directed investments.)

The Employer may direct the Trustee to invest in any media in which the Trustee may invest, as described in Section 12.4. However, the Employer may not borrow from the Trust or pledge any of the assets of the Trust as security for a loan to itself; buy property or assets from or sell property or assets to the Trust; charge any fee for services rendered to the Trust; or receive any services from the Trust on a preferential basis.

12.3 Trustee's Responsibilities Regarding Administration of Trust. This Section outlines the Trustee's powers, rights and duties under the Plan with respect to the administration of the investments held in the Plan. The Trustee's administrative duties are limited to those described in this Section 12.3; the Employer is responsible for any other administrative duties required under the Plan or by applicable law.

(a) The Trustee will receive all contributions made under the terms of the Plan. The Trustee is not obligated in any manner to ensure that such contributions are correct in amount or that such contributions comply with the terms of the Plan, the Code or ERISA. In addition, the Trustee is under no obligation to request that the Employer make contributions to the Plan. The Trustee is not liable for the manner in which such amounts are deposited or the allocation between Participant's Accounts, to the extent the Trustee follows the written direction of the Plan Administrator or Employer.

(b) The Trustee will make, distributions from the Trust in accordance with the written directions of the Plan Administrator or other authorized representative. To the extent the Trustee follows such written direction, the Trustee is not obligated in any manner to ensure a distribution complies with the terms of the Plan, that a Participant or Beneficiary is entitled to such a distribution, or that the amount distributed is proper under the terms of the Plan. If there is a dispute as to a payment from the Trust, the Trustee may decline to make payment of such amounts until the proper payment of such amounts is determined by a court of competent jurisdiction, or the Trustee has been indemnified to its satisfaction.

(c) The Trustee may employ agents, attorneys, accountants and other third parties to provide counsel on behalf of the Plan, where the Trustee deems advisable. The Trustee may reimburse such persons from the Trust for reasonable expenses and compensation incurred as a result of such employment. The Trustee shall not be liable for the actions of such persons, provided the Trustee acted prudently in the employment and retention of such persons. In addition, the Trustee will not be liable for any actions taken as a result of good faith reliance on the advice of such persons.

12.4 Trustee's Responsibility Regarding Investment of Plan Assets. In addition to the powers, rights and duties enumerated under this Section, the Trustee has whatever powers are necessary to carry out its duties in a prudent manner. The Trustee's powers, rights and duties may be supplemented or limited by a separate trust agreement, investment policy, funding agreement, or other binding document entered into between the Trustee and the Plan Administrator which designates the Trustee's responsibilities with respect to the Plan. A separate trust agreement must be consistent with the terms of this Plan and must comply with all qualification requirements under the Code and regulations. To the extent the exercise of any power, right or duty is subject to discretion, such exercise by a Directed Trustee must be made at the direction of the Plan Administrator, the Employer, an Investment Manager, a Named Fiduciary, or Plan Participant.

(a) The Trustee shall be responsible for the safekeeping of the assets of the Trust in accordance with the provisions of this Plan.

(b) The Trustee may invest, manage and control the Plan assets in a manner that is consistent with the Plan's funding policy and investment objectives. The Trustee may invest in any investment, as authorized under Section 13.5, which the Trustee deems advisable and prudent, subject to the proper written direction of the Plan Administrator, the Employer, a properly appointed Investment Manager, a Named Fiduciary or a Plan Participant. The Trustee is not liable for the investment of Plan assets to the extent the Trustee is following the proper direction of the Plan Administrator, the Employer, a Participant, an Investment Manager, or other person or persons duly appointed by the Employer to provide investment direction. In addition, the Trustee does not guarantee the Trust in any manner against investment loss or depreciation in asset value, or guarantee the adequacy of the Trust to meet and discharge any or all liabilities of the Plan.

(c) The Trustee may retain such portion of the Plan assets in cash or cash balances as the Trustee may, from time to time, deem to be in the best interests of the Plan, without liability for interest thereon.

(d) The Trustee may collect and receive any and all moneys and other property due the Plan and to settle, compromise, or submit to arbitration any claims, debts, or damages with respect to the Plan, and to commence or defend on behalf of the Plan any lawsuit, or other legal or administrative proceedings.

(e) The Trustee may hold any securities or other property in the name of the Trustee or in the name of the Trustee's nominee, and may hold any investments in bearer form, provided the books and records of the Trustee at all times show such investment to be part of the Trust.

(f) The Trustee may exercise any of the powers of an individual owner with respect to stocks, bonds, securities or other property, including the right to vote upon such stocks, bonds or securities; to give general or special proxies or powers of attorney; to exercise or sell any conversion privileges, subscription rights, or other options; to participate in corporate reorganizations, mergers, consolidations, or other changes affecting corporate securities (including those in which it or its affiliates are interested as Trustee); and to make any incidental payments in connection with such stocks, bonds, securities or other property. Unless specifically agreed upon in writing between the Trustee and the Employer, the Trustee shall not have the power or responsibility to vote proxies with respect to any securities of the Employer or a Related Employer or with respect to any Plan assets that are subject to the investment direction of the Employer or for which the power to manage, acquire, or dispose of such Plan assets has been delegated by the Employer to one or more Investment Managers or Named Fiduciaries in accordance with ERISA (S)403. With respect to the voting of Employer securities, or in the event of any tender or other offer with respect to shares of Employer securities held in the Trust, the Trustee will follow the direction of the Employer or other responsible fiduciary or, to the extent voting and similar rights have been passed through to Participants, of each Participant with respect to shares allocated to his/her Account.

(g) The Trustee may borrow or raise money on behalf of the Plan in such amount, and upon such terms and conditions, as the Trustee deems advisable. The Trustee may issue a promissory note as Trustee to secure the repayment of such amounts and may pledge all, or any part, of the Trust as security.

(h) The Trustee, upon the written direction of the Plan Administrator, is authorized to enter into a transfer agreement with the Trustee of another qualified retirement plan and to accept a transfer of assets from such retirement plan on behalf of any Employee of the Employer. The Trustee is also authorized, upon the written direction of the Plan Administrator, to transfer some or all of a Participant's vested Account Balance to another qualified retirement plan on behalf of such Participant. A transfer agreement entered into by the Trustee does not affect the Plan's status as a Prototype Plan.

(i) The Trustee is authorized to execute, acknowledge and deliver all documents of transfer and conveyance, receipts, releases, and any other instruments that the Trustee deems necessary or appropriate to carry out its powers, rights and duties hereunder.

(j) If the Employer maintains more than one Plan, the assets of such Plans may be commingled for investment purposes. The Trustee must separately account for the assets of each Plan. A commingling of assets, as described in this paragraph, does not cause the Trusts maintained with respect to the Employer's Plans to be treated as a single Trust, except as provided in a separate document authorized in the first paragraph of this Section 12.4.

(k) The Trustee is authorized to invest Plan assets in a common/collective trust fund, or in a group trust fund that satisfies the requirements of IRS Revenue Ruling 81-100. All of the terms and provisions of any such common/collective trust fund or group trust into which Plan assets are invested are incorporated by reference into the provisions of the Trust for this Plan.

(l) If the Trustee is a bank or similar financial institution, the Trustee is authorized to invest in any type of deposit of the Trustee (including its own money market fund) at a reasonable rate of interest.

(m) The Trustee must be bonded as required by applicable law. The bonding requirements shall not apply to a bank, insurance company, or similar financial institution that satisfies the requirements of (S)412(a)(2) of ERISA.

12.5 More than One Person as Trustee. If the Plan has more than one person acting as Trustee, the Trustees may allocate the Trustee responsibilities by mutual agreement and Trustee decisions will be made by a majority vote (unless otherwise agreed to by the Trustees) or as otherwise provided in a separate trust agreement or other binding document.

12.6 Annual Valuation. The Plan assets will be valued at least on an annual basis. The Employer may designate more frequent valuation dates under Part 12, #45.b.(2) of the Agreement [Part 12, #63.b.(2) of the 401(k) Agreement]. Notwithstanding any election under Part 12, #45.b.(2) of the Agreement [Part 12, #63.b.(2) of the 401(k) Agreement], the Trustee and Plan Administrator may agree to value the Trust on a more frequent basis, and/or to perform an interim valuation of the Trust pursuant to Section 13.2(a).

12.7 Reporting to Plan Administrator and Employer. Within ninety (90) days following the end of each Plan Year, and within ninety (90) days following its removal or resignation, the Trustee will file with the Employer an accounting of its administration of the Trust from the date of its last accounting. The accounting will include a statement of cash receipts, disbursements and other transactions effected by the Trustee since the date of its last accounting, and such further information as the Trustee and/or Employer deems appropriate. Upon receipt of such information, the Employer must promptly notify the Trustee of its approval or disapproval of the information. If the Employer does not provide a written disapproval within ninety (90) days following the receipt of the information, including a written description of the items in question, the Trustee is forever released and discharged from any liability with respect to all matters reflected in such information. The Trustee shall have sixty (60) days following its receipt of a written disapproval from the Employer to provide the Employer with a written explanation of the terms in question. If the Employer again disapproves of the accounting, the Trustee may file its accounting with a court of competent jurisdiction for audit and adjudication.

All assets contained in the Trust accounting will be shown at their fair market value as of the end of the Plan Year or as of the date of resignation or removal. The value of marketable investments shall be determined using the most recent price quoted on a national securities exchange or over-the-counter market. The value of non-marketable securities shall, except as provided otherwise herein, be determined in the sole judgment of the Trustee, which determination shall be binding and conclusive. The value of investments in securities or obligations of the Employer in which there is no market will be determined by an independent appraiser at least once annually and the Trustee shall have no responsibility with respect to the valuation of such assets.

12.8 Reasonable Compensation. The Trustee shall be paid reasonable compensation

in an amount agreed upon by the Plan Administrator and Trustee. The Trustee also will be reimbursed for any reasonable expenses or fees incurred in its

function as Trustee. An individual Trustee who is already receiving full-time pay as an Employee of the Employer may not receive any additional compensation for services as Trustee. The Plan will pay the reasonable compensation and expenses incurred by the Trustee, pursuant to Section 11.4, unless the Employer pays such compensation and expenses. Any compensation or expense paid directly by the Employer to the Trustee is not an Employer Contribution to the Plan.

12.9 Resignation and Removal of Trustee. The Trustee may resign at any time by delivering to the Employer a written notice of resignation at least thirty (30) days prior to the effective date of such resignation, unless the Employer consents in writing to a shorter notice period. The Employer may remove the Trustee at any time, with or without cause, by delivering written notice to the Trustee at least 30 days prior to the effective date of such removal. The Employer may remove the Trustee upon a shorter written notice period if the Employer reasonably determines such shorter period is necessary to protect Plan assets. Upon the resignation, removal, death or incapacity of a Trustee, the Employer may appoint a successor Trustee which, upon accepting such appointment, will have all the powers, rights and duties conferred upon the preceding Trustee. In the event there is a period of time following the effective date of a Trustee's removal or resignation before a successor Trustee is appointed, the Employer is deemed to be the Trustee. During such period, the Trust continues to be in existence and legally enforceable, and the assets of the Plan shall continue to be protected by the provisions of the Trust.

12.10 Indemnification of Trustee. Except to the extent that it is judicially determined that the Trustee has acted with gross negligence or willful misconduct, the Employer shall indemnify the Trustee (whether or not the Trustee has resigned or been removed) against any liabilities, losses, damages, and expenses, including attorney, accountant, and other advisory fees, incurred as a result of:

(a) any action of the Trustee taken in good faith in accordance with any information, instruction, direction, or opinion given to the Trustee by the Employer, the Plan Administrator, Investment Manager, Named Fiduciary or legal counsel of the Employer, or any person or entity appointed by any of them and authorized to give any information, instruction, direction, or opinion to the Trustee;

(b) the failure of the Employer, the Plan Administrator, Investment Manager, Named Fiduciary or any person or entity appointed by any of them to make timely disclosure to the Trustee of information which any of them or any appointee knows or should know if it acted in a reasonably prudent manner; or

(c) any breach of fiduciary duty by the Employer, the Plan Administrator, Investment Manager, Named Fiduciary or any person or entity appointed by any of them, other than such a breach which is caused by any failure of the Trustee to perform its duties under this Trust.

The duties and obligations of the Trustee shall be limited to those expressly imposed upon it by this instrument or subsequently agreed upon by the parties. Responsibility for administrative duties required under the Plan or applicable law not expressly imposed upon or agreed to by the Trustee shall rest solely with the Employer.

The Employer agrees that the Trustee shall have no liability with regard to the investment or management of illiquid Plan assets transferred from a prior Trustee, and shall have no responsibility for investments made before the transfer of Plan assets to it, or for the viability or prudence of any investment made by a prior Trustee, including those represented by assets now transferred to the custody of the Trustee, or for any dealings whatsoever with respect to Plan assets before the transfer of such assets to the Trustee. The Employer shall indemnify and hold the Trustee harmless for any and all claims, actions or causes of action for loss or damage, or any liability whatsoever relating to the assets of the Plan transferred to the Trustee by any prior Trustee of the Plan, including any liability arising out of or related to any act or event, including prohibited transactions, occurring prior to the date the Trustee accepts such assets, including all claims, actions, causes of action, loss, damage, or any liability whatsoever arising out of or related to that act or event, although that claim, action, cause of action, loss, damage, or liability may not be asserted, may not have accrued, or may not have been made known until after the date the Trustee accepts the Plan assets. Such indemnification shall extend to all applicable periods, including periods for which the Plan is retroactively restated to comply with any tax law or regulation.

12.11 Appointment of Custodian. The Plan Administrator may appoint a Custodian to hold all or any portion of the Plan assets. A Custodian has the same powers, rights and duties as a Directed Trustee. The Custodian will be protected from any liability with respect to actions taken pursuant to the direction of the Trustee, Plan Administrator, the Employer, an Investment Manager, a Named Fiduciary or other third party with authority to provide direction to the Custodian.

ARTICLE 13
PLAN ACCOUNTING AND INVESTMENTS

This Article contains the procedures for valuing Participant Accounts and allocating net income and loss to such Accounts. Part 12 of the Agreement permits the Employer to document its administrative procedures with respect to the valuation of Participant Accounts. Alternatively, the Plan Administrator may adopt separate investment procedures regarding the valuation and investment of Participant Accounts.

13.1 Participant Accounts. The Plan Administrator will establish and maintain a separate Account for each Participant to reflect the Participant's entire interest under the Plan. To the extent applicable, the Plan Administrator may establish and maintain for a Participant any (or all) of the following separate sub-Accounts: Employer Contribution Account, Section 401(k) Deferral Account, Employer Matching Contribution Account, QMAC Account, QNEC Account, Employee After-Tax Contribution Account, Safe Harbor Matching Contribution Account, Safe Harbor Nonelective Contribution Account, Rollover Contribution Account, and Transfer Account. The Plan Administrator also may establish and maintain other sub-Accounts as it deems appropriate.

13.2 Value of Participant Accounts. The value of a Participants Account consists of the fair market value of the Participant's share of the Trust assets. A Participant's share of the Trust assets is determined as of each Valuation Date under the Plan.

(a) Periodic valuation. The Trustee must value Plan assets at least annually. The Employer may elect under Part 12, #45.b.(2) of the Agreement [Part 12, #63.b.(2) of the 401(k) Agreement] or may elect operationally to value assets more frequently than annually. The Plan Administrator may request the Trustee to perform interim valuations, provided such valuations do not result in discrimination in favor of Highly Compensated Employees.

(b) Daily valuation. If the Employer elects daily valuation under Part 12, #44 of the Agreement [Part 12, #62 of the 401(k) Agreement] or, if in operation, the Employer elects to have the Plan daily valued, the Plan Administrator may adopt reasonable procedures for performing such valuations. Unless otherwise set forth in the written procedures, a daily valued Plan will have its assets valued at the end of each business day during which the New York Stock Exchange is open. The Plan Administrator has authority to interpret the provisions of this Plan in the context of a daily valuation procedure. This includes, but is not limited to, the determination of the value of the Participant's Account for purposes of Participant loans, distribution and consent rights, and corrective distributions under Article 17.

13.3 Adjustments to Participant Accounts. As of each Valuation Date under the Plan, each Participant's Account is adjusted in the following manner.

(a) Distributions and forfeitures from a Participant's Account. A Participant's Account will be reduced by any distributions and forfeitures from the Account since the previous Valuation Date.

(b) Life insurance premiums and dividends. A Participant's Account will be reduced by the amount of any life insurance premium payments made for the benefit of the Participant since the previous Valuation Date. The Account will be credited with any dividends or credits paid on any life insurance policy held by the Trust for the benefit of the Participant.

(c) Contributions and forfeitures allocated to a Participant's Account. A Participant's Account will be credited with any contribution or forfeiture allocated to the Participant since the previous Valuation Date.

(d) Net income or loss. A Participant's Account will be adjusted for any net income or loss in accordance with the provisions under Section 13.4.

13.4 Procedures for Determining Net Income or Loss. The Plan Administrator may establish any reasonable procedures for determining net income or loss under Section 13.3(d). Such procedures may be reflected in a funding agreement governing the applicable investments under the Plan.

(a) Net income or loss attributable to General Trust Account. To the extent a Participant's Account is invested as part of a General Trust Account, such Account is adjusted for its allocable share of net income or loss experienced by the General Trust Account using the Balance Forward Method. Under the Balance Forward Method, the net income or loss of the General Trust Account is allocated to the Participant Accounts that are invested in the General Trust Account, in the ratio that each Participant's Account bears to all Accounts, based on the value of each Participant's Account as of the prior Valuation Date, reduced for the adjustments described in Section 13.3(a) and 13.3(b) above.

(1) Inclusion of certain contributions. In applying the Balance Forward Method for allocating net income or loss, the Employer may elect under Part 12, #45.b.(3) of the Agreement [Part 12, #63.b.(3) of the 401(k) Agreement] or under separate administrative procedures to adjust each Participant's Account Balance (as of the prior Valuation Date) for the following contributions made since the prior Valuation Date (the "valuation period") which were not reflected in the Participant's Account on such prior Valuation Date: (1) Section 401(k) Deferrals and Employee After-Tax Contributions that are contributed during the valuation period pursuant to the Participant's contribution election, (2) Employer Contributions (including Employer Matching Contributions) that are contributed during the valuation period and allocated to a Participant's Account during the valuation period, and (3) Rollover Contributions.

(2) Methods of valuing contributions made during valuation period. In determining Participants' Account Balances as of the prior Valuation Date, the Employer may elect to apply a weighted average method that credits each Participant's Account with a portion of the contributions based on the portion of the valuation period for which such contributions were invested, or an adjusted percentage method, that increases each Participant's Account by a specified percentage of such contributions. The Employer may designate under Part 12, #45.b.(3)(c) of the Agreement [Part 12, #63.b.(3)(c) of the 401(k) Agreement] to apply the special allocation rules to only particular types of contributions or may designate any other reasonable method for allocating net income and loss under the Plan.

(i) Weighted average method. The Employer may elect under Part 12, #45.b.(3)(a) of the Agreement [Part 12, #63.b.(3)(a) of the 401(k) Agreement] or under separate administrative procedures to apply a weighted average method in determining net income or loss. Under the weighted average method, a Participants Account Balance as of the prior Valuation Date is adjusted to take into account a portion of the contributions made during the valuation period so that the Participant may receive an allocation of net income or loss for the portion of the valuation period during which such contributions were invested under the Plan. The amount of the adjustment to a Participant's Account Balance is determined by multiplying the contributions made to the Participant's Account during the valuation period by a fraction, the numerator of which is the number of months during the valuation period that such contributions were invested under the Plan and the denominator is the total number of months in the valuation period. The Plan's investment procedures may designate the specific type(s) of contributions eligible for a weighted allocation of net income or loss and may designate alternative methods for determining the weighted allocation, including the use of a uniform weighting period other than months.

(ii) Adjusted percentage method. The Employer may elect under Part 12, #45.b.(3)(b) of the Agreement [Part 12, #63.b.(3)(b) of the 401(k) Agreement] or under separate investment procedures to apply an adjusted percentage method of allocating net income or loss. Under the adjusted percentage method, a Participant's Account Balance as of the prior Valuation Date is increased by a percentage of the contributions made to the Participant's Account during the valuation period. The Plan's investment procedures may designate the specific type(s) of contributions eligible for an adjusted percentage allocation and may designate alternative procedures for determining the amount of the adjusted percentage allocation.

(b) Net income or loss attributable to a Directed Account. If the Participant (or Beneficiary) is entitled to direct the investment of all or part of his/her Account (see Section 13.5(c)), the Account (or the portion of the Account which is subject to such direction) will be maintained as a Directed Account, which reflects the value of the directed investments as of any Valuation Date. The assets held in a Directed Account may be (but are not required to be) segregated from the other investments held in the Trust. Net income or loss attributable to the investments made by a Directed Account is allocated to such Account in a manner that reasonably reflects the investment experience of such Directed Account. Where a Directed Account reflects segregated investments, the manner of allocating net income or loss shall not result in a Participant (or Beneficiary) being entitled to distribution from the Directed Account that exceeds the value of such Account as of the date of distribution.

(c) Share or unit accounting. The Plan's investment procedures may provide for share or unit accounting to reflect the value of Accounts, if such method is appropriate for the investments allocable to such Accounts.

(d) Suspense accounts. The Plan's investment procedures also may provide for special valuation procedures for suspense accounts that are properly established under the Plan.

13.5 Investments under the Plan.

(a) Investment options. The Trustee or other person(s) responsible for the investment of Plan assets is authorized to invest Plan assets in any prudent investment consistent with the funding policy of the Plan and the requirements of ERISA. Investment options include, but are not limited to, the following: common and preferred stock or other equity securities (including stock bought and sold on margin); Qualifying Employer Securities and Qualifying Employer Real Property (to the extent permitted under subsection (b) below), corporate bonds; open-end or closed-end mutual funds (including funds for which the Prototype Sponsor, Trustee, or their affiliates serve as investment advisor or in any other capacity); money market accounts; certificates of deposit; debentures; commercial paper; put and call options; limited partnerships; mortgages; U.S. Government obligations, including U.S. Treasury notes and bonds; real and personal property having a ready market; life insurance or annuity policies; commodities; savings accounts; notes; and securities issued by the Trustee and/or its affiliates, as permitted by law. Plan assets may also be invested in a common/collective trust fund, or in a group trust fund that satisfies the requirements of IRS Revenue Ruling 81-100. All of the terms and provisions of any such common/collective trust fund or group trust into which Plan assets are invested are incorporated by reference into the provisions of the Trust for this Plan. No portion of any voluntary, tax deductible Employee contributions being held under the Plan (or any earnings thereon) may be invested in life insurance contracts or, as with any Participant-directed investment, in tangible personal property characterized by the IRS as a collectible.

(b) Limitations on the investment in Qualifying Employer Securities and Qualifying Employer Real Property. The Trustee may invest in Qualifying Employer Securities and Qualifying Employer Real Property up to certain limits. Any such investment shall only be made upon written direction of the Employer who shall be solely responsible for the propriety of such investment. Additional directives regarding the purchase, sale, retention or valuing of such securities may be addressed in a funding policy, statement of investment policy, or other separate procedures or documents governing the investment of Plan assets. In any conflicts between the Plan document and a separate investment trust agreement, the Plan document shall prevail.

(1) Money purchase plan. In the case of a money purchase plan, no more than 10% of the fair market value of Plan assets may be invested in Qualifying Employer Securities and Qualifying Employer Real Property.

(2) Profit sharing plan other than a 401(k) plan. In the case of a profit sharing plan other than a 401(k) plan, no limit applies to the percentage of Plan assets invested in Qualifying Employer Securities and Qualifying Employer Real Property, except as provided in a funding policy, statement of investment policy, or other separate procedures or documents governing the investment of Plan assets.

(3) 401(k) plan. For Plan Years beginning after December 31, 1998, with respect to the portion of the Plan consisting of amounts attributable to Section 401(k) Deferrals, no more than 10% of the fair market value of Plan assets attributable to Section 401(k) Deferrals may be invested in Qualifying Employer Securities and Qualifying Employer Real Property if the Employer, the Trustee, or a person other than the Participant requires any portion of the Section 401(k) Deferrals and attributable earnings to be invested in Qualifying Employer Securities or Qualifying Employer Real Property.

(i) Exceptions to Limitation. The limitation in this subsection (3) shall not apply if any one of the conditions in subsections (A), (B) or (C) applies.

(A) Investment of Section 401(k) Deferrals in Qualifying Employer Securities or Qualifying Real Property is solely at the discretion of the Participant.

(B) As of the last day of the preceding Plan Year, the fair market value of assets of all profit sharing plans and 401(k) plans of the Employer was not more than 10% of the fair market value of all assets under plans maintained by the Employer.

(C) The portion of a Participant's Section 401(k) Deferrals required to be invested in Qualifying Employer Securities and Qualifying Employer Real Property for the Plan Year does not exceed 1 % of such Participant's Included Compensation.

(ii) Plan Years Beginning Prior to January 1, 1999. For Plan Years beginning before January 1, 1999, the limitations in this subsection (3) do not apply and a 401(k) plan is treated like any other profit sharing plan.

(iii) No application to other contributions. The limitation in this subsection (3) has no application to Employer Matching Contributions or Employer Nonelective Contributions. Instead, the rules under subsection (2) above apply for such contributions.

(c) Participant direction of investments. If the Plan (by election in Part 12, #43 of the Agreement [Part 12, #61 of the 401(k) Agreement] or by the Plan Administrator's administrative election) permits Participant direction of investments, the Plan Administrator must adopt investment procedures for such direction. The investment procedures should set forth the permissible investment options available for Participant direction, the timing and frequency of investment changes, and any other procedures or limitations applicable to Participant direction of investment. In no case may Participants direct that investments be made in collectibles, other than U.S. Government or State issued gold and silver coins. The investment procedures adopted by the Plan Administrator are incorporated by reference into the Plan. If Participant investment direction is limited to specific investment options (such as designated mutual funds or common or collective trust funds), it shall be the sole and exclusive responsibility of the Employer or Plan Administrator to select the investment options, and the Trustee shall not be responsible for selecting or monitoring such investment options, unless the Trustee has otherwise agreed in writing.

The Employer may elect under Part 12, #43.b.(1) of the Agreement [Part 12, #61.b.(1) of the 401(k) Agreement] or under the separate investment procedures to limit Participant direction of investment to specific types of contributions. The investment procedures adopted by the Plan Administrator may (but need not) allow Beneficiaries under the Plan to direct investments. (See Section 13.4(b) for rules regarding allocation of net income or loss to a Directed Account.)

If Participant direction of investments is permitted, the Employer will designate how accounts will be invested in the absence of proper affirmative direction from the Participant. Except as otherwise provided in this Plan, neither the Trustee, the Employer, nor any other fiduciary of the Plan will be liable to the Participant or Beneficiary for any loss resulting from action taken at the direction of the Participant.

(1) Trustee to follow Participant direction. To the extent the Plan allows Participant direction of investment, the Trustee is authorized to follow the Participant's written direction (or other form of direction deemed acceptable by the Trustee). A Directed Account will be established for the portion of the Participant's Account that is subject to Participant direction of investment. The Trustee may decline to follow a Participant's investment direction to the extent such direction would: (i) result in a prohibited transaction; (ii) cause the assets of the Plan to be maintained outside the jurisdiction of the U.S. courts; (iii) jeopardize the Plan's tax qualification; (iv) be contrary to the Plan's governing documents; (v) cause the assets to be invested in collectibles within the meaning of Code (S)408(m); (vi) generate unrelated business taxable income; or (vii) result (or could result) in a loss exceeding the value of the Participant's Account. The Trustee will not be responsible for any loss or expense resulting from a failure to follow a Participant's direction in accordance with the requirements of this paragraph.

Participant directions will be processed as soon as administratively practicable following receipt of such directions by the Trustee. The Trustee, Plan Administrator, or Employer will not be liable for a delay in the processing of a Participant direction that is caused by a legitimate business reason (including, but not limited to, a failure of computer systems or programs, failure in the means of data transmission, the failure to timely receive values or prices, or other unforeseen problems outside of the control of the Trustee, Plan Administrator, or Employer).

(2) ERISA (S)404(c) protection. If the Plan (by Employer election under Part 12, #43.b.(2) of the Agreement [Part 12, #61.b.(2) of the 401(k) Agreement] or pursuant to the Plan's investment procedures) is intended to comply with ERISA (S)404(c), the Participant investment direction program adopted by the Plan Administrator should comply with applicable Department of Labor regulations. Compliance with ERISA (S)404(c) is not required for plan qualification purposes. The following information is provided solely as guidance to assist the Plan Administrator in meeting the requirements of ERISA (S)404(c). Failure to meet any of the following safe harbor requirements does not impose any liability on the Plan Administrator (or any other fiduciary under the Plan) for investment decisions made by Participants, nor does it mean that the Plan does not comply with ERISA (S)404(c). Nothing in this Plan shall impose any greater duties upon the Trustee with respect to the implementation of ERISA (S)404(c) than those duties expressly provided for in procedures adopted by the Employer and agreed to by the Trustee.

(i) Disclosure requirements. The Plan Administrator (or other Plan fiduciary who has agreed to perform this activity)

shall provide, or shall cause a person designated to act on his behalf to provide, the following information to Participants:

(A) Mandatory disclosures. To satisfy the requirements of ERISA (S)404(c), the Participants must receive certain mandatory disclosures, including (I) an explanation that the Plan is intended to be an ERISA (S)404(c) plan; (II) a description of the investment options under the Plan; (III) the identity of any designated Investment Managers that may be selected by the Participant; (IV) any restrictions on investment selection or transfers among investment vehicles; (V) an explanation of the fees and expenses that may be charged in connection with the investment transactions; (VI) the materials relating to voting rights or other rights incidental to the holding of an investment; (VII) the most recent prospectus for an investment option which is subject to the Securities Act of 1933.

(B) Disclosures upon request. In addition, a Participant must be able to receive upon request (I) the current value of the Participant's interest in an investment option; (II) the value and investment performance of investment alternatives available under the Plan; (III) the annual operating expenses of a designated investment alternative: and (IV) copies of any prospectuses, or other material, relating to available investment options.

(ii) Diversified investment options. The investment procedure must provide at least three diversified investment options that offer a broad range of investment opportunity. Each of the investment opportunities must have materially different risk and return characteristics. The procedure may allow investment under a segregated brokerage account.

(iii) Frequency of investment instructions. The investment procedure must provide the Participant with the opportunity to give investment instructions as frequently as is appropriate to the volatility of the investment. For each investment option, the frequency can be no less than quarterly.

ARTICLE 14
PARTICIPANT LOANS

This Article contains rules for providing loans to Participants under the Plan. This Article applies if: (1) the Employer elects under Part 12 of the Agreement to provide loans to Participants or (2) if Part 12 does not specify whether Participant loans are available, the Plan Administrator decides to implement a Participant loan program. Any Participant loans will be made pursuant to the default loan policy prescribed by this Article 14 unless the Plan Administrator adopts a separate written loan policy or modifies the default loan policy in this Article 14 by adopting modified loan provisions. If the Employer adopts a separate written loan policy or written modifications to the default loan program in this Article, the terms of such loan policy or written modifications will control over the terms of this Plan with respect to the administration of any Participant loans.

14.1 Default Loan Policy. Loans are available under this Article only if such loans:

(a) are available to Participants on a reasonably equivalent basis (see Section 14.3);

(b) are not available to Highly Compensated Employees in an amount greater than the amount that is available to other Participants;

(c) bear a reasonable rate of interest (as determined under Section 14.4) and are adequately secured (as determined under Section 14.5);

(d) provide for periodic repayment within a specified period of time (as determined under Section 14.6); and

(e) do not exceed, for any Participant, the amount designated under Section 14.7.

A separate written loan policy may not modify the requirements under subsections (a) through (e) above, except as permitted in the referenced Sections of this Article.

14.2 Administration of Loan Program. A Participant loan is available under this Article only if the Participant makes a request for such a loan in accordance with the provisions of this Article or in accordance with a separate written loan policy. To receive a Participant loan, a Participant must sign a promissory note along with a pledge or assignment of the portion of the Account Balance used for security on the loan. Except as provided in a separate loan policy or in a written modification to the default loan policy in this Article, any reference under this Article 14 to a Participant means a Participant or Beneficiary who is a party in interest (as defined in ERISA (S)3(14)).

In the case of a restated Plan, if any provision of this Article 14 is more restrictive than the terms of the Plan (or a separate written loan policy) in effect prior to the adoption of this Prototype Plan, such provision shall apply only to loans finalized after the adoption of this Prototype Plan, even if the restated Effective Date indicated in the Agreement predates the adoption of the Plan.

14.3 Availability of Participant Loans. Participant loans must be made available to Participants in a reasonably equivalent manner. The Plan Administrator may refuse to make a loan to any Participant who is determined to be not creditworthy. For this purpose, a Participant is not creditworthy if, based on the facts and circumstances, it is reasonable to believe that the Participant will not repay the loan. A Participant who has defaulted on a previous loan from the Plan and has not repaid such loan (with accrued interest) at the time of any subsequent loan will not be treated as creditworthy until such time as the Participant repays the defaulted loan (with accrued interest). A separate written loan policy or written modification to this loan policy may prescribe different rules for determining creditworthiness and to what extent creditworthiness must be determined.

No Participant loan will be made to any Shareholder-Employee or Owner-Employee unless a prohibited transaction exemption for such loan is obtained from the Department of Labor or the prohibition against loans to such individuals is formally withdrawn by statute or by action of the Treasury or the Department of Labor. The prohibition against loans to Shareholder-Employees and Owner-Employees outlined in this paragraph may not be modified by a separate written loan policy.

14.4 Reasonable Interest Rate. A Participant must be charged a reasonable rate of interest for any loan he/she receives. For this purpose, the interest rate charged on a Participant loan must be commensurate with the interest rates charged by persons in the business of lending money for loans under similar circumstances. The Plan Administrator will determine a reasonable rate of interest by reviewing the interest rates charged by a sample of third party lenders in the same geographical region as the Employer. The Plan Administrator must periodically review its interest rate assumptions to ensure the interest rate charged on Participant loans is reasonable. A separate written loan policy or written modifications to this loan policy may prescribe an alternative means of establishing a reasonable interest rate.

14.5 Adequate Security. All Participant loans must be adequately secured. The Participant's vested Account Balance shall be used as security for a Participant loan provided the outstanding balance of all Participant loans

made to such

Participant does not exceed 50% of the Participant's vested Account Balance, determined immediately after the origination of each loan, and if applicable, the spousal consent requirements described in Section 14.9 have been satisfied. The Plan Administrator (with the consent of the Trustee) may require a Participant to provide additional collateral to receive a Participant loan if the Plan Administrator determines such additional collateral is required to protect the interests of Plan Participants. A separate loan policy or written modifications to this loan policy may prescribe alternative rules for obtaining adequate security. However, the 50% rule in this paragraph may not be replaced with a greater percentage.

14.6 Periodic Repayment. A Participant loan must provide for level amortization with payments to be made not less frequently than quarterly. A Participant loan must be payable within a period not exceeding five (5) years from the date the Participant receives the loan from the Plan, unless the loan is for the purchase of the Participant's principal residence, in which case the loan must be payable within a reasonable time commensurate with the repayment period permitted by commercial lenders for similar loans. Loan repayments must be made through payroll withholding, except to the extent the Plan Administrator determines payroll withholding is not practical given the level of a Participant's wages, the frequency with which the Participant is paid, or other circumstances.

(a) Unpaid leave of absence. A Participant with an outstanding Participant loan may suspend loan payments to the Plan for up to 12 months for any period during which the Participant is on an unpaid leave of absence. Upon the Participant's return to employment (or after the end of the 12-month period, if earlier), the Participant's outstanding loan will be reamortized over the remaining period of such loan to make up for the missed payments. The reamortized loan may extend beyond the original loan term so long as the loan is paid in full by whichever of the following dates comes first: (1) the date which is five (5) years from the original date of the loan (or the end of the suspension, if sooner), or (2) the original loan repayment deadline (or the end of the suspension period, if later) plus the length of the suspension period.

(b) Military leave. A Participant with an outstanding Participant loan also may suspend loan payments for any period such Participant is on military leave, in accordance with Code (S)414(u)(4). Upon the Participant's return from military leave (or the expiration of five years from the date the Participant began his/her military leave, if earlier), loan payments will recommence under the amortization schedule in effect prior to the Participant's military leave, without regard to the five-year maximum loan repayment period. Alternatively, the loan may be reamortized to require a different level of loan payment, as long as the amount and frequency of such payments are not less than the amount and frequency under the amortization schedule in effect prior to the Participant's military leave.

A separate loan policy or written modification to this loan policy may (1) modify the time period for repaying Participant loans, provided Participant loans are required to be repaid over a period that is not longer than the periods described in this Section; (2) specify the frequency of Participant loan repayments, provided the payments are required at least quarterly; (3) modify the requirement that loans be repaid through payroll withholding; or (4) modify or eliminate the leave of absence and/or military leave rules under this Section.

14.7 Loan Limitations. A Participant loan may not be made to the extent such loan (when added to the outstanding balance of all other loans made to the Participant) exceeds the lesser of:

(a) $50,000 (reduced by the excess, if any, of the Participant's highest outstanding balance of loans from the Plan during the one-year period ending on the day before the date on which such loan is made, over the Participant's outstanding balance of loans from the Plan as of the date such loan is made) or

(b) one-half (1/2) of the Participant's vested Account Balance, determined as of the Valuation Date coinciding with or immediately preceding such loan, adjusted for any contributions or distributions made since such Valuation Date.

A Participant may not receive a Participant loan of less than $1,000 nor may a Participant have more than one Participant loan outstanding at any time. A Participant may renegotiate a loan without violating the one outstanding loan requirement to the extent such renegotiated loan is a new loan (i.e., the renegotiated loan separately satisfies the reasonable interest rate requirement under Section 14.4, the adequate security requirement under Section 14.5, and the periodic repayment requirement under Section 14.6). and the renegotiated loan does not exceed the limitations under (a) or (b) above, treating both the replaced loan and the renegotiated loan as outstanding at the same time. However, if the term of the renegotiated loan does not end later than the original term of the replaced loan, the replaced loan may be ignored in applying the limitations under (a) and (b) above.

In applying the limitations under this Section, all plans maintained by the Employer are aggregated and treated as a single plan. In addition, any assignment or pledge of any portion of the Participant's interest in the Plan and any loan, pledge, or assignment with respect to any insurance contract purchased under the Plan will be treated as loan under this Section.

A separate written loan policy or written modifications to this loan policy may (1) modify the limitations on the amount of a Participant loan; (2) modify or eliminate the minimum loan amount requirement; (3) permit a Participant to have more than one loan outstanding at a time; (4) prescribe limitations on the purposes for which loans may be required: or (5) prescribe rules for reamortization, consolidation, renegotiation, or refinancing of loans.

14.8 Segregated Investment. A Participant loan is treated as a segregated investment on behalf of the individual Participant for whom the loan is made. The Plan Administrator may adopt separate administrative procedures for determining which type or types of contributions (and the amount of each type of contribution) may be used to provide the Participant loan. If the Plan Administrator does not adopt procedures designating the type of contributions from which the Participant loan will be made, such loan is deemed to be made on a proportionate basis from each type of contribution.

Unless requested otherwise on the Participant's loan application, a Participant loan will be made equally from all investment funds in which the applicable contributions are held. A Participant or Beneficiary may direct the Trustee, on his/her loan application, to withdraw the Participant loan amounts from a specific investment fund or funds. A Participant loan will not violate the requirements of this default loan policy merely because the Plan Administrator does not permit the Participant to designate the contributions or funds from which the Participant loan will be made. Each payment of principal and interest paid by a Participant on his/her Participant loan shall be credited proportionately to such Participant's Account(s) and to the investment funds within such Account(s).

A separate loan policy or written modifications to this loan policy may modify the rules of this Section without limitation, including prescribing different rules for determining the source of a loan with respect to contribution types and investment funds.

14.9 Spousal Consent. If this Plan is subject to the Joint and Survivor Annuity requirements under Article 9, a Participant may not use his/her Account Balance as security for a Participant loan unless the Participants spouse, if any, consents to the use of such Account Balance as security for the loan. The spousal consent must be made within the 90-day period ending on the date the Participant's Account Balance is to be used as security for the loan. Spousal consent is not required, however, if the value of the Participant's total vested Account Balance (as determined under Section 8.3(e)) does not exceed $5,000 ($3,500 for loans made before the time the $5,000 rules becomes effective under Section 8.3). If the Plan is not subject to the Joint and Survivor Annuity requirements under Article 9, a spouse's consent is not required to use a Participant's Account Balance as security for a Participant loan, regardless of the value of the Participant's Account Balance.

Any spousal consent required under this Section must be in writing, must acknowledge the effect of the loan, and must be witnessed by a plan representative or notary public. Any such consent to use the Participant's Account Balance as security for a Participant loan is binding with respect to the consenting spouse and with respect to any subsequent spouse as it applies to such loan. A new spousal consent will be required if the Account Balance is subsequently used as security for a renegotiation, extension, renewal, or other revision of the loan. A new spousal consent also will be required only if any portion of the Participant's Account Balance will be used as security for a subsequent Participant loan.

A separate loan policy or written modifications to this loan policy may not eliminate the spousal consent requirement where it would be required under this Section, but may impose spousal consent requirements that are not prescribed by this Section.

14.10 Procedures for Loan Default. A Participant will be considered to be in default with respect to a loan if any scheduled repayment with respect to such loan is not made by the end of the calendar quarter following the calendar quarter in which the missed payment was due.

If a Participant defaults on a Participant loan, the Plan may not offset the Participant's Account Balance until the Participant is otherwise entitled to an immediate distribution of the portion of the Account Balance which will be offset and such amount being offset is available as security on the loan, pursuant to Section 14.5. For this purpose, a loan default is treated as an immediate distribution event to the extent the law does not prohibit an actual distribution of the type of contributions which would be offset as a result of the loan default (determined without regard to the consent requirements under Articles 8 and 9, so long as spousal consent was properly obtained at the time of the loan, if required under Section 14.9). The Participant may repay the outstanding balance of a defaulted loan (including accrued interest through the date of repayment) at any time.

Pending the offset of a Participant's Account Balance following a defaulted loan, the following rules apply to the amount in default.

(a) Interest continues to accrue on the amount in default until the time of the loan offset or, if earlier, the date the loan repayments are made current or the amount is satisfied with other collateral.

(b) A subsequent offset of the amount in default is not reported as a taxable distribution, except to the extent the taxable portion of the default amount was not previously reported by the Plan as a taxable distribution.

(c) The post-default accrued interest included in the loan offset is not reported as a taxable distribution at the time of the offset.

A separate loan policy or written modifications to this loan policy may modify the procedures for determining a loan default.

14.11 Termination of Employment.

(a) Offset of outstanding loan. A Participant loan becomes due and payable in full immediately upon the Participant's termination of employment. Upon a Participant's termination, the Participant may repay the entire outstanding balance of the loan (including any accrued interest) within a reasonable period following termination of employment. If the Participant does not repay the entire outstanding loan balance, the Participant's vested Account Balance will be reduced by the remaining outstanding balance of the loan (without regard to the consent requirements under Articles 8 and 9, so long as spousal consent was properly obtained at the time of the loan, if required under Section 14.9), to the extent such Account Balance is available as security on the loan, pursuant to Section 14.5, and the remaining vested Account Balance will be distributed in accordance with the distribution provisions under Article 8. If the outstanding loan balance of a deceased Participant is not repaid, the outstanding loan balance shall be treated as a distribution to the Participant and shall reduce the death benefit amount payable to the Beneficiary under Section 8.4.

(b) Direct Rollover. Upon termination of employment, a Participant may request a Direct Rollover of the loan note (provided the distribution is an Eligible Rollover Distribution as defined in Section 8.8(a)) to another qualified plan which agrees to accept a Direct Rollover of the loan note. A Participant may not engage in a Direct Rollover of a loan to the extent the Participant has already received a deemed distribution with respect to such loan. (See the rules regarding deemed distributions upon a loan default under Section 14.10.)

(c) Modified loan policy. A separate loan policy or written modifications to this loan policy may modify this Section 14.11, including, but not limited to: (1) a provision to permit loan repayments to continue beyond termination of employment; (2) to prohibit the Direct Rollover of a loan note; and (3) to provide for other events that may accelerate the Participant's repayment obligation under the loan.

ARTICLE 15
INVESTMENT IN LIFE INSURANCE

This Article provides special rules for Plans that permit investment in life insurance on the life of the Participant, the Participant's spouse, or other family members. The Employer may elect in Part 12 of the Agreement to permit life insurance investments in the Plan, or life insurance investments may be permitted, prohibited, or restricted under the Plan through separate investment procedures or a separate funding policy. If the Plan prohibits investments in life insurance, this Article does not apply.

15.1 Investment in Life Insurance. A group or individual life insurance policy purchased by the Plan may be issued on the life of a Participant, a Participant's spouse, a Participant's child or children, a family member of the Participant, or any other individual with an insurable interest. If this Plan is a money purchase plan, a life insurance policy may only be issued on the life of the Participant. A life insurance policy includes any type of policy, including a second-to-die policy, provided that the holding of a particular type of policy is not prohibited under rules applicable to qualified plans.

Any premiums on life insurance held for the benefit of a Participant will be charged against such Participant's vested Account Balance. Unless directed otherwise, the Plan Administrator will reduce each of the Participant's Accounts under the Plan equally to pay premiums on life insurance held for such Participant's benefit. Any premiums paid for life insurance policies must satisfy the incidental life insurance rules under Section 15.2.

15.2 Incidental Life Insurance Rules. Any life insurance purchased under the Plan must meet the following requirements:

(a) Ordinary life insurance policies. The aggregate premiums paid for ordinary life insurance policies (i.e., policies with both nondecreasing death benefits and nonincreasing premiums) for the benefit of a Participant shall not at any time exceed 49% of the aggregate amount of Employer Contributions (including Section 401(k) Deferrals) and forfeitures that have been allocated to the Account of such Participant.

(b) Life insurance policies other than ordinary life. The aggregate premiums paid for term, universal or other life insurance policies (other than ordinary life insurance policies) for the benefit of a Participant shall not at any time exceed 25% of the aggregate amount of Employer Contributions (including Section 401(k) Deferrals) and forfeitures that have been allocated to the Account of such Participant.

(c) Combination of ordinary and other life insurance policies. The sum of one-half (1/2) of the aggregate premiums paid for ordinary life insurance policies plus all the aggregate premiums paid for any other life insurance policies for the benefit of a Participant shall not at any time exceed 25% of the aggregate amount of Employer Contributions (including Section 401(k) Deferrals) and forfeitures which have been allocated to the Account of such Participant.

(d) Exception for certain profit sharing and 401(k) plans. If the Plan is a profit sharing plan or a 401(k) plan, the limitations in this Section do not apply to the extent life insurance premiums are paid only with Employer Contributions and forfeitures that have been accumulated in the Participant's Account for at least two years or are paid with respect to a Participant who has been an Eligible Participant for at least five years. For purposes of applying this special limitation, Employer Contributions do not include any Section 401(k) Deferrals, QMACs, QNECs or Safe-Harbor Contributions under a 401(k) plan.

(e) Exception for Employee After-Tax Contributions and Rollover Contributions. The Plan Administrator also may invest, with the Participant's consent, any portion of the Participant's Employee After-Tax Contribution Account or Rollover Contribution Account in a group or individual life insurance policy for the benefit of such Participant, without regard to the incidental life insurance rules under this Section.

15.3 Ownership of Life Insurance Policies. The Trustee is the owner of any life insurance policies purchased under the Plan in accordance with the provisions of this Article 15. Any life insurance policy purchased under the Plan must designate the Trustee as owner and beneficiary under the policy. The Trustee will pay all proceeds of any life insurance policies to the Beneficiary of the Participant for whom such policy is held in accordance with the distribution provisions under Article 8 and the Joint and Survivor Annuity requirements under Article 9. In no event shall the Trustee retain any part of the proceeds from any life insurance policies for the benefit of the Plan.

15.4 Evidence of Insurability. Prior to purchasing a life insurance policy, the Plan Administrator may require the individual whose life is being insured to provide evidence of insurability, such as a physical examination, as may be required by the Insurer.

15.5 Distribution of Insurance Policies. Life insurance policies under the Plan, which are held on behalf of a Participant, must be distributed to the Participant or converted to cash upon the later of the Participant's

Distribution Commencement Date (as defined in Section 22.56) or termination of employment. Any life insurance policies that are held on behalf of a terminated Participant must continue to satisfy the incidental life insurance rules under Section 15.2.

If a life insurance policy is purchased on behalf of an individual other than the Participant, and such individual dies, the Participant may withdraw any or all life insurance proceeds from the Plan, to the extent such proceeds exceed the cash value of the life insurance policy determined immediately before the death of the insured individual.

15.6 Discontinuance of Insurance Policies. Investments in life insurance may be discontinued at any time, either at the direction of the Trustee or other fiduciary responsible for making investment decisions. If the Plan provides for Participant direction of investments, life insurance as an investment option may be eliminated at any time by the Plan Administrator. Where life insurance investment options are being discontinued, the Plan Administrator, in its sole discretion, may offer the sale of the insurance policies to the Participant, or to another person, provided that the prohibited transaction exemption requirements prescribed by the Department of Labor are satisfied.

15.7 Protection of Insurer. An Insurer that issues a life insurance policy under the terms of this Article, shall not be responsible for the validity of this Plan and shall be protected and held harmless for any actions taken or not taken by the Trustee or any actions taken in accordance with written directions from the Trustee or the Employer (or any duly authorized representatives of the Trustee or Employer). An Insurer shall have no obligation to determine the propriety of any premium payments or to guarantee the proper application of any payments made by the insurance company to the Trustee.

The Insurer is not and shall not be considered a party to this Agreement and is not a fiduciary with respect to the Plan solely as a result of the issuance of life insurance policies under this Article 15.

15.8 No Responsibility for Act of Insurer. Neither the Employer, the Plan Administrator nor the Trustee shall be responsible for the validity of the provisions under a life insurance policy issued under this Article 15 or for the failure or refusal by the Insurer to provide benefits under such policy. The Employer, the Plan Administrator and the Trustee are also not responsible for any action or failure to act by the Insurer or any other person which results in the delay of a payment under the life insurance policy or which renders the policy invalid or unenforceable in whole or in part.

ARTICLE 16
TOP-HEAVY PLAN REQUIREMENTS

This Article contains the rules for determining whether the Plan is a Top-Heavy Plan and the consequences of having a Top-Heavy Plan. Part 6 of the Agreement provides for elections relating to the vesting schedule for a Top-Heavy Plan. Part 13 of the Agreement allows the Employer to elect to satisfy the Top-Heavy Plan allocation requirements under another plan.

16.1 In General. If the Plan is or becomes a Top-Heavy Plan in any Plan Year, the provisions of this Article 16 will supersede any conflicting provisions in the Plan or Agreement. However, this Article 16 will no longer apply if Code (S)416 is repealed.

16.2 Top-Heavy Plan Consequences.

(a) Minimum allocation for Non-Key Employees. If the Plan is a Top-Heavy Plan for any Plan Year, except as otherwise provided in subsections (4) and (5) below, the Employer Contributions and forfeitures allocated for the Plan Year on behalf of any Eligible Participant who is a Non-Key Employee must not be less than a minimum percentage of the Participant's Total Compensation (as defined in Section 16.3(1)). If any Non-Key Employee who is entitled to receive a top-heavy minimum contribution pursuant to this Section 16.2(a) fails to receive an appropriate allocation, the Employer will make an additional contribution on behalf of such Non-Key Employee to satisfy the requirements of this Section. The Employer may elect under Part 4 of the Agreement [Part 4C of the 401(k) Agreement] to make the top-heavy contribution to all Eligible Participants. If the Employer elects under the Agreement to provide the top-heavy minimum contribution to all Eligible Participants, the Employer also will make an additional contribution on behalf of any Key Employee who is an Eligible Participant and who did not receive an allocation equal to the top-heavy minimum contribution.

(1) Determining the minimum percentage. The minimum percentage that must be allocated under subsection (a) above is the lesser of: (i) three (3) percent of Total Compensation for the Plan Year or (ii) the highest contribution rate for any Key Employee for the Plan Year. The highest contribution rate for a Key Employee is determined by taking into account the total Employer Contributions and forfeitures allocated to each Key Employee for the Plan Year, as a percentage of the Key Employee's Total Compensation. A Key Employee's contribution rate includes Section 401(k) Deferrals made by the Key Employee for the Plan Year (except as provided by regulation or statute). If this Plan is aggregated with a Defined Benefit Plan to satisfy the requirements of Code (S)401(a)(4) or Code (S)410(b), the minimum percentage is three (3) percent, without regard to the highest Key Employee contribution rate. See subsection (5) below if the Employer maintains more than one plan.

(2) Determining whether the Non-Key Employee's allocation satisfies the minimum percentage. To determine if a Non-Key Employee's allocation of Employer Contributions and forfeitures is at least equal to the minimum percentage, the Employee's Section 401(k) Deferrals for the Plan Year are disregarded. In addition, Matching Contributions allocated to the Employee's Account for the Plan Year are disregarded, unless: (i) the Plan Administrator elects to take all or a portion of the Matching Contributions into account, or (ii) Matching Contributions are taken into account by statute or regulation. The rule in (i) does not apply unless the Matching Contributions so taken into account could satisfy the nondiscrimination testing requirements under Code (S)401(a)(4) if tested separately. Any Employer Matching Contributions used to satisfy the Top-Heavy Plan minimum allocation may not be used in the ACP Test (as defined in Section 17.3), except to the extent permitted under statute, regulation or other guidance of general applicability.

(3) Certain allocation conditions inapplicable. The Top-Heavy Plan minimum allocation shall be made even though, under other Plan provisions, the Non-Key Employee would not otherwise be entitled to receive an allocation, or would have received a lesser allocation for the Plan Year because of:

(i) the Participant's failure to complete 1,000 Hours of Service (or any equivalent provided in the Plan),

(ii) the Participant's failure to make Employee After-Tax Contributions to the Plan, or

(iii) Total Compensation is less than a stated amount.

The minimum allocation also is determined without regard to any Social Security contribution or whether an Eligible Participant fails to make Section 401(k) Deferrals for a Plan Year in which the Plan includes a 401(k) feature.

(4) Participants not employed on the last day of the Plan Year. The minimum allocation requirement described in this subsection (a) does not apply to an Eligible Participant who was not employed by the Employer on the last day of the applicable Plan Year.

(5) Participation in more than one Top-heavy Plan. The minimum allocation requirement described in this subsection (a) does not apply to an Eligible Participant who is covered under another plan maintained by the Employer if, pursuant to Part 13, #54 of the Agreement [Part 13, #72 of the 401(k) Agreement], the other Plan will satisfy the minimum allocation requirement.

(i) More than one Defined Contribution Plans. If the Employer maintains more than one top-heavy Defined Contribution Plan (including Paired Plans), the Employer may designate in Part 13, #54.a. of the Agreement [Part 13, #72.a. of the 401(k) Agreement] which plan will provide the top-heavy minimum contribution to Non-Key Employees. Alternatively, under Part 13, #54.a.(3) of the Agreement [Part 13, #72.a.(3) of the 401(k) Agreement], the Employer may designate another means of complying with the top-heavy requirements. If Part 13, #54 of the Agreement [Part 13, #72 of the 401(k) Agreement] is not completed and the Employer maintains more than one Defined Contribution Plan, the Employer will be deemed to have selected this Plan under Part 13, #54.a. of the Agreement [Part 13, #72.a. of the 401(k) Agreement] as the Plan under which the top-heavy minimum contribution will be provided.

If an Employee is entitled to a top-heavy minimum contribution but has not satisfied the minimum age and/or service requirements under the Plan designated to provide the top-heavy minimum contribution, the Employee may receive a top-heavy minimum contribution under the designated Plan. Thus, for example, if the Employer maintains both a 401(k) plan and a non-401(k) plan, a Non-Key Employee who has not satisfied the minimum age and service conditions under Part 1, #5 of the non-401(k) plan Agreement is eligible for a top-heavy minimum allocation under the non-401(k) plan (if so provided under Part 13, #54.a. of the Agreement [Part 13, #72.a. of the 401(k) Agreement]) if such Employee has satisfied the eligibility conditions for making Section 401(k) Deferrals under the 401(k) plan. The provision of a top-heavy minimum contribution under this paragraph will not cause the Plan to fail the minimum coverage or nondiscrimination rules. The Employer may designate an alternative method of providing the top-heavy minimum contribution to such Employees under Part 13, #54.a.(3) of the Agreement [Part 13, #72.a.(3) of the 401(k) Agreement].

(ii) Defined Contribution Plan and a Defined Benefit Plan. If the Employer maintains both a top-heavy Defined Contribution Plan (under this BPD) and a top-heavy Defined Benefit Plan, the Employer must designate the manner in which the plans will comply with the Top-Heavy Plan requirements. Under Part 13, #54.b. of the Agreement [Part 13, #72.b. of the 401(k) Agreement], the Employer may elect to provide the top-heavy minimum benefit to Non-Key Employees who participate in both Plans (A) in the Defined Benefit Plan; (B) in the Defined Contribution Plan (but increasing the minimum allocation from 3% to 5%); or (C) under any other acceptable method of compliance. If a Non-Key Employee participates only under the Defined Benefit Plan, the top-heavy minimum benefit will be provided under the Defined Benefit Plan. If a Non-Key Employee participates only under the Defined Contribution Plan, the top-heavy minimum benefit will be provided under the Defined Contribution Plan (without regard to this subsection (ii)). If Part 13, #54.b. of the Agreement [Part 13, #72.b. of the 401(k) Agreement] is not completed and the Employer maintains a Defined Benefit Plan, the Employer will be deemed to have selected this Plan under Part 13, #54.b.(1) of the Agreement [Part 13, #72.b.(1) of the 401(k) Agreement] as the plan under which the top-heavy minimum contribution will be provided.

If the Employer maintains more than one Defined Contribution Plan in addition to a Defined Benefit Plan, the Employer may use Part 13, #54.b.(3) of the Agreement [Part 13, #72.b.(3) of the 401(k) Agreement] to designate which Defined Contribution Plan will provide the top-heavy minimum contribution.

If the Employer is using the Four-Step Permitted Disparity Method (as described in Section 2.2(b)(ii)) and elects under Part 13, #54.b.(1) of the Agreement [Part 13, #72.b.(1) of the 401(k) Agreement] to provide a 5% top-heavy minimum contribution, the 3% minimum allocation under Step One is increased to 5%. The 3% allocation under Step Two will also be increased to the lesser of (A) 5% or (B) the amount determined under Step Three (increased by 3 percentage points). If an additional allocation is to be

made under Step Three, the Applicable Percentage under Section 2.2(b)(ii)(C) must be reduced by 2 percentage points (but not below zero).

(6) No forfeiture for certain events. The minimum top-heavy allocation (to the extent required to be nonforfeitable under Code (S)416(b)) may not be forfeited under the suspension of benefit rules of Code (S)411(a)(3)(B) or the withdrawal of mandatory contribution rules of Code (S)41l(a)(3)(D).

(b) Special Top-Heavy Vesting Rules.

(1) Minimum vesting schedules. For any Plan Year in which this Plan is a Top-Heavy Plan, the Top-Heavy Plan vesting schedule elected in Part 6, #19 of the Agreement [Part 6, #37 of the 401(k) Agreement] will automatically apply to the Plan. The Top-Heavy Plan vesting schedule will apply to all benefits within the meaning of Code (S)411(a)(7) except those attributable to Employee After-Tax Contributions, including benefits accrued before the effective date of Code (S)416 and benefits accrued before the Plan became a Top-Heavy Plan. No decrease in a Participant's nonforfeitable percentage may occur in the event the Plan's status as a Top-Heavy Plan changes for any Plan Year. However, this subsection does not apply to the Account Balance of any Employee who does not have an Hour of Service after a Top-Heavy Plan vesting schedule becomes effective.

(2) Shifting Top-Heavy Plan status. If the vesting schedule under the Plan shifts in or out of the Top-Heavy Plan vesting schedule for any Plan Year because of a change in Top-Heavy Plan status, such shift is an amendment to the vesting schedule and the election in Section 4.7 of the Plan applies.

16.3 Top-Heavy Definitions.

(a) Determination Date: For any Plan Year subsequent to the first Plan Year, the Determination Date is the last day of the preceding Plan Year. For the first Plan Year of the Plan, the Determination Date is the last day of that first Plan Year.

(b) Determination Period: The Plan Year containing the Determination Date and the four (4) preceding Plan Years.

(c) Key Employee: Any Employee or former Employee (and the Beneficiaries of such Employee) is a Key Employee for a Plan Year if, at any time during the Determination Period, the individual was:

(1) an officer of the Employer with annual Total Compensation in excess of 50 percent of the dollar limitation under Code (S)415(b)(1)(A),

(2) an owner (or considered an owner under Code (S)318) of one of the ten largest interests in the Employer with annual Total Compensation in excess of 100 percent of the dollar limitation under Code (S)415(c)(1)(A);

(3) a Five-Percent Owner (as defined in Section 22.88),

(4) a more than 1-percent owner of the Employer with an annual Total Compensation of more than $150,000.

The Key Employee determination will be made in accordance with Code (S)416(i)(1) and the regulations thereunder.

(d) Permissive Aggregation Group: The Required Aggregation Group of plans plus any other plan or plans of the Employer which, when considered as a group with the Required Aggregation Group, would continue to satisfy the requirements of Code (S)(S)401(a)(4) and 410.

(e) Present Value: The present value based on the interest and mortality rates specified in the relevant Defined Benefit Plan. In the event that more than one Defined Benefit Plan is included in a Required Aggregation Group or Permissive Aggregation Group, a uniform set of actuarial assumptions must be applied to determine present value. The Employer may specify in Part 13, #54.b.(3) of the Agreement [Part 13, #72.b.(3) of the 401(k) Agreement] the actuarial assumptions that will apply if the Defined Benefit Plans do not specify a uniform set of actuarial assumptions to be used to determine if the plans are Top-Heavy.

(f) Required Aggregation Group:

(1) Each qualified plan of the Employer in which at least one Key Employee participates or participated at any time during the Determination Period (regardless of whether the plan has terminated), and

(2) any other qualified plan of the Employer that enables a plan described in (1) to meet the coverage or nondiscrimination requirements of Code (S)(S)410(b) or 401(a)(4).

(g) Top-Heavy Plan: For any Plan Year, this Plan is a Top-Heavy Plan if any of the following conditions exist:

(1) The Plan is not part of any Required Aggregation Group or Permissive Aggregation Group of plans, and the Top-Heavy Ratio for the Plan exceeds 60 percent.

(2) The Plan is part of a Required Aggregation Group of plans, but not part of a Permissive Aggregation Group, and the Top-Heavy Ratio for the Required Aggregation Group of plans exceeds 60 percent.

(3) The Plan is part of a Required Aggregation Group and part of a Permissive Aggregation Group of plans, and the Top-Heavy Ratio for the Permissive Aggregation Group exceeds 60 percent.

(h) Top-Heavy Ratio:

(1) Defused Contribution Plans only. This paragraph applies if the Employer maintains one or more Defined Contribution Plans (including any SEP described under Code (S)408(k)) and the Employer has not maintained any Defined Benefit Plan that during the Determination Period has or has had Accrued Benefits. The Top-Heavy Ratio for this Plan alone, or for the Required Aggregation Group or Permissive Aggregation Group, as appropriate, is a fraction, the numerator of which is the sum of the Account Balances of all Key Employees as of the Determination Date(s) and the denominator of which is the sum of all Account Balances, both computed in accordance with Code (S)416 and the regulations thereunder.

(2) Defined Contribution Plan and Defined Benefit Plan. This paragraph applies if the Employer maintains one or more Defined Contribution Plans (including a SEP described under Code (S)408(k)) and the Employer maintains or has maintained one or more Defined Benefit Plans which during the Determination Period has or has had any Accrued Benefits. The Top-Heavy Ratio for any Required Aggregation Group or Permissive Aggregation Group, as appropriate, is a fraction, the numerator of which is the sum of Account Balances under the aggregated Defined Contribution Plan(s) for all Key Employees, and the Present Value of Accrued Benefits under the aggregated Defined Benefit Plan(s) for all Key Employees as of the Determination Date(s), and the denominator of which is the sum of the Account Balances under the aggregated Defined Contribution Plan(s) for all Participants and the Present Value of Accrued Benefits under the Defined Benefit Plan(s) for all Participants as of the Determination Date(s), all determined in accordance with Code (S)416 and the regulations thereunder. The accrued benefits under a Defined Benefit Plan in both the numerator and denominator of the Top-Heavy Ratio are increased for any distributions of an accrued benefit made in the five-year period ending on the Determination Date.

(3) Applicable Valuation Dates. For purposes of subsections (1) and (2) above, the value of Account Balances and the Present Value of Accrued Benefits will be determined as of the most recent Valuation Date that falls within or ends with the 12-month period ending on the Determination Date, except as provided in Code (S)416 and the regulations thereunder for the first and second Plan Years of a Defined Benefit Plan. When aggregating plans, the value of Account Balances and Accrued Benefits will be calculated with reference to the Determination Dates that fall within the same calendar year.

(4) Valuation of benefits. Determining a Participant's Account Balance or Accrued Benefit. The calculation of the Top-Heavy Ratio, and the extent to which distributions, rollovers, and transfers are taken into account will be made in accordance with Code (S)416 and the regulations thereunder. For purposes of subsections (1) and (2) above, the Account Balance and/or Accrued Benefit of each Participant is adjusted as provided under subsections (i) and (ii) below.

(i) Increase for prior distributions. In applying the Top-Heavy Ratio, a Participant's Account Balance and/or Accrued Benefit is increased for any distributions made from the Plan during the Determination Period.

(ii) Increase for future contributions. Both the numerator and denominator of the Top-Heavy Ratio are increased to reflect any contribution to a Defined Contribution Plan not actually made as of the Determination Date, but which is required to be taken into account on that date under Code (S)416 and the regulations thereunder.

(iii) Exclusion of certain benefits. The Account Balance and/or Accrued Benefit of a Participant (and any distribution during the Determination Period with respect to such Participant's Account Balance or Accrued Benefit) is disregarded from the Top-Heavy Ratio if: (A) the Participant is a Non-Key Employee who was a Key Employee in a prior year, or (B) the Participant has not been credited with at least one Hour of Service during the Determination Period. The calculation of the Top-Heavy Ratio, and the extent to which distributions, rollovers, and transfers are taken into account will be made in accordance with Code (S)416 and the regulations thereunder.

(iv) Calculation of Accrued Benefit. The Accrued Benefit of a Participant other than a Key Employee shall be determined under: (A) the method, if any, that uniformly applies for accrual purposes under all Defined Benefit Plans maintained by the Employer; or (B) if there is no such method, as if such benefit accrued not more rapidly than the slowest accrual rate permitted under the fractional rule of Code (S)411(b)(1)(C).

(i) Total Compensation. For purposes of determining the minimum top-heavy contribution under 16.2(a), Total Compensation is determined using the definition under Section 7.4(f), including the special rule under Section 7.4(f)(4) for years beginning before January 1, 1998. For this purpose, Total Compensation is subject to the Compensation Dollar Limitation as defined in Section 22.32.

(j) Valuation Date: The date as of which Account Balances are valued for purposes of calculating the Top-Heavy Ratio.

ARTICLE 17
401(k) PLAN PROVISIONS

This Article sets forth the special testing rules applicable to Section 401(k) Deferrals, Employer Matching Contributions, and Employee After-Tax Contributions that may be made under the 401(k) Agreement and the requirements to qualify as a Safe Harbor 401(k) Plan. Section 17.1 provides limits on the amount of Elective Deferrals an Employee may defer into the Plan during a calendar year. Sections 17.2 and 17.3 set forth the rules for running the ADP Test and ACP Test with respect to contributions under the 401(k) plan and Section 17.4 discusses the requirements for applying the Multiple Use Test. Section 17.5 prescribes special testing rules for performing the ADP Test and the ACP Test. Section 17.6 sets forth the requirements that must be met to qualify as a Safe Harbor 401(k) Plan. Unless otherwise stated, any reference to the Agreement under this Article 17 is a reference to the 401(k) Agreement.

17.1 Limitation on the Amount of Section 401(k) Deferrals.

(a) In general. An Eligible Participant's total Section 401(k) Deferrals under this Plan, or any other qualified plan of the Employer, for any calendar year may not exceed the lesser of:

(1) the percentage of Included Compensation designated under Part 4A, #12 of the Agreement:

(2) the dollar limitation under Code (S)402(g); or

(3) the amount permitted under the Annual Additions Limitation described in Article 7.

(b) Maximum deferral limitation. If the Employer elects to impose a maximum deferral limitation under Part 4A, #12 of the Agreement, it must designate under Part 4A, #12.a. the period for which such limitation applies. Regardless of any limitation designated under Part 4A, # 12 of the Agreement, the Employer may provide for alternative limitations in the Salary Reduction Agreement with respect to designated types of Included Compensation, such as bonus payments. If no maximum percentage is designated under Part 4A, #12 of the Agreement, the only limit on a Participant's Section 401(k) Deferrals under this Plan is the dollar limitation under Code (S)402(g) and the Annual Additions Limitation.

(c) Correction of Code (S)402(g) violation. A Participant may not make Section 401(k) Deferrals that exceed the dollar limitation under Code (S)402(g). The dollar limitation under Code (S)402(g) applicable to a Participant's Section 401(k) Deferrals under this Plan is reduced by any Elective Deferrals the Participant makes under any other plan maintained by the Employer. If a Participant makes Section 401(k) Deferrals that exceed the Code (S)402(g) limit, the Employer may correct the Code (S)402(g) violation in the following manner.

(1) Suspension of Section 401(k) Deferrals. The Employer may suspend a Participant's Section 401(k) Deferrals under the Plan for the remainder of the calendar year when the Participant's Section 401(k) Deferrals under this Plan, in combination with any Elective Deferrals the Participant makes during the calendar year under any other plan maintained by the Employer, equal or exceed the dollar limitation under Code (S)402(g).

(2) Distribution of Excess Deferrals. If a Participant makes Section 401(k) Deferrals under this Plan during a calendar year which exceed the dollar limitation under Code (S)402(g), the Participant will receive a corrective distribution from the Plan of the Excess Deferrals (plus allocable income) no later than April 15 of the following calendar year. The amount which must be distributed as a correction of Excess Deferrals for a calendar year equals the amount of Elective Deferrals the Participant contributes in excess of the dollar limitation under Code (S)402(g) during the calendar year to this Plan, and any other plan maintained by the Employer, reduced by any corrective distribution of Excess Deferrals the Participant receives during the calendar year from this Plan or other plan(s) maintained by the Employer. Excess Deferrals that are distributed after April 15 are includible in the Participant's gross income in both the taxable year in which deferred and the taxable year in which distributed.

(i) Allocable gain or loss. A corrective distribution of Excess Deferrals must include any allocable gain or loss for the calendar year in which the Excess Deferrals are made. For this purpose, allocable gain or loss on Excess Deferrals may be determined in any reasonable manner, provided the manner used to determine allocable gain or loss is applied uniformly and in a manner that is reasonably reflective of the method used by the Plan for allocating income to Participants' Accounts.

(ii) Coordination with other provisions. A corrective distribution of Excess Deferrals made by April 15 of the following calendar year may be made without consent of the Participant or the Participant's spouse, and without regard to any distribution restrictions

applicable under Article 8 or Article 9. A corrective distribution of Excess Deferrals made by the appropriate April 15 also is not treated as a distribution for purposes of applying the required minimum distribution rules under Article 10.

(iii) Coordination with corrective distribution of Excess Contributions. If a Participant for whom a corrective distribution of Excess Deferrals is being made received a previous corrective distribution of Excess Contributions to correct the ADP Test for the Plan Year beginning with or within the calendar year for which the Participant made the Excess Deferrals, the previous corrective distribution of Excess Contributions is treated first as a corrective distribution of Excess Deferrals to the extent necessary to eliminate the Excess Deferral violation. The amount of the corrective distribution of Excess Contributions which is required to correct the ADP Test failure is reduced by the amount treated as a corrective distribution of Excess Deferrals.

(3) Correction of Excess Deferrals under plans not maintained by the Employer. The correction provisions under subsections (1) and (2) above apply only if a Participant makes Excess Deferrals under plans maintained by the Employer. However, if a Participant has Excess Deferrals because the total Elective Deferrals for a calendar year under all plans in which he/she participates, including plans that are not maintained by the Employer, exceed the dollar limitation under Code (S)402(g), the Participant may assign to this Plan any portion of the Excess Deferrals made during the calendar year. The Participant must notify the Plan Administrator in writing on or before March 1 of the following calendar year of the amount of the Excess Deferrals to be assigned to this Plan. Upon receipt of a timely notification, the Excess Deferrals assigned to this Plan will be distributed (along with any allocable income or loss) to the Participant in accordance with the corrective distribution provisions under subsection (2) above. A Participant is deemed to notify the Plan Administrator of Excess Deferrals to the extent such Excess Deferrals arise only under this Plan and any other plan maintained by the Employer.

17.2 Nondiscrimination Testing of Section 401(k) Deferrals - ADP Test. Except as provided under Section 17.6 for Safe Harbor 401(k) Plans, the Section 401(k) Deferrals made by Highly Compensated Employees must satisfy the Actual Deferral Percentage Test ("ADP Test") for each Plan Year. The Plan Administrator shall maintain records sufficient to demonstrate satisfaction of the ADP Test, including the amount of any QNECs or QMACs included in such test, pursuant to subsection (c) below. If the Plan fails the ADP Test for any Plan Year, the corrective provisions under subsection (d) below will apply.

(a) ADP Test testing methods. For Plan Years beginning on or after January 1, 1997, the ADP Test will be performed using the Prior Year Testing Method or Current Year Testing Method, as selected under Part 4F, #31 of the Agreement. If the Employer does not select a testing method under Part 4F, #31 of the Agreement, the Plan will use the Current Year Testing Method. Unless specifically precluded under statute, regulations or other IRS guidance, the Employer may amend the testing method designated under Part 4F for a particular Plan Year (subject to the requirements under subsection (2) below) at any time through the end of the 12-month period following the Plan Year for which the amendment is effective. (For Plan Years beginning before January 1, 1997, the Current Year Testing Method is deemed to have been in effect.)

(1) Prior Year Testing Method. Under the Prior Year Testing Method, the Average Deferral Percentage ("ADP") of the Highly Compensated Employee Group (as defined in Section 17.7(e)) for the current Plan Year is compared with the ADP of the Nonhighly Compensated Employee Group (as defined in Section 17.7(f)) for the prior Plan Year. If the Employer elects to use the Prior Year Testing Method under Part 4F of the Agreement, the Plan must satisfy one of the following tests for each Plan Year:

(i) The ADP of the Highly Compensated Employee Group for the current Plan Year shall not exceed 1.25 times the ADP of the Nonhighly Compensated Employee Group for the prior Plan Year.

(ii) The ADP of the Highly Compensated Employee Group for the current Plan Year shall not exceed the percentage (whichever is less) determined by (A) adding 2 percentage points to the ADP of the Nonhighly Compensated Employee Group for the prior Plan Year or (B) multiplying the ADP of the Nonhighly Compensated Employee Group for the prior Plan Year by 2.

(2) Current Year Testing Method. Under the Current Year Testing Method, the ADP of the Highly Compensated Employee Group for the current Plan Year is compared to the ADP of the Nonhighly Compensated Employee Group for the current Plan Year. If the Employer elects to use the Current Year Testing Method under Part 4F of the Agreement, the Plan must satisfy the ADP Test, as described in subsection (1) above, for each Plan Year, but using

the ADP of the Nonhighly

Compensated Employee Group for the current Plan Year instead of for the prior Plan Year. If the Employer elects to use the Current Year Testing Method, it may switch to the Prior Year Testing Method only if the Plan satisfies the requirements for changing to the Prior Year Testing Method as set forth in IRS Notice 98-1 (or superseding guidance).

(b) Special rule for first Plan Year. For the first Plan Year that the Plan permits Section 401(k) Deferrals, the Employer may elect under Part 4F, #32.a. of the Agreement to apply the ADP Test using the Prior Year Testing Method, by assuming the ADP for the Nonhighly Compensated Employee Group is 3%. Alternatively, the Employer may elect in Part 4F, #32.b. of the Agreement to use the Current Year Testing Method using the actual data for the Nonhighly Compensated Employee Group in the first Plan Year. This first Plan Year rule does not apply if this Plan is a successor to a plan (as described in IRS Notice 98-1 or subsequent guidance) that included a 401(k) arrangement or the Plan is aggregated for purposes of applying the ADP Test with another plan that included a 401(k) arrangement in the prior Plan Year. For subsequent Plan Years, the testing method selected under Part 4F, #31 will apply.

(c) Use of QMACs and QNECs under the ADP Test. The Plan Administrator may take into account all or any portion of QMACs and QNECs (see Sections 17.7(g) and (h)) for purposes of applying the ADP Test. QMACs and QNECs may not be included in the ADP Test to the extent such amounts are included in the ACP Test for such Plan Year. QMACs and QNECs made to another qualified plan maintained by the Employer may also be taken into account, so long as the other plan has the same Plan Year as this Plan. To include QNECs under the ADP Test, all Employer Nonelective Contributions, including the QNECs, must satisfy Code (S)401(a)(4). In addition, the Employer Nonelective Contributions, excluding any QNECs used in the ADP Test or ACP Test, must also satisfy Code (S)401(a)(4).

(1) Timing of contributions. In order to be used in the ADP Test for a given Plan Year, QNECs and QMACs must be made before the end of the 12-month period immediately following the Plan Year for which they are allocated. If the Employer is using the Prior Year Testing Method (as described in subsection (a)(1) above), QMACs and QNECs taken into account for the Nonhighly Compensated Employee Group must be allocated for the prior Plan Year, and must be made no later than the end of the 12-month period immediately following the end of such prior Plan Year. (See Section 7.4(a) for rules regarding the appropriate Limitation Year for which such contributions will be applied for purposes of the Annual Additions Limitation under Code (S)415.)

(2) Double-counting limits. This paragraph applies if, in any Plan Year beginning after December 31, 1998, the Prior Year Testing Method is used to run the ADP Test and, in the prior Plan Year, the Current Year Testing Method was used to run the ADP Test. If this paragraph applies, the following contributions are disregarded in calculating the ADP of the Nonhighly Compensated Employee Group for the prior Plan Year:

(i) All QNECs that were included in either the ADP Test or ACP Test for the prior Plan Year.

(ii) All QMACs, regardless of how used for testing purposes in the prior Plan Year.

(iii) Any Section 401(k) Deferrals that were included in the ACP Test for the prior Plan Year.

For purposes of applying the double-counting limits, if actual data of the Nonhighly Compensated Employee Group is used for a first Plan Year described in subsection (b) above, the Plan is still considered to be using the Prior Year Testing Method for that first Plan Year. Thus, the double-counting limits do not apply if the Prior Year Testing Method is used for the next Plan Year.

(3) Testing flexibility. The Plan Administrator is expressly granted the full flexibility permitted by applicable Treasury regulations to determine the amount of QMACs and QNECs used in the ADP Test. QMACs and QNECs taken into account under the ADP Test do not have to be uniformly determined for each Eligible Participant, and may represent all or any portion of the QMACs and QNECs allocated to each Eligible Participant, provided the conditions described above are satisfied.

(d) Correction of Excess Contributions. If the Plan fails the ADP Test for a Plan Year, the Plan Administrator may use any combination of the correction methods under this Section to correct the Excess Contributions under the Plan. (See Section 17.7(d) for the definition of Excess Contributions.)

(1) Corrective distribution of Excess Contributions. If the Plan fails the ADP Test for a Plan Year, the Plan Administrator may, in its discretion, distribute Excess Contributions (including any allocable income or loss) no later than the last day of the following Plan Year to correct the ADP

Test violation. If the Excess Contributions are distributed more than 2 1/2 months after the last day of the Plan Year in which such excess amounts arose, a 10-percent excise tax will be imposed on the Employer with respect to such amounts.

(i) Amount to be distributed. In determining the amount of Excess Contributions to be distributed to a Highly Compensated Employee under this Section, Excess Contributions are first allocated equally to the Highly Compensated Employee(s) with the largest dollar amount of contributions taken into account under the ADP Test for the Plan Year in which the excess occurs. The Excess Contributions allocated to such Highly Compensated Employee(s) reduce the dollar amount of the contributions taken into account under the ADP Test for such Highly Compensated Employee(s) until all of the Excess Contributions are allocated or until the dollar amount of such contributions for the Highly Compensated Employee(s) is reduced to the next highest dollar amount of such contributions for any other Highly Compensated Employee(s). If there are Excess Contributions remaining, the Excess Contributions continue to be allocated in this manner until all of the Excess Contributions are allocated.

(ii) Allocable gain or loss. A corrective distribution of Excess Contributions must include any allocable gain or loss for the Plan Year in which the excess occurs. For this purpose, allocable gain or loss on Excess Contributions may be determined in any reasonable manner, provided the manner used is applied uniformly and in a manner that is reasonably reflective of the method used by the Plan for allocating income to Participants' Accounts.

(iii) Coordination with other provisions. A corrective distribution of Excess Contributions made by the end of the Plan Year following the Plan Year in which the excess occurs may be made without consent of the Participant or the Participant's spouse, and without regard to any distribution restrictions applicable under Article 8 or Article 9. Excess Contributions are treated as Annual Additions for purposes of Code (S)415 even if distributed from the Plan. A corrective distribution of Excess Contributions is not treated as a distribution for purposes of applying the required minimum distribution rules under Article 10.

If a Participant has Excess Deferrals for the calendar year ending with or within the Plan Year for which the Participant receives a corrective distribution of Excess Contributions, the corrective distribution of Excess Contributions is treated first as a corrective distribution of Excess Deferrals. The amount of the corrective distribution of Excess Contributions that must be distributed to correct an ADP Test failure for a Plan Year is reduced by any amount distributed as a corrective distribution of Excess Deferrals for the calendar year ending with or within such Plan Year.

(iv) Accounting for Excess Contributions. Excess Contributions are distributed from the following sources and in the following priority:

(A) Section 401(k) Deferrals that are not matched;

(B) proportionately from Section 401(k) Deferrals not distributed under (A) and related QMACs that are included in the ADP Test;

(C) QMACs included in the ADP Test that are not distributed under (B); and

(D) QNECs included in the ADP Test.

(2) Making QMACs or QNECs. Regardless of any elections under Part 4B, #18 or Part 4C, #22 of the Agreement, the Employer may make additional QMACs or QNECs to the Plan on behalf of the Nonhighly Compensated Employees in order to correct an ADP Test violation. QMACs or QNECs may only be used to correct an ADP Test violation if the Current Year Testing Method is selected under Part 4F, #31.b. of the 401(k) Agreement. Any QMACs contributed under this subsection (2) which are not specifically authorized under Part 4B, #18 of the Agreement will be allocated to all Eligible Participants who are Nonhighly Compensated Employees as a uniform percentage of Section 401(k) Deferrals made during the Plan Year. Any QNECs contributed under this subsection (2) which are not specifically authorized under Part 4C, #22 of the Agreement will be allocated to all Eligible Participants who are Nonhighly Compensated Employees as a uniform percentage of Included Compensation. See Sections 2.3(c) and (e), as applicable.

(3) Recharacterization. If Employee After-Tax Contributions are permitted under Part 4D of the Agreement, the Plan Administrator, in its sole discretion, may permit a Participant to treat any Excess Contributions that are allocated to that Participant as if he/she received the Excess Contributions as a distribution from the Plan and then contributed such amounts to the Plan as Employee After-Tax Contributions. Any amounts recharacterized under this subsection (3) will be 100% vested at all times. Amounts may not be recharacterized by a Highly Compensated Employee to the extent that such amount in combination with other Employee After-Tax Contributions made by that Participant would exceed any limit on Employee After-Tax Contributions under Part 4D of the Agreement.

Recharacterization must occur no later than 2 1/2 months after the last day of the Plan Year in which such Excess Contributions arise and is deemed to occur no earlier than the date the last Highly Compensated Employee is informed in writing of the amount recharacterized and the consequences thereof. Recharacterized amounts will be taxable to the Participant for the Participant's taxable year in which the Participant would have received such amounts in cash had he/she not deferred such amounts into the Plan.

(e) Adjustment of deferral rate for Highly Compensated Employees. The Employer may suspend (or automatically reduce the rate of) Section 401(k) Deferrals for the Highly Compensated Employee Group, to the extent necessary to satisfy the ADP Test or to reduce the margin of failure. A suspension or reduction shall not affect Section 401(k) Deferrals already contributed by the Highly Compensated Employees for the Plan Year. As of the first day of the subsequent Plan Year, Section 401(k) Deferrals shall resume at the levels stated in the Salary Reduction Agreements of the Highly Compensated Employees.

17.3 Nondiscrimination Testing of Employer Matching Contributions and Employee After-Tax Contributions - ACP Test. Except as provided under Section 17.6 for Safe Harbor 401(k) Plans, if the Employer elects to provide Employer Matching Contributions under Part 4B of the Agreement or to permit Employee After-Tax Contributions under Part 4D of the Agreement, the Employer Matching Contributions (including QMACs that are not included in the ADP Test) and/or Employee After-Tax Contributions made for Highly Compensated Employees must satisfy the Actual Contribution Percentage Test ("ACP Test") for each Plan Year. The Plan Administrator shall maintain records sufficient to demonstrate satisfaction of the ACP Test, including the amount of any Section 401(k) Deferrals or QNECs included in such test, pursuant to subsection (c) below. If the Plan fails the ACP Test for any Plan Year, the correction provisions under subsection (d) below will apply.

(a) ACP Test testing methods. For Plan Years beginning on or after January 1, 1997, the ACP Test will be performed using the Prior Year Testing Method or the Current Year Testing Method, as selected under Part 4F, #31 of the Agreement. If the Employer does not select a testing method under Part 4F, #31 of the Agreement, the Plan will be deemed to use the Current Year Testing Method. For Plan Years beginning before January 1, 1997, the Current Year Testing Method is deemed to have been in effect. If the Plan is a Safe Harbor 401(k) Plan, as designated under Part 4E of the Agreement, the Current Year Testing Method must be selected.

(1) Prior Year Testing Method. Under the Prior Year Testing Method, the Average Contribution Percentage ("ACP") of the Highly Compensated Employee Group (as defined in Section 17.7(e)) for the current Plan Year is compared with the ACP of the Nonhighly Compensated Employee Group (as defined in Section 17.7(f)) for the prior Plan Year. If the Employer elects to use the Prior Year Testing Method under Part 4F of the Agreement, the Plan must satisfy one of the following tests for each Plan Year:

(i) The ACP of the Highly Compensated Employee Group for the current Plan Year shall not exceed 1.25 times the ACP of the Nonhighly Compensated Employee Group for the prior Plan Year.

(ii) The ACP of the Highly Compensated Employee Group for the current Plan Year shall not exceed the percentage (whichever is less) determined by (A) adding 2 percentage points to the ACP of the Nonhighly Compensated Employee Group for the prior Plan Year or (B) multiplying the ACP of the Nonhighly Compensated Employee Group for the prior Plan Year by 2.

(2) Current Year Testing Method. Under the Current Year Testing Method, the ACP of the Highly Compensated Employee Group for the current Plan Year is compared to the ACP of the Nonhighly Compensated Employee Group for the current Plan Year. If the Employer elects to use the Current Year Testing Method under Part 4F of the Agreement, the Plan must satisfy the ACP Test, as described in subsection (1) above, for each Plan Year, but using the ACP of the Nonhighly Compensated Employee Group for the current Plan Year instead of for the prior Plan Year. If the Employer elects to use the Current Year Testing Method, it may switch to the Prior Year Testing

Method only if the Plan satisfies the requirements for changing to the Prior Year Testing Method as set forth in IRS Notice 98-1 (or superseding guidance).

(b) Special rule for first Plan Year. For the first Plan Year that the Plan includes either an Employer Matching Contribution formula or permits Employee After-Tax Contributions, the Employer may elect under Part 4F, #33.a. of the Agreement to apply the ACP Test using the Prior Year Testing Method, by assuming the ACP for the Nonhighly Compensated Employee Group is 3%. Alternatively, the Employer may elect in Part 4F, #33.b. of the Agreement to use the Current Year Testing Method using the actual data for the Nonhighly Compensated Employee Group in the first Plan Year. This first Plan Year rule does not apply if this Plan is a successor to a plan that was subject to the ACP Test or if the Plan is aggregated for purposes of applying the ACP Test with another plan that was subject to the ACP test in the prior Plan Year. For subsequent Plan Years, the testing method selected under Part 4F, #31 will apply.

(c) Use of Section 401(k) Deferrals and QNECs under the ACP Test. The Plan Administrator may take into account all or any portion of Section 401(k) Deferrals and QNECs (see Section 17.7(h)) made to this Plan, or to another qualified plan maintained by the Employer, for purposes of applying the ACP Test. QNECs may not be included in the ACP Test to the extent such amounts are included in the ADP Test for such Plan Year. Section 401(k) Deferrals and QNECs made to another qualified plan maintained by the Employer may also be taken into account, so long as the other plan has the same Plan Year as this Plan. To include Section 401(k) Deferrals under the ACP Test, the Plan must satisfy the ADP Test taking into account all Section 401(k) Deferrals, including those used under the ACP Test, and taking into account only those Section 401(k) Deferrals not included in the ACP Test. To include QNECs under the ACP Test, all Employer Nonelective Contributions, including the QNECs, must satisfy Code (S)401(a)(4). In addition, the Employer Nonelective Contributions, excluding any QNECs used in the ADP Test or ACP Test, must also satisfy Code (S)401(a)(4). QNECs may only be used to correct an ACP Test violation if the Current Year Testing Method is selected under Part 4F, #31.b. of the 401(k) Agreement.

(1) Timing of contributions. In order to be used in the ACP Test for a given Plan Year, QNECs must be made before the end of the 12-month period immediately following the Plan Year for which they are allocated. If the Employer is using the Prior Year Testing Method (as described in subsection (a)(1) above), QNECs taken into account for the Nonhighly Compensated Employee Group must be allocated for the prior Plan Year, and must be made no later than the end of the 12-month period immediately following such Plan Year. (See Section 7.4(a) for rules regarding the appropriate Limitation Year for which such contributions will be applied for purposes of the Annual Additions Limitation under Code (S)415.)

(2) Double-counting limits. This paragraph applies if, in any Plan Year beginning after December 31, 1998, the Prior Year Testing Method is used to run the ACP Test and, in the prior Plan Year, the Current Year Testing Method was used to run the ACP Test. If this paragraph applies, the following contributions are disregarded in calculating the ACP of the Nonhighly Compensated Employee Group for the prior Plan Year:

(i) All QNECs that were included in either the ADP Test or ACP Test for the prior Plan Year.

(ii) All Section 401(k) Deferrals, regardless of how used for testing purposes in the prior Plan Year.

(iii) Any QMACs that were included in the ADP Test for the prior Plan Year.

For purposes of applying the double-counting limits, if actual data of the Nonhighly Compensated Employee Group is used for a first Plan Year described in subsection (b) above, the Plan is still considered to be using the Prior Year Testing Method for that first Plan Year. Thus, the double-counting limits do not apply if the Prior Year Testing Method is used for the next Plan Year.

(3) Testing flexibility. The Plan Administrator is expressly granted the full flexibility permitted by applicable Treasury regulations to determine the amount of Section 401(k) Deferrals and QNECs used in the ACP Test. Section 401(k) Deferrals and QNECs taken into account under the ACP Test do not have to be uniformly determined for each Eligible Participant, and may represent all or any portion of the Section 401(k) Deferrals and QNECs allocated to each Eligible Participant, provided the conditions described above are satisfied. For Plan Years beginning after the first Plan Year.

(d) Correction of Excess Aggregate Contributions. If the Plan fails the ACP Test for a Plan Year, the Plan Administrator may use any combination of the correction methods under this Section to correct the Excess

Aggregate Contributions under the Plan. (See Section 17.7(c) for the definition of Excess Aggregate Contributions.)

(1) Corrective distribution of Excess Aggregate Contributions. If the Plan fails the ACP Test for a Plan Year, the Plan Administrator may, in its discretion, distribute Excess Aggregate Contributions (including any allocable income or loss) no later than the last day of the following Plan Year to correct the ACP Test violation. Excess Aggregate Contributions will be distributed only to the extent they are vested under Article 4, determined as of the last day of the Plan Year for which the contributions are made to the Plan. To the extent Excess Aggregate Contributions are not vested, the Excess Aggregate Contributions, plus any income and minus any loss allocable thereto, shall be forfeited in accordance with Section 5.3(d)(1). If the Excess Aggregate Contributions are distributed more than 2 1/2 months after the last day of the Plan Year in which such excess amounts arose, a 10-percent excise tax will be imposed on the Employer with respect to such amounts.

(i) Amount to be distributed. In determining the amount of Excess Aggregate Contributions to be distributed to a Highly Compensated Employee under this Section, Excess Aggregate Contributions are first allocated equally to the Highly Compensated Employee(s) with the largest dollar amount of contributions taken into account under the ACP Test for the Plan Year in which the excess occurs. The Excess Aggregate Contributions allocated to such Highly Compensated Employee(s) reduce the dollar amount of the contributions taken into account under the ACP Test for such Highly Compensated Employee(s) until all of the Excess Aggregate Contributions are allocated or until the dollar amount of such contributions for the Highly Compensated Employee(s) is reduced to the next highest dollar amount of such contributions for any other Highly Compensated Employee(s). If there are Excess Aggregate Contributions remaining, the Excess Aggregate Contributions continue to be allocated in this manner until all of the Excess Aggregate Contributions are allocated.

(ii) Allocable gain or loss. A corrective distribution of Excess Aggregate Contributions must include any allocable gain or loss for the Plan Year in which the excess occurs. For this purpose, allocable gain or loss on Excess Aggregate Contributions may be determined in any reasonable manner, provided the manner used is applied uniformly and in a manner that is reasonably reflective of the method used by the Plan for allocating income to Participants' Accounts.

(iii) Coordination with other provisions. A corrective distribution of Excess Aggregate Contributions made by the end of the Plan Year following the Plan Year in which the excess occurs may be made without consent of the Participant or the Participant's spouse, and without regard to any distribution restrictions applicable under Article 8 or Article 9. Excess Aggregate Contributions are treated as Annual Additions for purposes of Code (S)415 even if distributed from the Plan. A corrective distribution of Excess Aggregate Contributions is not treated as a distribution for purposes of applying the required minimum distribution rules under Article 10.

(iv) Accounting for Excess Aggregate Contributions. Excess Aggregate Contributions are distributed from the following sources and in the following priority:

(A) Employee After-Tax Contributions that are not matched;

(B) proportionately from Employee After-Tax Contributions not distributed under (A) and related Employer Matching Contributions that are included in the ACP Test;

(C) Employer Matching Contributions included in the ACP Test that are not distributed under (B);

(D) Section 401(k) Deferrals included in the ACP Test that are not matched;

(E) proportionately from Section 401(k) Deferrals included in the ACP Test that are not distributed under (D) and related Employer Matching Contributions that are included in the ACP Test and not distributed under (B) or (C); and

(F) QNECs included in the ACP Test.

(2) Making QMACs or QNECs. Regardless of any elections under Part 4B, #18 or Part 4C, #22 of the Agreement, the Employer may make additional QMACs and/or QNECs to the Plan on behalf of

the Nonhighly Compensated Employees in order to correct an ACP Test violation to the extent such amounts are not used in the ADP Test. Any QMACs contributed under this subsection (2) which are not specifically authorized under Part 4B, #18 of the Agreement will be allocated to all Eligible Participants who are Nonhighly Compensated Employees as a uniform percentage of Section 401(k) Deferrals made during the Plan Year. Any QNECs contributed under this subsection (2) which are not specifically authorized under Part 4C, #22 of the Agreement will be allocated to all Eligible Participants who are Nonhighly Compensated Employees as a uniform percentage of Included Compensation. See Sections 2.3(c) and (e), as applicable.

(e) Adjustment of contribution rate for Highly Compensated Employees. The Employer may suspend (or automatically reduce the rate of) Employee After-Tax Contributions for the Highly Compensated Employee Group, to the extent necessary to satisfy the ACP Test or to reduce the margin of failure. A suspension or reduction shall not affect Employee After-Tax Contributions already contributed by the Highly Compensated Employees for the Plan Year. As of the first day of the subsequent Plan Year, Employee After-Tax Contributions shall resume at the levels elected by the Highly Compensated Employees.

17.4 Multiple Use Test. If both an ADP Test and an ACP Test are run for the Plan Year, and the Plan does not pass the 1.25 test under either the ADP Test or the ACP Test, the Plan must satisfy a special Multiple Use Test, unless such Multiple Use Test is repealed or modified by statute, or other IRS guidance.

(a) Aggregate Limit. Under the Multiple Use Test, the sum of the ADP and the ACP for the Highly Compensated Employee Group may not exceed the Plan's Aggregate Limit. For this purpose, the ADP and ACP of the Highly Compensated Employees are determined after any corrections required to meet the ADP and ACP tests and are deemed to be the maximum permitted under such tests for the Plan Year. In applying the Multiple Use Test, the Plan's Aggregate Limit is the sum of (1) and (2):

(1) 1.25 times the greater of: (i) the ADP of the Nonhighly Compensated Employee Group or (ii) the ACP of the Nonhighly Compensated Employee Group; and

(2) the lesser of 2 times or 2 plus the lesser of: (i) the ADP of the Nonhighly Compensated Employee Group or (ii) the ACP of the Nonhighly Compensated Employee Group.

Alternatively, if it results in a larger amount, the Aggregate Limit is the sum of (3) and (4):

(3) 1.25 times the lesser of: (i) the ADP of the Nonhighly Compensated Employee Group or (ii) the ACP of the Nonhighly Compensated Employee Group; and

(4) the lesser of 2 times or 2 plus the greater of: (i) the ADP of the Nonhighly Compensated Employee Group or (ii) the ACP of the Nonhighly Compensated Employee Group.

The Aggregate Limit is calculated using the ADP and ACP of the Nonhighly Compensated Employee Group that is used in performing the ADP Test and ACP Test for the Plan Year. Thus, if the Prior Year Testing Method is being used, the Aggregate Limit is calculated by using the applicable percentage of the Nonhighly Compensated Employee Group for the prior Plan Year. If the Current Year Testing Method is being used, the Aggregate Limit is calculated by using the applicable percentage of the Nonhighly Compensated Employee Group for the current Plan Year.

(b) Correction of the Multiple Use Test. If the Multiple Use Test is not passed, the following corrective action will be taken.

(1) Corrective distributions. The Plan will make corrective distributions (or additional corrective distributions, if corrective distributions are already being made to correct a violation of the ADP Test or ACP Test), to the extent other corrective action is not taken or such other action is not sufficient to completely eliminate the Multiple Use Test violation. Such corrective distributions may be determined as if they were being made to correct a violation of the ADP Test or a violation of the ACP Test, or a combination of both, as determined by the Plan Administrator. Any corrective distribution that is treated as if it were correcting a violation of the ADP Test will be determined under the rules described in Section 17.2(d). Any corrective distribution that is treated as if it were correcting a violation of the ACP Test will be determined under the rules described in Section 17.3(d).

(2) Making QMACs or QNECs. Regardless of any elections under Part 4B, #18 or Part 4C, #22 of the Agreement, the Employer may make additional QMACs or QNECs, so that the resulting ADP and/or ACP of the Nonhighly Compensated Employee Group is increased to the extent necessary to satisfy the Multiple Use Test. Any QMACs contributed under this subsection (2) which are not specifically authorized under Part 4B, #18 of the Agreement will be allocated to all Eligible

Participants who are Nonhighly Compensated Employees as a uniform percentage of Section 401(k) Deferrals made during the Plan Year. Any QNECs contributed under'this subsection (2) which are not specifically authorized under Part 4C, #22 of the Agreement will be allocated to all Eligible Participants who are Nonhighly Compensated Employees as a uniform percentage of Included Compensation. See Sections 2.3(c) and (e), as applicable.

17.5 Special Testing Rules. This Section describes special testing rules that apply to the ADP Test or the ACP Test. In some cases, the special testing rule is optional, in which case, the election to use such rule is solely within the discretion of the Plan Administrator.

(a) Special rule for determining ADP and ACP of Highly Compensated Employee Group. When calculating the ADP or ACP of the Highly Compensated Employee Group for any Plan Year, a Highly Compensated Employee's Section 401(k) Deferrals, Employee After-Tax Contributions, and Employer Matching Contributions under all qualified plans maintained by the Employer are taken into account as if such contributions were made to a single plan. If the plans have different Plan Years, the contributions made in all Plan Years that end in the same calendar year are aggregated under this paragraph. This aggregation rule does not apply to plans that are required to be disaggregated under Code (S)410(b).

(b) Aggregation of plans. When calculating the ADP Test and the ACP Test, plans that are permissively aggregated for coverage and nondiscrimination testing purposes are treated as a single plan. This aggregation rule applies to determine the ADP or ACP of both the Highly Compensated Employee Group and the Nonhighly Compensated Employee Group. Any adjustments to the ADP of the Nonhighly Compensated Employee Group for the prior year will be made in accordance with Notice 98-1 and any superseding guidance, unless the Employer has elected in Part 4F, #31.b. of the 401(k) Agreement to use the Current Year Testing Method. Aggregation described in this paragraph is not permitted unless all plans being aggregated have the same Plan Year and use the same testing method for the applicable test.

(c) Disaggregation of plans.

(1) Plans covering Union Employees and non-Union Employees. If the Plan covers Union Employees and non-Union Employees, the Plan is mandatorily disaggregated for purposes of applying the ADP Test and the ACP Test into two separate plans, one covering the Union Employees and one covering the non-Union Employees. A separate ADP Test must be applied for each disaggregated portion of the Plan in accordance with applicable Treasury regulations. A separate ACP Test must be applied to the disaggregated portion of the Plan that covers the non-Union Employees. The disaggregated portion of the Plan that includes the Union Employees is deemed to pass the ACP Test.

(2) Otherwise excludable Employees. If the minimum coverage test under Code (S)410(b) is performed by disaggregating "otherwise excludable Employees" (i.e., Employees who have not satisfied the maximum age 21 and one Year of Service eligibility conditions permitted under Code (S)410(a)), then the Plan is treated as two separate plans, one benefiting the otherwise excludable Employees and the other benefiting Employees who have satisfied the maximum age and service eligibility conditions. If such disaggregation applies, the following operating rules apply to the ADP Test and the ACP Test.

(i) For Plan Years beginning before January 1, 1999, the ADP Test and the ACP Test are applied separately for each disaggregated plan. If there are no Highly Compensated Employees benefiting under a disaggregated plan, then no ADP Test or ACP Test is required for such plan.

(ii) For Plan Years beginning after December 31, 1998, instead of the rule under subsection (i), only the disaggregated plan that benefits the Employees who have satisfied the maximum age and service eligibility conditions permitted under Code (S)410(a) is subject to the ADP Test and the ACP Test. However, any Highly Compensated Employee who is benefiting under the disaggregated plan that includes the otherwise excludable Employees is taken into account in such tests. The Employer may elect to apply the rule in subsection (i) instead.

(3) Corrective action for disaggregated plans. Any corrective action authorized by this Article may be determined separately with respect to each disaggregated portion of the Plan. A corrective action taken with respect to a disaggregated portion of the Plan need not be consistent with the method of correction (if any) used for another disaggregated portion of the Plan. In the case of a Nonstandardized Agreement, to the extent the Agreement authorizes the Employer to make discretionary QNECs or discretionary QMACs, the Employer is expressly permitted to designate

such QNECs or QMACs as allocable only to Eligible Participants in a particular disaggregated portion of the Plan.

(d) Special rules for the Prior Year Testing Method. If the Plan uses the Prior Year Testing Method, and an election made under subsection (b) or (c) above is inconsistent with the election made in the prior Plan Year, the plan coverage change rules described in IRS Notice 98-1 (or other successor guidance) will apply in determining the ADP and ACP for the Nonhighly Compensated Employee Group.

17.6 Safe Harbor 401(k) Plan Provisions. For Plan Years beginning after December 31, 1998, the ADP Test described in Section 17.2 is deemed to be satisfied for any Plan Year in which the Plan qualifies as a Safe Harbor 401(k) Plan. In addition, if Employer Matching Contributions are made for such Plan Year, the ACP Test is deemed satisfied with respect to such contributions if the conditions of subsection (c) below are satisfied. To qualify as a Safe Harbor 401(k) Plan, the requirements under this Section 17.6 must be satisfied for the entire Plan Year. This Section contains the rules that must be met for the Plan to qualify as a Safe Harbor 401(k) Plan.

Part 4E of the Agreement allows the Employer to designate the manner in which it will comply with the safe harbor requirements. If the Employer wishes to designate the Plan as a Safe Harbor 401(k) Plan, it should complete Part 4E of the Agreement. The safe harbor provisions described in this Section are not applicable unless the Plan is identified as a Safe Harbor 401(k) Plan under Part 4E. The election under Part 4E to be a Safe Harbor 401(k) Plan is effective for all Plan Years beginning with the Effective Date of the Plan (or January 1. 1999, if later) unless the Employer elects otherwise under Appendix B-5.b. of the Agreement. In addition, to qualify as a Safe Harbor 401(k) Plan, the Current Year Testing Method (as described in Section 17.3(a)(2)) must be elected under Part 4F, #31 of the Agreement. (See Section 20.7 for rules regarding the application of the Safe Harbor 401(k) Plan provisions for Plan Years beginning before the date this Plan is adopted.)

(a) Safe harbor conditions. To qualify as a Safe Harbor 401(k) Plan, the Plan must satisfy the requirements under subsections (1), (2), (3) and (4) below.

(1) Safe Harbor Contribution. The Employer must provide a Safe Harbor Matching Contribution or a Safe Harbor Nonelective Contribution under the Plan. The Employer must designate the type and amount of the Safe Harbor Contribution under Part 4E of the Agreement. The Safe Harbor Contribution must be made to the Plan no later than 12 months following the close of the Plan Year for which it is being used to qualify the Plan as a Safe Harbor 401(k) Plan.

The Employer may elect under Part 4E, #30 of the Agreement to provide the Safe Harbor Contribution to all Eligible Participants or only to Eligible Participants who are Nonhighly Compensated Employees. Alternatively, the Employer may elect under Part 4E, #30.c. to provide the Safe Harbor Contribution to all Nonhighly Compensated Employees who are Eligible Participants and all Highly Compensated Employees who are Eligible Participants but who are not Key Employees. This permits a Plan providing the Safe Harbor Nonelective Contribution to use such amounts to satisfy the top-heavy minimum contribution requirements under Article 16.

In determining who is an Eligible Participant for purposes of the Safe Harbor Contribution, the eligibility conditions applicable to Section 401(k) Deferrals under Part 1, #5 of the Agreement apply. However, the Employer may elect under Part 4E, #30.d. to apply a one Year of Service (as defined in Section 1.4(b)) and an age 21 eligibility condition for the Safe Harbor Contribution, regardless of the eligibility conditions selected for Section 401(k) Deferrals under Part 1, #5 of the Agreement. Unless elected otherwise under Part 2, #8.f., column (1) of the Nonstandardized Agreement, the special eligibility rule under Part 4E, #30.d. will be applied as if the Employer elected under Part 2, #7.a., column (1) and Part 2, #8.a., column (1) of the Agreement to use semi-annual Entry Dates following completion of the minimum age and service conditions. If different eligibility conditions are selected for the Safe Harbor Contribution, additional testing requirements may apply in accordance with IRS Notice 2000-3.

(i) Safe Harbor Matching Contribution. The Employer may elect under Part 4E, #27 of the Agreement to make the Safe Harbor Matching Contribution with respect to each Eligible Participant's applicable contributions. For this purpose, an Eligible Participant's applicable contributions are the total Section 401(k) Deferrals and Employee After-Tax Contributions the Eligible Participant makes under the Plan. However, the Employer may elect under Part 4E, #27.d. to exclude Employee After-Tax Contributions from the definition of applicable contributions for purposes of applying the Safe Harbor Matching Contribution formula.

The Safe Harbor Matching Contribution may be made under a basic formula or an enhanced formula. The basic formula under Part 4E, #27.a. provides an Employer Matching Contribution that equals:

(A) 100% of the amount of a Participant's applicable contributions that do not exceed 3% of the Participant's Included Compensation, plus

(B) 50% of the amount of a Participant's applicable contributions that exceed 3%, but do not exceed 5%, of the Participant's Included Compensation.

The enhanced formula under Part 4E, #27.b. provides an Employer Matching Contribution that is not less, at each level of applicable contributions, than the amount required under the basic formula. Under the enhanced formula, the rate of Employer Matching Contributions may not increase as an Employee's rate of applicable contributions increase.

The Plan will not fail to be a Safe Harbor 401(k) Plan merely because Highly Compensated Employees also receive a contribution under the Plan. However, an Employer Matching Contribution will not satisfy this Section if any Highly Compensated Employee is eligible for a higher rate of Employer Matching Contribution than is provided for any Nonhighly Compensated Employee who has the same rate of applicable contributions.

In applying the Safe Harbor Matching Contribution formula under Part 4E, #27 of the Agreement, the Employer may elect under Part 4E, #27.c.(1) to determine the Safe Harbor Matching Contribution on the basis of all applicable contributions a Participant makes during the Plan Year. Alternatively, the Employer may elect under Part 4E, #27.c.(2) - (4) to determine the Safe Harbor Matching Contribution on a payroll, monthly, or quarterly basis. If the Employer elects to use a period other than the Plan Year, the Safe Harbor Matching Contribution with respect to a payroll period must be deposited into the Plan by the last day of the Plan Year quarter following the Plan Year quarter for which the applicable contributions are made.

In addition to the Safe Harbor Matching Contribution, an Employer may elect under Part 4B of the Agreement to make Employer Matching Contributions that are subject to the normal vesting schedule and distribution rules applicable to Employer Matching Contributions. See subsection (c) below for a discussion of the effect of such additional Employer Matching Contributions on the ACP Test.

The Employer may amend the Plan during the Plan Year to reduce or eliminate the Safe Harbor Matching Contribution elected under Part 4E, #27 of the Agreement, provided a supplemental notice is given to all Eligible Participants explaining the consequences and effective date of the amendment, and that such Eligible Participants have a reasonable opportunity (including a reasonable period) to change their Section 401(k) Deferral and/or Employee After-Tax Contribution elections, as applicable. The amendment reducing or eliminating the Safe Harbor Matching Contribution must be effective no earlier than the later of: (A) 30 days after Eligible Participants are given the supplemental notice or (B) the date the amendment is adopted. Eligible Participants must be given a reasonable opportunity (and reasonable period) prior to the reduction or elimination of the Safe Harbor Matching Contribution to change their Section 401(k) Deferral or Employee After-Tax Contribution elections, as applicable. If the Employer amends the Plan to reduce or eliminate the Safe Harbor Matching Contribution, the Plan is subject to the ADP Test and ACP Test for the entire Plan Year.

(ii) Safe Harbor Nonelective Contribution. The Employer may elect under Part 4E, #28 of the Agreement to make a Safe Harbor Nonelective Contribution of at least 3% of Included Compensation. The Employer may elect under Part 4E, #28.b. to retain discretion to increase the amount of the Safe Harbor Nonelective Contribution in excess of the percentage designated under Part 4E, #28. In addition, the Employer may provide for additional discretionary Employer Nonelective Contributions under Part 4C of the Agreement (in addition to the Safe Harbor Contribution under this Section) which are subject to the normal vesting schedule and distribution rules applicable to Employer Nonelective Contributions.

(A) Supplemental notice. The Employer may elect under Part 4E, #28.a. of the Agreement to provide the Safe Harbor Nonelective Contribution authorized under Part 4E, #28 only if the Employer provides a supplemental notice to Participants indicating its intention to provide such Safe Harbor Nonelective Contribution. If Part 4E, #28.a. is selected, to qualify as a Safe Harbor 401(k)

Plan under Part 4E, the Employer must notify its Eligible Employees in the annual notice described in subsection (4) below that the Employer may provide the Safe Harbor Nonelective Contribution authorized under Part 4E, #28 of the Agreement and that a supplemental notice will be provided at least 30 days prior to the last day of the Plan Year if the Employer decides to make the Safe Harbor Nonelective Contribution. The supplemental notice indicating the Employer's intention to make the Safe Harbor Nonelective Contribution must be provided no later than 30 days prior to the last day of the Plan Year for the Plan to qualify as a Safe Harbor 401(k) Plan. If the Employer selects Part 4E, #28.a. of the Agreement but does not provide the supplemental notice in accordance with this paragraph, the Employer is not obligated to make such contribution and the Plan does not qualify as a Safe Harbor 401(k) Plan. The Plan will qualify as a Safe Harbor 401(k) Plan for subsequent Plan Years if the appropriate notices are provided for such years.

(B) Separate Plan. The Employer may elect under Part 4E, #28.c. of the Agreement to provide the Employer Nonelective Contribution under another Defined Contribution Plan maintained by the Employer. The Employer Nonelective Contribution under such other plan must satisfy the conditions under this Section 17.6 for this Plan to qualify as a Safe Harbor 401(k) Plan. Under the Standardized Agreement, the other plan designated under Part 4E, #28.c. must be a Paired Plan as defined in Section 22.132.

(I) Profit sharing plan Agreement. If the Plan designated under Part 4E, #28.c. is a profit sharing plan Agreement under this Prototype Plan, the Employer must select Part 4, #12.f. under the profit sharing plan Nonstandardized Agreement or Part 4, #12.e. under the profit sharing plan Standardized Agreement, as applicable. The Employer may elect to provide other Employer Contributions under Part 4, #12 of the profit sharing plan Agreement, however, the first amounts allocated under the profit sharing plan Agreement will be the Safe Harbor Nonelective Contribution required under the 401(k) plan Agreement. Any Employer Contributions designated under Part 4, #12 of the profit sharing plan Agreement are in addition to the Safe Harbor Contribution required under the 401(k) plan Agreement. (If the only Employer Contribution to be made under the profit sharing plan Agreement is the Safe Harbor Nonelective Contribution, no other selection need be completed under Part 4 of the profit sharing plan Agreement (other than Part 4, #12.f. of the Nonstandardized Agreement or Part 4, #12.e. of the Standardized Agreement, as applicable).)

If the Employer elects to provide the Safe Harbor Nonelective Contribution under the profit sharing plan Agreement, the Employer must select either the Pro Rata Allocation Method under Part 4, #13.a. or the Permitted Disparity Method under Part 4, #13.b. of the profit sharing plan Agreement. If the Employer elects the Pro Rata Allocation Method, the first amounts allocated under the Pro Rata Allocation Method will be deemed to be the Safe Harbor Nonelective Contribution as required under the 401(k) plan Agreement. To the extent required under the 401(k) plan Agreement, such amounts are subject to the conditions for Safe Harbor Nonelective Contributions described in subsections (2) - (4) below, without regard to any contrary elections under the Agreement.

If the Employer elects the Permitted Disparity Method, the Safe Harbor Nonelective Contribution required under the 401(k) plan Agreement will be allocated before applying the Permitted Disparity Method of allocation. To the extent required under the 401(k) plan Agreement, such amounts are subject to the conditions for Safe Harbor Nonelective Contributions described in subsections (2) - (4) below without regard to any contrary elections under the Agreement. If additional amounts are contributed under the profit sharing plan Agreement, such amounts will be allocated under the Permitted Disparity Method. The Safe Harbor Nonelective Contribution may

not be taken into account in applying the Permitted Disparity Method of allocation.

(II) Money purchase plan Agreement. If the Plan designated under Part 4E, #28.c. is a money purchase plan Agreement under this Prototype Plan, the Employer must select Part 4, #12.f. under the money purchase plan Nonstandardized Agreement or Part 4, #12.d. under the money purchase plan Standardized Agreement, as applicable. The Employer may elect to provide other Employer Contributions under Part 4, #12 of the money purchase plan Agreement, however, the first amounts allocated under the money purchase plan Agreement will be the Safe Harbor Nonelective Contribution required under the 401(k) plan Agreement. Any Employer Contributions designated under Part 4, #12 of the money purchase plan Agreement are in addition to the Safe Harbor Contribution. (If the only Employer Contribution to be made under the money purchase plan Agreement is the Safe Harbor Nonelective Contribution, no other need be completed under Part 4 of the money purchase plan Agreement (other than Part 4, #12.f. of the Nonstandardized Agreement or Part 4, #12.d. of the Standardized Agreement, as applicable).)

If the Employer elects to make a Safe Harbor Contribution under the money purchase plan Agreement, the first amounts allocated under the Plan will be deemed to be the Safe Harbor Nonelective Contribution as required under the 401(k) plan Agreement. Such amounts will be allocated equally to all Eligible Participants as defined under the 401(k) plan Agreement. To the extent required under the 401(k) plan Agreement, such amounts are subject to the conditions for Safe Harbor Nonelective Contributions described in subsections (2) - (4) below, without regard to any contrary elections under the Agreement. If the Employer elects the Permitted Disparity Method of contribution, the Safe Harbor Nonelective Contribution required under the 401(k) plan Agreement will be allocated before applying the Permitted Disparity Method. The Safe Harbor Nonelective Contribution may not be taken into account in applying the Permitted Disparity Method of contribution.

(C) Elimination of Safe Harbor Nonelective Contribution. The Employer may amend the Plan during the Plan Year to reduce or eliminate the Safe Harbor Nonelective Contribution elected under Part 4E of the Agreement. The Employer must notify all Eligible Participants of the amendment and must provide each Eligible Participants with a reasonable opportunity (including a reasonable period) to change their Section 401(k) Deferral and/or Employee After-Tax Contribution elections, as applicable. The amendment reducing or eliminating the Safe Harbor Nonelective Contribution must be effective no earlier than the later of: (A) 30 days after Eligible Participants are notified of the amendment or (B) the date the amendment is adopted. If the Employer reduces or eliminates the Safe Harbor Nonelective Contribution during the Plan Year, the Plan is subject to the ADP Test (and ACP Test, if applicable) for the entire Plan Year.

(2) Full and immediate vesting. The Safe Harbor Contribution under subsection (1) above must be 100% vested, regardless of the Employee's length of service, at the time the contribution is made to the Plan. Any additional amounts contributed under the Plan may be subject to a vesting schedule.

(3) Distribution restrictions. Distributions of the Safe Harbor Contribution under subsection (1) must be restricted in the same manner as Section 401(k) Deferrals under Article 8, except that such contributions may not be distributed upon Hardship. See Section 8.6(c).

(4) Annual notice. Each Eligible Participant under the Plan must receive a written notice describing the Participant's rights and obligations under the Plan, including a description of: (i) the Safe Harbor Contribution formula being used under the Plan; (ii) any other contributions under the Plan; (iii) the plan to which the Safe Harbor Contributions will be made (if different from this Plan); (iv) the type and amount of Included Compensation that may be deferred under the Plan; (v) the administrative requirements for making and changing Section 401(k) Deferral elections; and (vi) the withdrawal and vesting provisions under the Plan. For any Plan Year that began in 1999, the

notice requirements described in this paragraph are deemed satisfied if the notice provided satisfied a reasonable, good faith interpretation of the notice requirements under Code (S)401(k)(12). (See subsection (1)(ii) above for a special supplemental notice that may need to be provided to qualify as a Safe Harbor 401(k) Plan.)

Each Eligible Participant must receive the annual notice within a reasonable period before the beginning of the Plan Year (or within a reasonable period before an Employee becomes an Eligible Participant, if later). For this purpose, an Employee will be deemed to have received the notice in a timely manner if the Employee receives such notice at least 30 days and no more than 90 days before the beginning of the Plan Year. For an Employee who becomes an Eligible Participant during a Plan Year, the notice will be deemed timely if it is provided no more than 90 days prior to the date the Employee becomes an Eligible Participant. For Plan Years that began on or before April 1, 1999, the notice requirement under this subsection will be satisfied if the notice was provided by March 1, 1999. If an Employer first designates the Plan as a Safe Harbor 401(k) Plan for a Plan Year that begins on or after January 1, 2000 and on or before June 1, 2000, the notice requirement under this subsection will be satisfied if the notice was provided by May 1, 2000.

(b) Deemed compliance with ADP Test. If the Plan satisfies all the conditions under subsection (a) above to qualify as a Safe Harbor 401(k) Plan, the Plan is deemed to satisfy the ADP Test for the Plan Year. This Plan will not be deemed to satisfy the ADP Test for a Plan Year if an Eligible Participant is covered under another Safe Harbor 401(k) Plan maintained by the Employer which uses the provisions under this Section to comply with the ADP Test.

(c) Deemed compliance with ACP Test. If the Plan satisfies all the conditions under subsection (a) above to qualify as a Safe Harbor 401(k) Plan, the Plan is deemed to satisfy the ACP Test for the Plan Year with respect to Employer Matching Contributions (including Employer Matching Contributions that are not used to qualify as a Safe Harbor 401(k) Plan), provided the following conditions are satisfied. If the Plan does not satisfy the requirements under this subsection (c) for a Plan Year, the Plan must satisfy the ACP Test for such Plan Year in accordance with subsection (d) below.

(1) Only Employer Matching Contributions are Safe Harbor Matching Contributions under basic formula. If the only Employer Matching Contribution formula provided under the Plan is a basic safe harbor formula under Part 4E, #27.a. of the Agreement, the Plan is deemed to satisfy the ACP Test, without regard to the conditions under subsections (2) - (5) below.

(2) Limit on contributions eligible for Employer Matching Contributions. If Employer Matching Contributions are provided (other than just Employer Matching Contributions under a basic safe harbor formula) the total Employer Matching Contributions provided under the Plan (whether or not such Employer Matching Contributions are provided under a Safe Harbor Matching Contribution formula) must not apply to any Section 401(k) Deferrals or Employee After-Tax Contributions that exceed 6% of Included Compensation. If an Employer Matching Contribution formula applies to both Section 401(k) Deferrals and Employee After-Tax Contributions, then the sum of such contributions that exceed 6% of Included Compensation must be disregarded under the formula.

(3) Limit on discretionary Employer Matching Contributions. For Plan Years beginning after December 31, 1999, the Plan will not satisfy the ACP Safe Harbor if the Employer elects to provide discretionary Employer Matching Contributions in addition to the Safe Harbor Matching Contribution, unless the Employer limits the aggregate amount of such discretionary Employer Matching Contributions under Part 4B, #16.b. to no more than 4 percent of the Employee's Included Compensation.

(4) Rate of Employer Matching Contribution may not increase. The Employer Matching Contribution formula may not provide a higher rate of match at higher levels of Section 401(k) Deferrals or Employee After-Tax Contributions.

(5) Limit on Employer Matching Contributions for Highly Compensated Employees. The Employer Matching Contributions made for any Highly Compensated Employee at any rate of Section 401(k) Deferrals and/or Employee After-Tax Contributions cannot be greater than the Employer Matching Contributions provided for any Nonhighly Compensated Employee at the same rate of Section 401(k) Deferrals and/or Employee After-Tax Contributions.

(6) Employee After-Tax Contributions. If the Plan permits Employee After-Tax Contributions, such contributions must satisfy the ACP Test, regardless of whether the Employer Matching Contributions under Plan are deemed to satisfy the ACP Test under this subsection (c). The ACP Test must be performed in accordance with subsection (d) below.

(d) Rules for applying the ACP Test. If the ACP Test must be performed under a Safe Harbor 401(k) Plan, either because there are Employee After-Tax Contributions, or because the Employer Matching Contributions do not satisfy the conditions described in subsection (c) above, the Current Year Testing Method must be used to perform such test, even if the Agreement specifies that the Prior Year Testing Method applies. In addition, the testing rules provided in IRS Notice 98-52 (or any successor guidance) are applicable in applying the ACP Test.

(e) Aggregated plans. If the Plan is aggregated with another plan under Section 17.5(a) or (b), then the Plan is not a Safe Harbor 401(k) Plan unless the conditions of this Section are satisfied on an aggregated basis.

(f) First year of plan. To qualify as a Safe Harbor 401(k) Plan, the Plan Year must be a 12-month period, except for the first year of the Plan, in which case the Plan may have a short Plan Year. In no case may the Plan have a short Plan Year of less than 3 months.

If the Plan has an initial Plan Year that is less than 12 months, for purposes of applying the Annual Additions Limitation under Article 7, the Limitation Year will be the 12-month period ending on the last day of the short Plan Year. Thus, no proration of the Defined Contribution Dollar Limitation will be required. (See Section 7.4(e).) In addition, the Employer's Included Compensation will be determined for the 12-month period ending on the last day of the short Plan Year.

17.7 Definitions. The following definitions apply for purposes of applying the provisions of this Article 17.

(a) ACP - Average Contribution Percentage. The ACP for a group is the average of the contribution percentages calculated separately for each Eligible Participant in the group. An Eligible Participant's contribution percentage is the ratio of the contributions made on behalf of the Participant that are included under the ACP Test, expressed as a percentage of the Participant's Testing Compensation for the Plan Year. For this purpose, the contributions included under the ACP Test are the sum of the Employee After-Tax Contributions, Employer Matching Contributions, and QMACs (to the extent not taken into account for purposes of the ADP test) made under the Plan on behalf of the Participant for the Plan Year. The ACP may also include other contributions as provided in Section 17.3(c), if applicable.

(b) ADP - Average Deferral Percentage. The ADP for a group is the average of the deferral percentages calculated separately for each Eligible Participant in the group. A Participant's deferral percentage is the ratio of the Participant's deferral contributions expressed as a percentage of the Participants Testing Compensation for the Plan Year. For this purpose, a Participant's deferral contributions include any Section 401(k) Deferrals made pursuant to the Participant's deferral election, including Excess Deferrals of Highly Compensated Employees (but excluding Excess Deferrals of Nonhighly Compensated Employees). The ADP may also include other contributions as provided in Section 17.2(c), if applicable.

In determining a Participant's deferral percentage for the Plan Year, a deferral contribution may be taken into account only if such contribution is allocated to the Participant's Account as of a date within the Plan Year. For this purpose, a deferral contribution may only be allocated to a Participant's Account within a particular Plan Year if the deferral contribution is actually paid to the Trust no later than the end of the 12-month period immediately following that Plan Year and the deferral contribution relates to Included Compensation that (1) would otherwise have been received by the Participant in that Plan Year or (2) is attributable to services performed in that Plan Year and would otherwise have been received by the Participant within 2 1/2 months after the close of that Plan Year. No formal election need be made by the Employer to use the 2 1/2-month rule described in the preceding sentence. However, deferral contributions may only be taken into account for a single Plan Year.

(c) Excess Aggregate Contributions. Excess Aggregate Contributions for a Plan Year are the amounts contributed on behalf of the Highly Compensated Employees that exceed the maximum amount permitted under the ACP Test for such Plan Year. The total dollar amount of Excess Aggregate Contributions for a Plan Year is determined by calculating the amount that would have to be distributed to the Highly Compensated Employees if the distributions were made first to the Highly Compensated Employee(s) with the highest contribution percentage until either:

(1) the adjusted ACP for the Highly Compensated Employee Group would reach a percentage that satisfies the ACP Test, or

(2) the contribution percentage of the Highly Compensated Employee(s) with the next highest contribution percentage would be reached.

This process is repeated until the adjusted ACP for the Highly Compensated Employee Group would satisfy the ACP Test. The total dollar amount so determined is then divided among the Highly Compensated

Employee Group in the manner described in Section 17.3(d)(1) to determine the actual corrective distributions to be made.

(d) Excess Contributions. Excess Contributions for a Plan Year are the amounts taken into account in computing the ADP of the Highly Compensated Employees that exceed the maximum amount permitted under the ADP Test for such Plan Year. The total dollar amount of Excess Contributions for a Plan Year is determined by calculating the amount that would have to be distributed to the Highly Compensated Employees if the distributions were made first to the Highly Compensated Employee(s) with the highest deferral percentage until either:

(1) the adjusted ADP for the Highly Compensated Employee Group would reach a percentage that satisfies the ADP Test, or

(2) the deferral percentage of the Highly Compensated Employee(s) with the next highest deferral percentage would be reached.

This process is repeated until the adjusted ADP for the Highly Compensated Employee Group would satisfy the ADP test. The total dollar amount so determined is then divided among the Highly Compensated Employee Group in the manner described in Section 17.2(d)(1) to determine the actual corrective distributions to be made.

(e) Highly Compensated Employee Group. The Highly Compensated Employee Group is the group of Eligible Participants who are Highly Compensated Employees for the current Plan Year. An Employee who makes a one-time irrevocable election not to participate in accordance with Section 1.10 (if authorized under Part 13, #75 of the Nonstandardized Agreement) will not be treated as an Eligible Participant.

(f) Nonhighly Compensated Employee Group. The Nonhighly Compensated Employee Group is the group of Eligible Participants who are Nonhighly Compensated Employees for the applicable Plan Year. If the Prior Year Testing Method is selected under Part 4F of the Agreement, the Nonhighly Compensated Employee Group is the group of Eligible Participants in the prior Plan Year who were Nonhighly Compensated Employees for that year. If the Current Year Testing Method is selected under Part 4F of the Agreement, the Nonhighly Compensated Employee Group is the group of Eligible Participants who are Nonhighly Compensated Employees for the current Plan Year. An Employee who makes a one-time irrevocable election not to participate in accordance with Section 1.10 (if authorized under Part 13, #75 of the Nonstandardized Agreement) will not be treated as an Eligible Participant.

(g) QMACs - Qualified Matching Contribution. To the extent authorized under Part 4B, #18 of the Agreement, QMACs are Employer Matching Contributions which are 100% vested when contributed to the Plan and are subject to the distribution restrictions applicable to Section 401(k) Deferrals under Article 8, except that no portion of a Participant's QMAC Account may be distributed from the Plan on account of Hardship. See Section 8.6(c).

(h) QNECs - Qualified Nonelective Contributions. To the extent authorized under Part 4C, #22 of the Agreement, QNECs are Employer Nonelective Contributions which are 100% vested when contributed to the Plan and are subject to the distribution restrictions applicable to Section 401(k) Deferrals under Article 8, except that no portion of a Participant's QNEC Account may be distributed from the Plan on account of Hardship. See Section 8.6(c).

(i) Testing Compensation. In determining the Testing Compensation used for purposes of applying the ADP Test, the ACP Test, and the Multiple Use Test, the Plan Administrator is not bound by any elections made under Part 3 of the Agreement with respect to Total Compensation or Included Compensation under the Plan. The Plan Administrator may determine on an annual basis (and within its discretion) the components of Testing Compensation for purposes of applying the ADP Test, the ACP Test and the Multiple Use Test. Testing Compensation must qualify as a nondiscriminatory definition of compensation under Code(S)414(s) and the regulations thereunder and must be applied consistently to all Participants. Testing Compensation may be determined over the Plan Year for which the applicable test is being performed or the calendar year ending within such Plan Year. In determining Testing Compensation, the Plan Administrator may take into consideration only the compensation received while the Employee is an Eligible Participant under the component of the Plan being tested. In no event may Testing Compensation for any Participant exceed the Compensation Dollar Limitation defined in Section 22.32. In determining Testing Compensation, the Plan Administrator may exclude amounts paid to an individual as severance pay to the extent such amounts are paid after the common-law employment relationship between the individual and the Employer has terminated, provided such amounts also are excluded in determining Total Compensation under 22.197.

ARTICLE 18
PLAN AMENDMENTS AND TERMINATION

This Article contains the rules regarding the ability of the Prototype Sponsor or Employer to make Plan amendments and the effect of such amendments on the Plan. This Article also contains the rules for administering the Plan upon termination and the effect of Plan termination on Participants' benefits and distribution rights.

18.1 Plan Amendments.

(a) Amendment by the Prototype Sponsor. The Prototype Sponsor may amend the Prototype Plan on behalf of each adopting Employer who is maintaining the Plan at the time of the amendment. An amendment by the Prototype Sponsor to the Basic Plan Document does not require consent of the adopting Employers, nor does an adopting Employer have to reexecute its Agreement with respect to such an amendment. The Prototype Sponsor will provide each adopting Employer a copy of the amended Basic Plan Document (either by providing substitute or additional pages, or by providing a restated Basic Plan Document). An amendment by the Prototype Sponsor to any Agreement offered under the Prototype Plan is not effective with respect to an Employer's Plan unless the Employer reexecutes the amended Agreement.

If the Prototype Plan is amended by the mass submitter, the mass submitter is treated as the agent of the Prototype Sponsor. If the Prototype Sponsor does not adopt any amendments made by the mass submitter, the Prototype Plan will no longer be identical to or a minor modifier of the mass submitter Prototype Plan.

(b) Amendment by the Employer. The Employer shall have the right at any time to amend the Agreement in the following manner without affecting the Plan's status as a Prototype Plan. (The ability to amend the Plan as authorized under this Section applies only to the Employer that executes the Signature Page of the Agreement. Any amendment to the Plan by the Employer under this Section also applies to any Related Employer that participates under the Plan as a Co-Sponsor.)

(1) The Employer may change any optional selections under the Agreement.

(2) The Employer may add additional language where authorized under the Agreement, including language necessary to satisfy Code (S)415 or Code (S)416 due to the aggregation of multiple plans.

(3) The Employer may change the administrative selections under Part 12 of the Agreement by replacing the appropriate page(s) within the Agreement. Such amendment does not require reexecution of the Signature Page of the Agreement.

(4) The Employer may add any model amendments published by the IRS which specifically provide that their adoption will not cause the Plan to be treated as an individually designed plan.

(5) The Employer may adopt any amendments that it deems necessary to satisfy the requirements for resolving qualification failures under the IRS' compliance resolution programs.

(6) The Employer may adopt an amendment to cure a coverage or nondiscrimination testing failure, as permitted under applicable Treasury regulations.

The Employer may amend the Plan at any time for any other reason, including a waiver of the minimum funding requirement under Code (S)412(d). However, such an amendment will cause the Plan to lose its status as a Prototype Plan and become an individually designed plan.

The Employer's amendment of the Plan from one type of Defined Contribution Plan (e.g., a money purchase plan) into another type of Defined Contribution Plan (e.g., a profit sharing plan) will not result in a partial termination or any other event that would require full vesting of some or all Plan Participants.

Any amendment that affects the rights, duties or responsibilities of the Trustee or Plan Administrator may only be made with the Trustee's or Plan Administrator's written consent. Any amendment to the Plan must be in writing and a copy of the resolution (or similar instrument) setting forth such amendment (with the applicable effective date of such amendment) must be delivered to the Trustee.

No amendment may authorize or permit any portion of the assets held under the Plan to be used for or diverted to a purpose other than the exclusive benefit of Participants or their Beneficiaries, except to the extent such assets are used to pay taxes or administrative expenses of the Plan. An amendment also may not cause or permit any portion of the assets held under the Plan to revert to or become property of the Employer.

(c) Protected Benefits. Except as permitted under statute (such as Code(S)412(c)(8)), regulations (such as Treas. Reg.(S) 1.411(d)-4), or other IRS guidance of general applicability, no Plan amendment (or other transaction having the effect of a Plan amendment, such as a merger, acquisition, plan transfer, or similar transaction) may reduce a Participant's Account Balance or eliminate or reduce a Protected Benefit to the extent such Protected Benefit relates to amounts accrued prior to the adoption date (or effective date, if later) of the Plan amendment. For this purpose, Protected Benefits include any early retirement benefits, retirement-type subsidies, and optional forms of benefit (as defined under the regulations). If the adoption of this Plan will result in the elimination of a Protected Benefit, the Employer may preserve such Protected Benefit by identifying the Protected Benefit in accordance with Part 13, #58 of the Agreement [Part 13, #76 of the 401(k) Agreement]. Failure to identify Protected Benefits under the Agreement will not override the requirement that such Protected Benefits be preserved under this Plan. The availability of each optional form of benefit under the Plan must not be subject to Employer discretion.

Effective for amendments adopted and effective on or after September 6, 2000, if the Plan is a profit sharing plan or a 401(k) plan, the Employer may eliminate all annuity and installment forms of distribution (including the QJSA form of benefit to the extent the Plan is not required to offer such form of benefit under Article 9), provided the Plan offers a single-sum distribution option that is available at the same time as the annuity or installment options that are being eliminated. If the Plan is a money purchase plan or a target benefit plan, the Employer may not eliminate the QJSA form of benefit. However, the Employer may eliminate all other annuity and installment forms of distribution, provided the Plan offers a single-sum distribution option that is available at the same time as the annuity or installment options that are being eliminated. Any amendment eliminating an annuity or installment form of distribution may not be effective until the earlier of: (1) the date which is the 90th day following the date a summary of the amendment is furnished to the Participant which satisfies the requirements under DOL Reg. (S)2520.104b-3 or (2) the first day of the second Plan Year following the Plan Year in which the amendment is adopted.

18.2 Plan Termination. The Employer may terminate this Plan at any time by delivering to the Trustee and Plan Administrator written notice of such termination.

(a) Full and immediate vesting. Upon a full or partial termination of the Plan (or in the case of a profit sharing plan, the complete discontinuance of contributions), all amounts credited to an affected Participant's Account become 100% vested, regardless of the Participant's vested percentage determined under Article 4. The Plan Administrator has discretion to determine whether a partial termination has occurred.

(b) Distribution procedures. Upon the termination of the Plan, the Plan Administrator shall direct the distribution of Plan assets to Participants in accordance with the provisions under Article 8. For this purpose, distribution shall be made to Participants with vested Account Balances of $5,000 or less in lump sum as soon as administratively feasible following the Plan termination, regardless of any contrary election under Part 9, #34 of the Agreement [Part 9, #52 of the 401(k) Agreement]. For Participants with vested Account Balances in excess of $5,000, distribution will be made through the purchase of deferred annuity contracts which protect all Protected Benefits under the Plan, unless a Participant elects to receive an immediate distribution in any form of payment permitted under the Plan. If an immediate distribution is elected in a form other than a lump sum, the distribution will be satisfied through the purchase of an immediate annuity contract. Distributions will be made as soon as administratively feasible following the Plan termination, regardless of any contrary election under Part 9, #33 of the Agreement [Part 9, #51 of the 401(k) Agreement]. The references in this paragraph to $5,000 shall be deemed to mean $3,500, prior to the time the $5,000 threshold becomes effective under the Plan (as determined in Section 8.3(f)).

For purposes of applying the provisions of this subsection (b), distribution may be delayed until the Employer receives a favorable determination letter from the IRS as to the qualified status of the Plan upon termination, provided the determination letter request is made within a reasonable period following the termination of the Plan.

(1) Special rule for certain profit sharing plans. If this Plan is a profit sharing plan, distribution will be made to all Participants, without consent, as soon as administratively feasible following the termination of the Plan, without regard to the value of the Participants' vested Account Balance. This special rule applies only if the Plan does not provide for an annuity option under Part 11 of the Agreement and the Employer does not maintain any other Defined Contribution Plan (other than an ESOP) at any time between the termination of the Plan and the distribution.

(2) Special rule for 401(k) plans. Section 401(k) Deferrals, QMACs, QNECs, Safe Harbor Matching Contributions and Safe Harbor Nonelective Contributions under a 401(k) plan (as well as

transferred assets (see Section 3.3(c)(3)) which are subject to the distribution restrictions applicable to Section 401(k) Deferrals) may be distributed in a lump sum upon Plan termination only if the Employer does not maintain a Successor Plan at any time during the period beginning on the date of termination and ending 12 months after the final distribution of all Plan assets. For this purpose,

a Successor Plan is any Defined Contribution Plan, other than an ESOP (as defined in Code (S)4975(e)(7)), a SEP (as defined in Code (S)408(k)), or a SIMPLE IRA (as defined in Code (S)408(p)). A plan will not be considered a Successor Plan, if at all times during the 24-month period beginning 12 months before the Plan termination, fewer than 2% of the Eligible Participants under the 401(k) plan are eligible under such plan. A distribution of these contributions may be made to the extent another distribution event permits distribution of such amounts.

(3) Plan termination not distribution event if assets are transferred to another Plan. If, pursuant to the termination of the Plan, the Employer enters into a transfer agreement to transfer the assets of the terminated Plan to another plan maintained by the Employer (or by a successor employer in a transaction involving the acquisition of the Employer's stock or assets, or other similar transaction), the termination of the Plan is not a distribution event and the distribution procedures above do not apply. Prior to the transfer of the assets, distribution of a Participant's Account Balance may be made from the terminated Plan only to a Participant (or Beneficiary, if applicable) who is otherwise eligible for distribution without regard to the Plan's termination. Otherwise, benefits will be distributed from the transferee plan in accordance with the terms of that plan (subject to the protection of any Protected Benefits that must be continued with respect to the transferred assets).

(c) Termination upon merger, liquidation or dissolution of the Employer. The Plan shall terminate upon the liquidation or dissolution of the Employer or the death of the Employer (if the Employer is a sole proprietor) provided however, that in any such event, arrangements may be made for the Plan to be continued by any successor to the Employer.

18.3 Merger or Consolidation. In the event the Plan is merged or consolidated with another plan, each Participant must be entitled to a benefit immediately after such merger or consolidation that is at least equal to the benefit the Participant would have been entitled to had the Plan terminated immediately before such merger or consolidation. (See Section 4.1(d) for rules regarding vesting following a merger or consolidation.) The Employer may authorize the Trustee to enter into a merger agreement with the Trustee of another plan to effect such merger or consolidation. A merger agreement entered into by the Trustee is not part of this Plan and does not affect the Plan's status as a Prototype Plan. (See Section 3.3 for the applicable rules where amounts are transferred to this Plan from another plan.)

ARTICLE 19
MISCELLANEOUS

This Article contains miscellaneous provisions concerning the Employer's and Participants' rights and responsibilities under the Plan.

19.1 Exclusive Benefit. Except as provided under Section 19.2, no part of the Plan assets (including any corpus or income of the Trust) may revert to the Employer prior to the satisfaction of all liabilities under the Plan nor will such Plan assets be used for, or diverted to, a purpose other than the exclusive benefit of Participants or their Beneficiaries.

19.2 Return of Employer Contributions. Upon written request by the Employer, the Trustee must return any Employer Contributions provided that the circumstances and the time frames described below are satisfied. The Trustee may request the Employer to provide additional information to ensure the amounts may be properly returned. Any amounts returned shall not include earnings, but must be reduced by any losses.

(a) Mistake of fact. Any Employer Contributions made because of a mistake of fact must be returned to the Employer within one year of the contribution.

(b) Disallowance of deduction. Employer Contributions to the Trust are made with the understanding that they are deductible. In the event the deduction of an Employer Contribution is disallowed by the IRS, such contribution (to the extent disallowed) must be returned to the Employer within one year of the disallowance of the deduction.

(c) Failure to initially qualify. Employer Contributions to the Plan are made with the understanding, in the case of a new Plan, that the Plan satisfies the qualification requirements of Code(S)401 (a) as of the Plan's Effective Date. In the event that the Internal Revenue Service determines that the Plan is not initially qualified under the Code, any Employer Contributions (and allocable earnings) made incident to that initial qualification must be returned to the Employer within one year after the date the initial qualification is denied, but only if the application for the qualification is made by the time prescribed by law for filing the employer's return for the taxable year in which the plan is adopted, or such later date as the Secretary of the Treasury may prescribe.

19.3 Alienation or Assignment. Except as permitted under applicable statute or regulation, a Participant or Beneficiary may not assign, alienate, transfer or sell any right or claim to a benefit or distribution from the Plan, and any attempt to assign, alienate, transfer or sell such a right or claim shall be void, except as permitted by statute or regulation. Any such right or claim under the Plan shall not be subject to attachment, execution, garnishment, sequestration, or other legal or equitable process. This prohibition against alienation or assignment also applies to the creation, assignment, or recognition of a right to a benefit payable with respect to a Participant pursuant to a domestic relations order, unless such order is determined to be a QDRO pursuant to Section 11.5, or any domestic relations order entered before January 1, 1985.

19.4 Participants' Rights. The adoption of this Plan by the Employer does not give any Participant, Beneficiary, or Employee a right to continued employment with the Employer and does not affect the Employer's right to discharge an Employee or Participant at any time. This Plan also does not create any legal or equitable rights in favor of any Participant, Beneficiary, or Employee against the Employer, Plan Administrator or Trustee. Unless the context indicates otherwise, any amendment to this Plan is not applicable to determine the benefits accrued (and the extent to which such benefits are vested) by a Participant or former Employee whose employment terminated before the effective date of such amendment, except where application of such amendment to the terminated Participant or former Employee is required by statute, regulation or other guidance of general applicability. Where the provisions of the Plan are ambiguous as to the application of an amendment to a terminated Participant or former Employee, the Plan Administrator has the authority to make a final determination on the proper interpretation of the Plan.

19.5 Military Service. To the extent required under Code (S)414(u), an Employee who returns to employment with the Employer following a period of qualified military service will receive any contributions, benefits and service credit required under Code (S)414(u), provided the Employee satisfies all applicable requirements under the Code and regulations.

19.6 Paired Plans. If the Employer adopts more than one Standardized Agreement, each of the Standardized Agreements are considered to be Paired Plans, provided the Employer completes Part 13, #54 of the Agreement [Part 13, #72 of the 401(k) Agreement] in a manner which ensures the plans together comply with the Annual Additions Limitation, as described in Article 7, and the Top-Heavy Plan rules, as described in Article 16. If the Employer adopts Paired Plans, each Plan must have the same Plan Year.

19.7 Annuity Contract. Any annuity contract distributed under the Plan must be nontransferable. In addition, the terms of any annuity contract purchased and distributed to a Participant or to a Participant's spouse must comply with all requirements under this Plan.

19.8 Use of IRS compliance programs. Nothing in this Plan document should be construed to limit the availability of the IRS' voluntary compliance programs, including the IRS Administrative Policy Regarding Self-Correction (APRSC) program. An Employer may take whatever corrective actions are permitted under the IRS voluntary compliance programs, as is deemed appropriate by the Plan Administrator or Employer.

19.9 Loss of Prototype Status. If the Plan as adopted by the Employer fails to attain or retain qualification, such Plan will no longer qualify as a Prototype Plan and will be considered an individually-designed plan.

19.10 Governing Law. The provisions of this Plan shall be construed, administered, and enforced in accordance with the provisions of applicable Federal Law and, to the extent applicable, the laws of the state in which the Trustee has its principal place of business. The foregoing provisions of this Section shall not preclude the Employer and the Trustee from agreeing to a different state law with respect to the construction, administration and enforcement of the Plan.

19.11 Waiver of Notice. Any person entitled to a notice under the Plan may waive the right to receive such notice, to the extent such a waiver is not prohibited by law, regulation or other pronouncement.

19.12 Use of Electronic Media. The Plan Administrator may use telephonic or electronic media to satisfy any notice requirements required by this Plan, to the extent permissible under regulations (or other generally applicable guidance). In addition, a Participant's consent to immediate distribution, as required by Article 8, may be provided through telephonic or electronic means, to the extent permissible under regulations (or other generally applicable guidance). The Plan Administrator also may use telephonic or electronic media to conduct plan transactions such as enrolling participants, making (and changing) salary reduction elections, electing (and changing) investment allocations, applying for Plan loans, and other transactions, to the extent permissible under regulations (or other generally applicable guidance).

19.13 Severability of Provisions. In the event that any provision of this Plan shall be held to be illegal, invalid or unenforceable for any reason, the remaining provisions under the Plan shall be construed as if the illegal, invalid or unenforceable provisions had never been included in the Plan.

19.14 Binding Effect. The Plan, and all actions and decisions made thereunder, shall be binding upon all applicable parties, and their heirs, executors, administrators, successors and assigns.

ARTICLE 20
GUST ELECTIONS AND EFFECTIVE DATES

The provisions of this Plan are generally effective as of the Effective Date designated on the Signature Page of the Agreement. Appendix A of the Agreement also allows for special effective dates for specified provisions of the Plan, which override the general Effective Date under the Agreement. Section 22.96 refers to a series of laws that have been enacted since 1994 as the GUST Legislation, for which extended time (known as the remedial amendment period) was provided to Employers to conform their plan documents to such laws. This Article prescribes special effective date rules for conforming plans to the GUST Legislation.

20.1 GUST Effective Dates. If the Agreement is adopted within the remedial amendment period for the GUST Legislation, and the Plan has not previously been restated to comply with the GUST Legislation, then special effective dates apply to certain provisions. These special effective dates apply to the appropriate provisions of the Plan, even if such special effective dates are earlier than the Effective Date identified on the Signature Page of the Agreement. The Employer may specify in elections provided in Appendix B of the Agreement, how the Plan was operated to comply with the GUST Legislation. Appendix B need only be completed if the Employer operated this Plan in a manner that is different from the default provisions contained in this Plan or the elective choices made under the Agreement. If the Employer did not operate the Plan in a manner that is different from the default provisions or elective provisions of the Plan or, if the Plan is not being restated for the first time to comply with the GUST Legislation, and prior amendments or restatements of the Plan satisfied the requirement to amend timely to comply with the GUST Legislation, Appendix B need not be completed and may be removed from the Agreement.

If one or more qualified retirement plans have been merged into this Plan, the provisions of the merging plan(s) will remain in full force and effect until the Effective Date of the plan merger(s), unless provided otherwise under Appendix A-12 of the Agreement [Appendix A-16 of the 401(k) Agreement]. If the merging plan(s) have not been amended to comply with the changes required under the GUST Legislation, the merging plan(s) will be deemed amended retroactively for such required changes by operation of this Agreement. The provisions required by the GUST Legislation (as provided under this BPD and related Agreements) will be effective for purposes of the merging plan(s) as of the same effective date that is specified for that GUST provision in this BPD and Appendix B of the Agreement (even if that date precedes the general Effective Date specified in the Agreement).

20.2 Highly Compensated Employee Definition. The definition of Highly Compensated Employee under Section 22.99 is modified effective for Plan Years beginning after December 31, 1996. Under the current definition of Highly Compensated Employee, the Employer must designate under the Plan whether it is using the Top-Paid Group Test and whether it is using the Calendar Year Election or, for the 1997 Plan Year, whether it used the Old-Law Calendar Year Election.

(a) Top-Paid Group Test. In determining whether an Employee is a Highly Compensated Employee, the Top-Paid Group Test under Section 22.99(b)(4) does not apply unless the Employer specifically elects under Part 13, #50.a. of the Agreement [Part 13, #68.a. of the 401(k) Agreement] to have the Top-Paid Group Test apply. The Employer's election to use or not use the Top-Paid Group Test generally applies for all years beginning with the Effective Date of the Plan (or the first Plan Year beginning after December 31, 1996, if later). However, because the Employer may not have operated the Plan consistent with this Top-Paid Group Test election for all years prior to the date this Plan restatement is adopted, Appendix B-1.a. of the Agreement also permits the Employer to override the Top-Paid Group Test election under this Plan for specified Plan Years beginning after December 31, 1996, and before the date this Plan restatement is adopted.

(b) Calendar Year Election. In determining whether an Employee is a Highly Compensated Employee, the Calendar Year Election under Section 22.99(b)(5) does not apply unless the Employer specifically elects under Part 13, #50.b. of the Agreement [Part 13, #68.b. of the 401(k) Agreement] to have the Calendar Year Election apply. The Employer's election to use or not use the Calendar Year Election is generally effective for all years beginning with the Effective Date of this Plan (or the first Plan Year beginning after December 31, 1996, if later). However, because the Employer may not have operated the Plan consistent with this Calendar Year Election for all years prior to the date this Plan restatement is adopted, Appendix B-1.b. of the Agreement permits the Employer to override the Calendar Year Election under this Plan for specified Plan Years beginning after December 31, 1996, and before the date this Plan restatement is adopted.

(c) Old-Law Calendar Year Election. In determining whether an Employee was a Highly Compensated Employee for the Plan Year beginning in 1997, a special Old-Law Calendar Year Election was available. (See Section 22.99(b)(6) for the definition of the Old-Law Calendar Year Election.) Appendix B-1.c. of the Agreement permits the Employer to designate whether it used the Old-Law Calendar Year Election for the 1997 Plan Year. If the Employer did not use the Old-Law Calendar Year Election, the election in Appendix B-1.c. need not be completed.

20.3 Required Minimum Distributions. Appendix B-2 of the Agreement permits the Employer to designate how it complied with the GUST Legislation changes to the required minimum distribution rules. Section 10.4 describes the application of the GUST Legislation changes to the required minimum distribution rules.

20.4 $5,000 Involuntary Distribution Threshold. For Plan Years beginning on or after August 5, 1997, a Participant (and spouse, if the Joint and Survivor Annuity rules apply under Article 9) must consent to a distribution from the Plan if the Participant's vested Account Balance exceeds $5,000. (See Section 8.3(e) for the applicable rules for determining the value of a Participant's vested Account Balance.) For Plan Years beginning before August 5, 1997, the consent threshold was $3,500 instead of $5,000.

The increase in the consent threshold to $5,000 is generally effective for Plan Years beginning on or after August 5, 1997. However, because the Employer may not have operated the Plan consistent with the $5,000 threshold for all years prior to the date this Plan restatement was adopted, Appendix B-3.a. of the Agreement permits the Employer to designate the Plan Year during which it began applying the higher $5,000 consent threshold. If the Employer began applying the $5,000 consent threshold for Plan Years beginning on or after August 5, 1997, Appendix B-3.a. need not be completed. If the Employer did not begin using the $5,000 consent threshold until some later date, the Employer must designate the appropriate date in Appendix B-3.a.

20.5 Repeal of Family Aggregation for Allocation Purposes. For Plan Years beginning on or after January 1, 1997, the family aggregation rules were repealed. For Plan Years beginning before January 1, 1997, the family aggregation rules required that family members of a Five-Percent Owner or one of the 10 Employees with the highest ownership interest in the Employer were aggregated as a single Highly Compensated Employee for purposes of determining such individuals' share of any contributions under the Plan. In determining the allocation for such aggregated individuals, the Compensation Dollar Limitation (as defined in Section 22.32) was applied on an aggregated basis with respect to the Five-Percent Owner or top- 10 owner, his/her spouse, and his/her minor children (under the age of 19).

The family aggregation rules were repealed effective for Plan Years beginning on or after January 1, 1997. However, because the Employer may not have operated the Plan consistent with the repeal of family aggregation for all years prior to the date this Plan restatement is adopted, Appendix B-3.b. of the Agreement permits the Employer to designate the Plan Year during which it repealed family aggregation for allocation purposes. If the Employer implemented the repeal of family aggregation for Plan Years beginning on or after January 1, 1997, Appendix B-3.b. need not be completed. If the Employer did not implement the repeal of family aggregation until some later date, the Employer must designate the appropriate date in Appendix B-3.b.

20.6 ADP/ACP Testing Methods. The GUST Legislation modified the nondiscrimination testing rules for Section 401(k) Deferrals, Employer Matching Contributions, and Employee After-Tax Contributions, effective for Plan Years beginning after December 31, 1996. For purposes of applying the ADP Test and ACP Test under the 401(k) Agreement, the Employer must designate the testing methodology used for each Plan Year. (See Article 17 for the definition of the ADP Test and the ACP Test and the applicable testing methodology.)

Part 4F of the 401(k) Agreement contains elective provisions for the Employer to designate the testing methodology it will use in performing the ADP Test and the ACP Test. Appendix B-5.a. of the 401(k) Agreement contains elective provisions for the Employer to designate the testing methodology it used for Plan Years that began before the adoption of the Agreement.

20.7 Safe Harbor 401(k) Plan. Effective for Plan Years beginning after December 31, 1998, the Employer may elect under Part 4E of the 401(k) Agreement to apply the Safe Harbor 401(k) Plan provisions. To qualify as a Safe Harbor 401(k) Plan for a Plan Year, the Plan must be identified as a Safe Harbor 401(k) Plan for such year.

If the Employer elects under Part 4E to apply the Safe Harbor 401(k) Plan provisions, the Plan generally will be considered a Safe Harbor Plan for all Plan Years beginning with the Effective Date of the Plan (or January 1, 1999, if later). Likewise, if the Employer does not elect to apply the Safe Harbor 401(k) provisions, the Plan generally will not be considered a Safe Harbor Plan for such year. However, because the Employer may have operated the Plan as a Safe Harbor 401(k) Plan for Plan Years prior to the Effective Date of this Plan or may not have operated the Plan consistent with its election under Part 4E to apply (or to not apply) the Safe Harbor 401(k) Plan provisions for all years prior to the date this Plan restatement is adopted, Appendix B-5.b. of the 401(k) Agreement permits the Employer to designate any Plan Year in which the Plan was (or was not) a Safe Harbor 401(k) Plan. Appendix B-5.b. should only be completed if the Employer operated this Plan prior to date it was actually adopted in a manner that is inconsistent with the election made under Part 4E of the Agreement.

If the Employer elects under Appendix B-5.b. of the Agreement to apply the Safe Harbor 401(k) Plan provisions for any Plan Year beginning prior to the date this Plan is adopted, the Plan must have complied with the requirements under Section 17.6 for such year. The type and amount of the Safe Harbor Contribution for such Plan Year(s) is the type and amount of contribution described in the Participant notice issued pursuant to Section 17.6(a)(4) for such Plan Year.

ARTICLE 21
PARTICIPATION BY RELATED EMPLOYERS (CO-SPONSORS)

21.1 Co-Sponsor Adoption Page. A Related Employer may elect to participate under this Plan by executing a Co-Sponsor Adoption Page under the Agreement. By executing a Co-Sponsor Adoption Page, the Co-Sponsor adopts all the provisions of the Plan, including the elective choices made by the Employer under the Agreement. The Co-Sponsor is also bound by any amendments made to the Plan in accordance with Article 18. The Co-Sponsor agrees to use the same Trustee as is designated on the Trustee Declaration under the Agreement. except as provided in a separate trust agreement authorized under Article 12.

21.2 Participation by Employees of Co-Sponsor. A Related Employer may not contribute to this Plan unless it executes the Co-Sponsor Adoption Page. (See Section 1.3 for a discussion of the eligibility rules as they apply to Employees of Related Employers who do not execute a Co-Sponsor Adoption Page.) However, in applying the provisions of this Plan, Total Compensation (as defined in Section 22.197) includes amounts earned with a Related Employer, regardless of whether such Related Employer executes a Co-Sponsor Adoption Page. The Employer may elect under Part 3, #10.b.(7) of the Nonstandardized Agreement [Part 3, #10.i. of the Nonstandardized 401(k) Agreement] to exclude amounts earned with a Related Employer that does not execute a Co-Sponsor Page for purposes of determining an Employee's Included Compensation under the Plan.

21.3 Allocation of Contributions and Forfeitures. Unless selected otherwise under the Co-Sponsor Adoption Page, any contributions made by a Co-Sponsor (and any forfeitures relating to such contributions) will be allocated to all Eligible Participants employed by the Employer and Co-Sponsors in accordance with the provisions under this Plan. Under a Nonstandardized Agreement, a Co-Sponsor may elect under the Co-Sponsor Page to allocate its contributions (and forfeitures relating to such contributions) only to the Eligible Participants employed by the Co-Sponsor making such contributions. If so elected, Employees of the Co-Sponsor will not share in an allocation of contributions (or forfeitures relating to such contributions) made by any other Related Employer (except in such individual's capacity as an Employee of that other Related Employer). Where contributions are allocated only to the Employees of a contributing Co-Sponsor, the Plan Administrator will maintain a separate accounting of an Employee's Account Balance attributable to the contributions of a particular Co-Sponsor. This separate accounting is necessary only for contributions that are not 100% vested, so that the allocation of forfeitures attributable to such contributions can be allocated for the benefit of the appropriate Employees. An election to allocate contributions and forfeitures only to the Eligible Participants employed by the Co-Sponsor making such contributions will preclude the Plan from satisfying the nondiscrimination safe harbor rules under Treas. Reg. (S) 1.401(a)(4)-2 and may require additional nondiscrimination testing.

21.4 Co-Sponsor No Longer a Related Employer. If a Co-Sponsor becomes a Former Related Employer because of an acquisition or disposition of stock or assets, a merger, or similar transaction, the Co-Sponsor will cease to participate in the Plan as soon as administratively feasible. If the transition rule under Code (S)410(b)(6)(C) applies, the Co-Sponsor will cease to participate in the Plan as soon as administratively feasible after the end of the transition period described in Code (S)410(b)(6)(C). If a Co-Sponsor ceases to be a Related Employer under this Section 21.4, the following procedures may be followed to discontinue the Co-Sponsor's participation in the Plan.

(a) Manner of discontinuing participation. To document the cessation of participation by a Former Related Employer, the Former Related Employer may discontinue its participation as follows: (1) the Former Related Employer adopts a resolution that formally terminates active participation in the Plan as of a specified date, (2) the Employer that has executed the Signature Page of the Agreement reexecutes such page, indicating an amendment by page substitution through the deletion of the Co-Sponsor Adoption Page executed by the Former Related Employer, and (3) the Former Related Employer provides any notices to its Employees that are required by law. Discontinuance of participation means that no further benefits accrue after the effective date of such discontinuance with respect to employment with the Former Related Employer. The portion of the Plan attributable to the Former Related Employer may continue as a separate plan, under which benefits may continue to accrue, through the adoption by the Former Related Employer of a successor plan (which may be created through the execution of a separate Agreement by the Former Related Employer) or by spin-off of that portion of the Plan followed by a merger or transfer into another existing plan, as specified in a merger or transfer agreement.

(b) Multiple employer plan. If, after a Co-Sponsor becomes a Former Related Employer, its Employees continue to accrue benefits under this Plan, the Plan will be treated as a multiple employer plan to the extent required by law. So long as the discontinuance procedures of this Section are satisfied, such treatment as a multiple employer plan will not affect reliance on the favorable IRS letter issued to the Prototype Sponsor or any determination letter issued on the Plan.

21.5 Special Rules for Standardized Agreements. As stated in Section 1.3(b) of this BPD, under a Standardized Agreement each Related Employer (who has Employees who may be eligible to participate in the Plan) is required to execute a Co-Sponsor Adoption Page. If a Related Employer fails to execute a Co-Sponsor Adoption Page, the Plan will be treated as an

individually-designed plan, except as provided in subsections (a) and (b) below. Nothing in this

Plan shall be construed to treat a Related Employer as participating in the Plan in the absence of a Co-Sponsor Adoption Page executed by that Related Employer.

(a) New Related Employer. If an organization becomes a New Related Employer after the Effective Date of the Agreement by reason of an acquisition or disposition of stock or assets, a merger, or similar transaction, the New Related Employer must execute a Co-Sponsor Page no later than the end of the transition period described in Code (S)410(b)(6)(C). Participation of the New Related Employer must be effective no later than the first day of the Plan Year that begins after such transition period ends. If the transition period in Code (S)410(b)(6)(C) is not applicable, the effective date of the New Related Employer's participation in the Plan must be no later than the date it became a Related Employer.

(b) Former Related Employer. If an organization ceases to be a Related Employer (Former Related Employer), the provisions of Section 21.4, relating to discontinuance of participation, apply.

Under the Standardized Agreement, if the rules of subsections (a) or (b) are followed, the Employer may continue to rely on the favorable IRS letter issued to the Prototype Sponsor during any period in which a New Related Employer is not participating in the Plan or a Former Related Employer continues to participate in the Plan. If the rules of subsections (a) or (b) are not followed, the Plan is treated as an individually-designed plan for any period of such noncompliance.

ARTICLE 22
PLAN DEFINITIONS

This Article contains definitions for common terms that are used throughout the Plan. All capitalized terms under the Plan are defined in this Article. Where applicable, this Article will refer to other Sections of the Plan where the term is defined.

22.1 Account. The separate Account maintained for each Participant under the Plan. To the extent applicable, a Participant may have any (or all) of the following separate sub-Accounts within his/her Account: Employer Contribution Account, Section 401(k) Deferral Account, Employer Matching Contribution Account, QMAC Account, QNEC Account, Employee After-Tax Contribution Account, Safe Harbor Matching Contribution Account, Safe Harbor Nonelective Contribution Account, Rollover Contribution Account, and Transfer Account. The Transfer Account also may have any (or all) of the sub-Accounts listed above. The Plan Administrator may maintain other sub-Accounts, if necessary, for proper administration of the Plan.

22.2 Account Balance. A Participant's Account Balance is the total value of all Accounts (whether vested or not) maintained for the Participant. A Participant's vested Account Balance includes only those amounts for which the Participant has a vested interest in accordance with the provisions under Article 4 and Part 6 of the Agreement. A Participant's Section 401(k) Deferral Account, QMAC Account, QNEC Account, Employee After-Tax Contribution Account, Safe Harbor Matching Contribution Account, Safe Harbor Nonelective Contribution Account, and Rollover Contribution Account are always 100% vested.

22.3 Accrued Benefit. If referred to in the context of a Defined Contribution Plan, the Accrued Benefit is the Account Balance. If referred to in the context of a Defined Benefit Plan, the Accrued Benefit is the benefit accrued under the benefit formula prescribed by the Defined Benefit Plan.

22.4 ACP -- Average Contribution Percentage. The average of the contribution percentages for the Highly Compensated Employee Group and the Nonhighly Compensated Employee Group, which are tested for nondiscrimination under the ACP Test. See Section 17.7(a).

22.5 ACP Test -- Actual Contribution Percentage Test. The special nondiscrimination test that applies to Employer Matching Contributions and/or Employee After-Tax Contributions under the 401(k) Agreement. See Section 17.3.

22.6 Actual Hours Crediting Method. The Actual Hours Crediting Method is a method for counting service for purposes of Plan eligibility and vesting. Under the Actual Hours Crediting Method, an Employee is credited with the actual Hours of Service the Employee completes with the Employer or the number of Hours of Service for which the Employee is paid (or entitled to payment).

22.7 Adoption Agreement. See the definition for Agreement.

22.8 ADP -- Average Deferral Percentage. The average of the deferral percentages for the Highly Compensated Employee Group and the Nonhighly Compensated Employee Group, which are tested for nondiscrimination under the ADP Test. See Section 17.7(b).

22.9 ADP Test -- Actual Deferral Percentage Test. The special nondiscrimination test that applies to Section 401(k) Deferrals under the 401(k) Agreement. See Section 17.2.

22.10 Agreement. The Agreement (sometimes referred to as the "Adoption Agreement") contains the elective provisions under the Plan that an Employer completes to supplement or modify the provisions under the BPD. Each Employer that adopts this Plan must complete and execute the appropriate Agreement. An Employer may adopt more than one Agreement under this Prototype Plan. Each executed Agreement is treated as a separate Plan and Trust. For example, if an Employer executes a profit sharing plan Agreement and a money purchase plan Agreement, the Employer is treated as maintaining two separate Plans under this Prototype Plan document. An Agreement is treated as a single Plan, even if there is one or more executed Co-Sponsor Adoption Pages associated with the Agreement.

22.11 Aggregate Limit. The limit imposed under the Multiple Use Test on amounts subject to both the ADP Test and the ACP Test. See Section 17.4(a).

22.12 Alternate Payee. A person designated to receive all or a portion of the Participant's benefit pursuant to a QDRO. See Section 11.5.

22.13 Anniversary Year Method. A method for determining Eligibility Computation Periods after an Employee's initial Eligibility Computation Period. See Section 1.4(c)(2) for more detailed discussion of the Anniversary Year Method.

22.14 Anniversary Years. An alternative period for measuring Vesting Computation Periods. See Section 4.4.

22.15 Annual Additions. The amounts taken into account under a Defined Contribution Plan for purposes of applying the limitation on allocations under Code (S)415. See Section 7.4(a) for the definition of Annual Additions.

22.16 Annual Additions Limitation. The limit on the amount of Annual Additions a Participant may receive under the Plan during a Limitation Year. See Article 7.

22.17 Annuity Starting Date. This Plan does not use the term Annuity Starting Date. To determine whether the notice and consent requirements in Articles 8 and 9 are satisfied, the Distribution Commencement Date (see Section 22.56) is used, even for a distribution that is made in the form of an annuity. However, the payment made on the Distribution Commencement Date under an annuity form of payment may reflect annuity payments that are calculated with reference to an "annuity starting date" that occurs prior to the Distribution Commencement Date (e.g., the first day of the month in which the Distribution Commencement Date falls).

22.18 Applicable Life Expectancy. The Life Expectancy used to determine a Participant's required minimum distribution under Article 10. See Section 10.3(d).

22.19 Applicable Percentage. The maximum percentage of Excess Compensation that may be allocated to Eligible Participants under the Permitted Disparity Method. See Article 2.

22.20 Average Compensation. The average of a Participant's annual Included Compensation during the Averaging Period designated under Part 3, #11 of the target benefit plan Agreement. See Section 2.5(d)(1) for a complete definition of Average Compensation.

22.21 Averaging Period. The period used for determining an Employee's Average Compensation. Unless modified under Part 3, #11.a. of the target benefit plan Agreement, the Averaging Period is the three (3) consecutive Measuring Periods during the Participant's Employment Period which produces the highest Average Compensation.

22.22 Balance Forward Method. A method for allocating net income or loss to Participants' Accounts based on the Account Balance as of the most recent Valuation Date under the Plan. See Section 13.4(a).

22.23 Basic Plan Document. See the definition for BPD.

22.24 Beneficiary. A person designated by the Participant (or by the terms of the Plan) to receive a benefit under the Plan upon the death of the Participant. See Section 8.4(c) for the applicable rules for determining a Participant's Beneficiaries under the Plan.

22.25 BPD. The BPD (sometimes referred to as the "Basic Plan Document") is the portion of the Plan that contains the non-elective provisions. The provisions under the BPD may be supplemented or modified by elections the Employer makes under the Agreement or by separate governing documents that are expressly authorized by the BPD.

22.26 Break-in-Service - Eligibility. Generally, an Employee incurs a Break-in-Service for eligibility purposes for each Eligibility Computation Period during which the Employee does not complete more than 500 Hours of Service with the Employer. However, if the Employer elects under Part 7 of the Agreement to require less than 1,000 Hours of Service to earn a Year of Service for eligibility purposes, a Break in Service will occur for any Eligibility Computation Period during which the Employee does not complete more than one-half (1/2) of the Hours of Service required to earn a Year of Service. (See Section 1.6 for a discussion of the eligibility Break-in-Service rules. Also see Section 6.5(b) for rules applicable to the determination of a Break in Service when the Elapsed Time Method is used.)

22.27 Break-in-Service - Vesting. Generally, an Employee incurs a Break-in-Service for vesting purposes for each Vesting Computation Period during which the Employee does not complete more than 500 Hours of Service with the Employer. However, if the Employer elects under Part 7 of the Agreement to require less than 1,000 Hours of Service to earn a Year of Service for vesting purposes, a Break in Service will occur for any Vesting Computation Period during which the Employee does not complete more than one-half (1/2) of the Hours of Service required to earn a Year of Service. (See Section 4.6 for a discussion of the vesting Break-in-Service rules. Also see Section 6.5(b) for rules applicable to the determination of a Break in Service when the Elapsed Time Method is used.)

22.28 Calendar Year Election. A special election used for determining the Lookback Year in applying the Highly Compensated Employee test under Section 22.99.

22.29 Cash-Out Distribution. A total distribution made to a partially vested Participant upon termination of participation under the Plan. See Section 5.3(a) for the rules regarding the forfeiture of nonvested benefits upon a Cash-Out Distribution from the Plan.

22.30 Code. The Internal Revenue Code of 1986, as amended.

22.31 Code (S)415 Safe Harbor Compensation. An optional definition of compensation used to determine Total Compensation. This definition may be selected under Part 3, #9.c. of the Agreement. See Section 22.197(c) for the definition of Code (S)415 Safe Harbor Compensation.

22.32 Compensation Dollar Limitation. The maximum amount of compensation that can be taken into account for any Plan Year for purposes of determining a Participant's Included Compensation (see Section 22.102) or Testing Compensation (see Section 22.190). For Plan Years beginning on or after January 1, 1994, the Compensation Dollar Limitation is $150,000, as adjusted for increases in the cost-of-living in accordance with Code (S)401(a)(17)(B).

In determining the Compensation Dollar Limitation for any applicable period for which Included Compensation or Testing Compensation is being determined (the "determination period"), the cost-of-living adjustment in effect for a calendar year applies to any determination period beginning with or within such calendar year. If a determination period consists of fewer than 12 months, the Compensation Dollar Limitation for such period is an amount equal to the otherwise applicable Compensation Dollar Limitation multiplied by a fraction, the numerator of which is the number of months in the short determination period, and the denominator of which is 12. A determination period will not be considered to be less than 12 months merely because compensation is taken into account only for the period the Employee is an Eligible Participant. If Section 401(k) Deferrals, Employer Matching Contributions, or Employee After-Tax Contributions are separately determined for each pay period, no proration of the Compensation Dollar Limitation is required with respect to such pay periods.

For Plan Years beginning on or after January 1, 1989, and before January 1, 1994, the Compensation Dollar Limitation taken into account for determining all benefits provided under the Plan for any Plan Year shall not exceed $200,000. This limitation shall be adjusted by the Secretary at the same time and in the same manner as under Code (S)415(d), except that the dollar increase in effect on January 1 of any calendar year is effective for Plan Years beginning in such calendar year and the first adjustment to the $200,000 limitation is effective on January 1, 1990.

If compensation for any prior determination period is taken into account in determining a Participant's allocations for the current Plan Year, the compensation for such prior determination period is subject to the applicable Compensation Dollar Limitation in effect for that prior period. For this purpose, in determining allocations in Plan Years beginning on or after January 1, 1989, the Compensation Dollar Limitation in effect for determination periods beginning before that date is $200,000. In addition, in determining allocations in Plan Years beginning on or after January 1, 1994, the Compensation Dollar Limitation in effect for determination periods beginning before that date is $150,000.

22.33 Co-Sponsor. A Related Employer that adopts this Plan by executing the Co-Sponsor Adoption Page under the Agreement. See Article 21 for the rules applicable to contributions and deductions for contributions made by a Co-Sponsor.

22.34 Co-Sponsor Adoption Page. The execution page under the Agreement that permits a Related Employer to adopt this Plan as a Co-Sponsor. See Article 21.

22.35 Covered Compensation. The average (without indexing) of the Taxable Wage Bases in effect for each calendar year during the 35-year period ending with the last day of the calendar year in which the Participant attains (or will attain) Social Security Retirement Age. See Section 2.5(d)(2).

22.36 Cumulative Disparity Limit. A limit on the amount of permitted disparity that may be provided under the target benefit plan Agreement. See Section 2.5(c)(3)(iv).

22.37 Current Year Testing Method. A method for applying the ADP Test and/or the ACP Test. See Section 17.2(a)(2) for a discussion of the Current Year Testing Method under the ADP Test and 17.3(a)(2) for a discussion of the Current Year Testing Method under the ACP Test.

22.38 Custodian. An organization that has custody of all or any portion of the Plan assets. See Section 12.11.

22.39 Davis-Bacon Act Service. A Participant's service used to apply the Davis-Bacon Contribution Formula under Part 4 of the Nonstandardized Agreement [Part 4C of the Nonstandardized 401(k) Agreement]. For this purpose, Davis-Bacon Act Service is any service performed by an Employee under a public contract subject to the Davis-Bacon Act or to any other federal, state or municipal prevailing wage law. See Section 2.2(a)(1).

22.40 Davis-Bacon Contribution Formula. The Employer may elect under Part 4 of the Nonstandardized Agreement [Part 4C of the Nonstandardized 401(k) Agreement] to provide an Employer Contribution for each Eligible Participant who performs Davis-Bacon Act Service. (See Section 2.2(a)(1) (profit sharing plan and 401(k) plan) and Section 2.4(e) (money purchase plan) for special rules regarding the application of the Davis-Bacon Contribution Formula.)

22.41 Defined Benefit Plan. A plan under which a Participant's benefit is based solely on the Plan's benefit formula without the establishment of separate Accounts for Participants.

22.42 Defined Benefit Plan Fraction. A component of the combined limitation test under Code (S)415(e) for Employers that maintain or ever maintained both a Defined Contribution and a Defined Benefit Plan. See Section 7.5 (b)(1).

22.43 Defined Contribution Plan. A plan that provides for individual Accounts for each Participant to which all contributions, forfeitures, income, expenses, gains and losses under the Plan are credited or deducted. A Participant's benefit under a Defined Contribution Plan is based solely on the fair market value of his/her vested Account Balance.

22.44 Defined Contribution Plan Dollar Limitation. The maximum dollar amount of Annual Additions an Employee may receive under the Plan. See Section 7.4(b).

22.45 Defined Contribution Plan Fraction. A component of the combined limitation test under Code (S)415(e) for Employers that maintain or ever maintained both a Defined Contribution and a Defined Benefit Plan. See Section 7.5(b)(2).

22.46 Designated Beneficiary. A Beneficiary who is designated by the Participant (or by the terms of the Plan) and whose Life Expectancy is taken into account in determining minimum distributions under Code (S)401(a)(9). See Article 10.

22.47 Determination Date. The date as of which the Plan is tested to determine whether it is a Top-Heavy Plan. See Section 16.3(a).

22.48 Determination Period. The period during which contributions to the Plan are tested to determine if the Plan is a Top-Heavy Plan. See Section 16.3(b).

22.49 Determination Year. The Plan Year for which an Employee's status as a Highly Compensated Employee is being determined. See Section 22.99(b)(1).

22.50 Directed Account. The Plan assets under a Trust which are held for the benefit of a specific Participant. See Section 13.4(b).

22.51 Directed Trustee. A Trustee is a Directed Trustee to the extent that the Trustee's investment powers are subject to the direction of another person. See Section 12.2(b).

22.52 Direct Rollover. A rollover, at the Participant's direction, of all or a portion of the Participant's vested Account Balance directly to an Eligible Retirement Plan. See Section 8.8.

22.53 Disabled. Except as modified under Part 13, #55 of the Agreement [Part 13, #73 of the 401(k) Agreement], an individual is considered Disabled for purposes of applying the provisions of this Plan if the individual is unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment that can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. The permanence and degree of such impairment shall be supported by medical evidence.

22.54 Discretionary Trustee. A Trustee is a Discretionary Trustee to the extent the Trustee has exclusive authority and discretion to invest, manage or control the Plan assets without direction from any other person. See Section 12.2(a).

22.55 Distribution Calendar Year. A calendar year for which a minimum distribution is required. See Section 10.3(f).

22.56 Distribution Commencement Date. The date an Employee commences distribution from the Plan. If a Participant commences distribution with respect to a portion of his/her Account Balance, a separate Distribution Commencement Date applies to any subsequent distribution. If distribution is made in the form of an annuity, the Distribution Commencement Date may be treated as the first day of the first period for which annuity payments are made.

22.57 Early Retirement Age. The age and/or Years of Service requirement prescribed by Part 5, #17 of the Agreement [Part 5, #35 of the 401(k) Agreement]. Early Retirement Age may be used to determine distribution rights and/or vesting rights. The Plan is not required to have an Early Retirement Age.

22.58 Earned Income. Earned Income is the net earnings from self-employment in the trade or business with respect to which the Plan is established, and for which personal services of the individual are a material income-producing factor. Net earnings will be determined without regard to items not included in gross income and the deductions allocable to such items. Net earnings are reduced by contributions by the Employer to a qualified plan to the extent deductible under Code (S)404. Net earnings shall be determined after the deduction allowed to the taxpayer by Code (S) 164(f). If Included Compensation is defined to exclude any items of Compensation (other than Elective Deferrals), then for purposes of determining the Included Compensation of a Self-Employed Individual, Earned Income shall be adjusted by multiplying Earned Income by the percentage of Total Compensation that is included for the Eligible Participants who are Nonhighly Compensated Employees. The percentage is determined by calculating the percentage of each Nonhighly Compensated Eligible Participant's Total Compensation that is included in the definition of Included Compensation and averaging those percentages.

22.59 Effective Date. The date this Plan, including any restatement or amendment of this Plan, is effective. Where the Plan is restated or amended, a reference to Effective Date is the effective date of the restatement or amendment, except where the context indicates a reference to an earlier Effective Date. If this Plan is retroactively effective, the provisions of this Plan generally control. However, if the provisions of this Plan are different from the provisions of the Employer's prior plan and, after the retroactive Effective Date of this Plan, the Employer operated in compliance with the provisions of the prior plan, the provisions of such prior plan are incorporated into this Plan for purposes of determining whether the Employer operated the Plan in compliance with its terms, provided operation in compliance with the terms of the prior plan do not violate any qualification requirements under the Code, regulations, or other IRS guidance.

The Employer may designate special effective dates for individual provisions under the Plan where provided in the Agreement or under Appendix A of the Agreement. If one or more qualified retirement plans have been merged into this Plan, the provisions of the merging plan(s) will remain in full force and effect until the Effective Date of the plan merger(s), unless provided otherwise under Appendix A-12 of the Agreement [Appendix A-16 of the 401(k) Agreement]. See Section 20.1 for special effective date provisions relating to the changes required under the GUST Legislation.

22.60 Elapsed Time Method. The Elapsed Time Method is a special method for crediting service for eligibility, vesting or for applying the allocation conditions under Part 4 of the Agreement. To apply the Elapsed Time Method for eligibility or vesting, the Employer must elect the Elapsed Time Method under Part 7 of the Agreement. To apply the Elapsed Time Method to determine an Employee's eligibility for an allocation under the Plan, the Employer must elect the Elapsed Time Method under Part 4, #15.e. of the Nonstandardized Agreement [Part 4B, #19.e. and/or Part 4C, #24.e. of the Nonstandardized 401(k) Agreement]. (See Section 6.5(b) for more information on the Elapsed Time Method of crediting service for eligibility and vesting and Section 2.6(c) for information on the Elapsed Time Method for allocation conditions.)

22.61 Elective Deferrals. Section 401(k) Deferrals, salary reduction contributions to a SEP described in Code (S)(S)408(k)(6) and 402(h)(1)(B) (sometimes referred to as a SARSEP), contributions made pursuant to a Salary Reduction Agreement to a contract, custodial account or other arrangement described in Code (S)403(b), and elective contributions made to a SIMPLE-IRA plan, as described in Code (S)408(p). Elective Deferrals shall not include any amounts properly distributed as an Excess Amount under (S)415 of the Code.

22.62 Eligibility Computation Period. The 12-consecutive month period used for measuring whether an Employee completes a Year of Service for eligibility purposes. An Employee's initial Eligibility Computation Period always begins on the Employee's Employment Commencement Date. Subsequent Eligibility Computation Periods are measured under the Shift-to-Plan-Year Method or the Anniversary Year Method. See Section 1.4(c).

22.63 Eligible Participant. Except as provided under Part 1, #6 of the Agreement, an Employee (other than an Excluded Employee) becomes an Eligible Participant on the appropriate Entry Date (as selected under Part 2 of the Agreement) following satisfaction of the Plan's minimum age and service conditions (as designated in Part 1 of the Agreement). See Article 1 for the rules regarding participation under the Plan.

For purposes of the 401(k) Agreement, an Eligible Participant is any Employee (other than an Excluded Employee) who has satisfied the Plan's minimum age and service conditions designated in Part 1 of the Agreement with respect to a particular contribution. With respect to Section 401(k) Deferrals or Employee After-Tax Contributions, an Employee who has satisfied the eligibility conditions under Part 1 of the Agreement for making Section 401(k) Deferrals or Employee After-Tax Contribution is an Eligible Participant with respect to such contributions, even if the Employee chooses not to actually make any such contributions. With respect to Employer Matching Contributions, an Employee who has satisfied the eligibility conditions under Part 1 of the Agreement for receiving such contributions is an Eligible Participant with respect to such contributions, even if the Employee does not receive an Employer Matching Contribution (including forfeitures) because of the Employee's failure to make Section 401(k) Deferrals or Employee After-Tax Contributions, as applicable.

22.64 Eligible Rollover Distribution. An amount distributed from the Plan that is eligible for rollover to an Eligible Retirement Plan. See Section 8.8(a).

22.65 Eligible Retirement Plan. A qualified retirement plan or IRA that may receive a rollover contribution. See Section 8.8(b).

22.66 Employee. An Employee is any individual employed by the Employer (including any Related Employers). An independent contractor is not an Employee. An Employee is not eligible to participate under the Plan if the individual is an Excluded Employee under Section 1.2. (See Section 1.3 for rules regarding coverage of Employees of Related Employers.) For purposes of applying the provisions under this Plan, a Self-Employed Individual (including a partner in a partnership) is treated as an Employee. A Leased Employee is also treated as an Employee of the recipient organization, as provided in Section 1.2(b).

22.67 Employee After-Tax Contribution Account. The portion of the Participant's Account attributable to Employee After-Tax Contributions.

22.68 Employee After-Tax Contributions. Employee After-Tax Contributions are contributions made to the Plan by or on behalf of a Participant that is included in the Participant's gross income in the year in which made and that is maintained under a separate Employee After-Tax Contribution Account to which earnings and losses are allocated. Employee After-Tax Contributions may only be made under the Nonstandardized 401(k) Agreement. See Section 3.1.

22.69 Employer. Except as otherwise provided, Employer means the Employer (including a Co-Sponsor) that adopts this Plan and any Related Employer. (See Section 1.3 for rules regarding coverage of Employees of Related Employers. Also see Section 11.8 for operating rules when the Employer is a member of a Related Employer group, and Article 21 for rules that apply to Related Employers that execute a Co-Sponsor Adoption Page under the Agreement.)

22.70 Employer Contribution Account. If this Plan is a profit sharing plan (other than a 401(k) plan), a money purchase plan, or a target benefit plan, the Employer Contribution Account is the portion of the Participant's Account attributable to contributions made by the Employer. If this is a 401(k) plan, the Employer Contribution Account is the portion of the Participant's Account attributable to Employer Nonelective Contributions, other than QNECs or Safe Harbor Nonelective Contributions.

22.71 Employer Contributions. If this Plan is a profit sharing plan (other than a 401(k) plan), a money purchase plan, or a target benefit plan, Employer Contributions are any contributions the Employer makes pursuant to Part 4 of to the Agreement. If this Plan is a 401(k) plan, Employer Contributions include Employer Nonelective Contributions and Employer Matching Contributions, including QNECs, QMACs and Safe Harbor Contributions that the Employer makes under the Plan. Employer Contributions also include any Section 401(k) Deferrals an Employee makes under the Plan, unless the Plan expressly provides for different treatment of Section 401(k) Deferrals.

22.72 Employer Matching Contribution Account. The portion of the Participants Account attributable to Employer Matching Contributions, other than QMACs or Safe Harbor Matching Contributions.

22.73 Employer Matching Contributions. Employer Matching Contributions are contributions made by the Employer on behalf of a Participant on account of Section 401(k) Deferrals or Employee After-Tax Contributions made by such Participant, as designated under Parts 4B(b) of the 401(k) Agreement. Employer Matching Contributions may only be made under the 401(k) Agreement. Employer Matching Contributions also include any QMACs the Employer makes pursuant to Part 4B, #18 of the 401(k) Agreement and any Safe Harbor Matching Contributions the Employer makes pursuant to Part 4E of the 401(k) Agreement. See Section 2.3(b).

22.74 Employer Nonelective Contributions. Employer Nonelective Contributions are contributions made by the Employer on behalf of Eligible Participants under the 401(k) Plan, as designated under Part 4C of the 401(k) Agreement. Employer Nonelective Contributions also include any QNECs the Employer makes pursuant to Part 4C, #22 of the 401(k) Agreement and any Safe Harbor Nonelective Contributions the Employer makes pursuant to Part 4E of the 401(k) Agreement. See Section 2.3(d).

22.75 Employment Commencement Date. The date the Employee first performs an Hour of Service for the Employer. For purposes of applying the Elapsed Time rules under Section 6.5(b), an Hour of Service is limited to an Hour of Service as described in Section 22.101(a).

22.76 Employment Period. The period as defined in Part 3, #11 .c. of the target benefit plan Agreement used to determine an Employee's Average Compensation. See Section 2.5(d)(1)(iii).

22.77 Entry Date. The date on which an Employee becomes an Eligible Participant upon satisfying the Plan's minimum age and service conditions. See Section 1.5.

22.78 Equivalency Method. An alternative method for crediting Hours of Service for purposes of eligibility and vesting. To apply, the Employer must elect the Equivalency Method under Part 7 of the Agreement. See Section 6.5(a) for a more detailed discussion of the Equivalency Method.

22.79 ERISA. The Employee Retirement Income Security Act of 1974, as amended.

22.80 Excess Aggregate Contributions. Amounts which are distributed to correct the ACP Test. See Section 17.7(c).

22.81 Excess Amount. Amounts which exceed the Annual Additions Limitation. See Section 7.4(c).

22.82 Excess Compensation. The amount of Included Compensation which exceeds the Integration Level. Excess Compensation is used for purposes of applying the Permitted Disparity allocation formula under the profit sharing or 401(k) plan Agreement (see Section 2.2(b)(2)) or under the money purchase plan Agreement (see Section 2.4(c)) or for applying the Integration Formulas under the target benefit plan Agreement (see Section 2.5(d)(3)).

22.83 Excess Contributions. Amounts which are distributed to correct the ADP Test. See Section 17.7(d).

22.84 Excess Deferrals. Elective Deferrals that are includible in a Participant's gross income because they exceed the dollar limitation under Code (S)402(g). Excess Deferrals made to this Plan shall be treated as Annual Additions under the Plan, unless such amounts are distributed no later than the first April 15 following the close of the Participant's taxable year for which the Excess Deferrals are made. See Section 17.1.

22.85 Excluded Employee. An Employee who is excluded under Part 1, #4 of the Agreement. See Section 1.2.

22.86 Fail-Safe Coverage Provision. A correction provision that permits the Plan to automatically correct a coverage violation resulting from the application of a last day of employment or Hours of Service allocation condition. See Section 2.7.

22.87 Favorable IRS Letter. A notification letter or opinion letter issued by the IRS to a Prototype Sponsor as to the qualified status of a Prototype Plan. A separate Favorable IRS Letter is issued with respect to each Agreement offered under the Prototype Plan. If the term is used to refer to a letter issued to an Employer with respect to its adoption of this Prototype Plan, such letter is a determination letter issued by the IRS.

22.88 Five-Percent Owner. An individual who owns (or is considered as owning within the meaning of Code (S)318) more than 5 percent of the outstanding stock of the Employer or stock possessing more than 5 percent of the total combined voting power of all stock of the Employer. If the Employer is not a corporation, a Five-Percent Owner is an individual who owns more than 5 percent of the capital or profits interest of the Employer.

22.89 Five-Year Forfeiture Break in Service. A Break in Service rule under which a Participant's nonvested benefit may be forfeited. See Section 4.6(b).

22.90 Flat Benefit. A Nonintegrated Benefit Formula under Part 4 of the target benefit plan Agreement that provides for a Stated Benefit equal to a specified percentage of Average Compensation. See Section 2.5(c)(1)(i).

22.91 Flat Excess Benefit. An Integrated Benefit Formula under Part 4 of the target benefit plan Agreement that provides for a Stated Benefit equal to a specified percentage of Average Compensation plus a specified percentage of Excess Compensation. See Section 2.5(c)(2)(i).

22.92 Flat Offset Benefit. An Integrated Benefit Formula under Part 4 of the target benefit plan Agreement that provides for a Stated Benefit equal to a specified percentage of Average Compensation which is offset by a specified percentage of Offset Compensation. See Section 2.5(c)(2)(iii).

22.93 Former Related Employer. A Related Employer (as defined in Section 22.164) that ceases to be a Related Employer because of an acquisition or disposition of stock or assets, a merger, or similar transaction. See Section 21.4 for the effect when a Co-Sponsor becomes a Former Related Employer.

22.94 Four-Step Formula. A method for allocating certain Employer Contributions under the Permitted Disparity Method. See Section 2.2(b)(2)(ii).

22.95 General Trust Account. The Plan assets under a Trust which are held for the benefit of all Plan Participants as a pooled investment. See Section 13.4(a).

22.96 GUST Legislation. GUST Legislation refers to the Uruguay Round Agreements Act (GATT), the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) the Small Business Job Protection Act of 1996 (SBJPA), the Taxpayer Relief Act of 1997 (TRA '97), and the Internal Revenue Service Restructuring and Reform Act of 1998. See Article 20 for special rules for demonstrating compliance with the qualification changes under the GUST Legislation.

22.97 Hardship. A heavy and immediate financial need which meets the requirements of Section 8.6.

22.98 Highest Average Compensation. A term used to apply the combined plan limit under Code(S)415(e). See Section 7.5(b)(3).

22.99 Highly Compensated Employee. The definition of Highly Compensated Employee under this Section is effective for Plan Years beginning after December 31, 1996. For Plan Years beginning before January 1, 1997, Highly Compensated Employees are determined under Code (S)414(q) as in effect at that time.

(a) Definition. An Employee is a Highly Compensated Employee for a Plan Year if he/she:

(1) is a Five-Percent Owner (as defined in Section 22.88) at any time during the Determination Year or the Lookback Year; or '

(2) has Total Compensation from the Employer for the Lookback Year in excess of $80,000 (as adjusted) and, if elected under Part 13, #50.a. of the Agreement [Part 13, #68.a. of the 401(k) Agreement], is in the Top-Paid Group for the Lookback Year. If the Employer does not specifically elect to apply the Top-Paid Group Test, the Highly Compensated Employee definition will be applied without regard to whether an Employee is in the Top-Paid Group. The $80,000 amount is adjusted at the same time and in the same manner as under Code (S)415(d), except that the base period is the calendar quarter ending September 30, 1996.

(b) Other Definitions. The following definitions apply for purposes of determining Highly Compensated Employee status under this Section 22.99.

(1) Determination Year. The Determination Year is the Plan Year for which the Highly Compensated Employee determination is being made.

(2) Lookback Year. Unless the Calendar Year Election (or Old-Law Calendar Year Election) applies, the Lookback Year is the 12-month period immediately preceding the Determination Year.

(3) Total Compensation. Total Compensation as defined under Section 22.197.

(4) Top-Paid Group. An Employee is in the Top-Paid Group for purposes of applying the Top-Paid Group Test if the Employee is one of the top 20% of Employees ranked by Total Compensation. In determining the Top-Paid Group, any reasonable method of rounding or tie-breaking is permitted. For purposes of determining the number of Employees in the Top-Paid Group for any year, Employees described in Code (S)414(q)(5) or applicable regulations may be excluded.

(5) Calendar Year Election. If the Plan Year elected under the Agreement is not the calendar year, for purposes of applying the Highly Compensated Employee test under subsection (a)(2) above, the Employer may elect under Part 13, #50.b. of the Agreement [Part 13, #68.b. of the 401(k) Agreement] to substitute for the Lookback Year the calendar year that begins in the Lookback Year. The Calendar Year Election does not apply for purposes of applying the Five-Percent Owner test under subsection (a)(1) above. If the Employer does not specifically elect to apply the Calendar Year Election, the Calendar Year Election does not apply. The Calendar Year Election should not be selected if the Plan is using a calendar Plan Year.

(6) Old-Law Calendar Year Election. A special election available under section 1.414(q)-1T of the temporary Income Tax Regulations and provided for in Notice 97-45 for the Plan Year beginning in 1997 which permitted the Employer to substitute the calendar year beginning with or within the Plan Year for the Lookback Year in applying subsections (a)(1) and (a)(2) above. If the 1997 Plan Year was a calendar year, the effect of the Old-Law Calendar Year Election was to treat the Determination Year and the Lookback Year as the same 12-month period. The Employer may elect to apply the Old-Law Calendar Year Election under Appendix B-1 .c. of the Agreement. See Section 20.2(c).

(c) Application of Highly Compensated Employee definition. In determining whether an Employee is a Highly Compensated Employee for years beginning in 1997, the amendments to Code (S)414(q) as described above are treated as having been in effect for years beginning in 1996. In determining an Employee's status as a highly compensated former employee, the rules for the applicable Determination Year apply in accordance with section 1.414(q)-1T, A-4 of the temporary Income Tax Regulations and Notice 97-45.

22.100 Highly Compensated Employee Group. The group of Highly Compensated Employees who are included in the ADP Test and/or the ACP Test. See Section 17.7(e).

22.101 Hour of Service. Each Employee will receive credit for each Hour of Service as defined in this Section 22.101. An Employee will not receive credit for the same Hour of Service under more than one category listed below.

(a) Performance of duties. Hours of Service include each hour for which an Employee is paid, or entitled to payment, for the performance of duties for the Employer. These hours will be credited to the Employee for the computation period in which the duties are performed.

(b) Nonperformance of duties. Hours of Service include each hour for which an Employee is paid, or entitled to payment, by the Employer on account of a period of time during which no duties are performed (irrespective of whether the employment relationship has terminated) due to vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty or leave of absence. No more than 501 hours of service

will be credited under this paragraph for any single continuous period (whether or not such period occurs in a single computation period). Hours under this paragraph will be calculated and credited pursuant to (S)2530.200b-2 of the Department of Labor Regulations which is incorporated herein by this reference.

(c) Back pay award. Hours of Service include each hour for which back pay, irrespective of mitigation of damages, is either awarded or agreed to by the Employer. The same Hours of Service will not be credited both under subsection (a) or subsection (b), as the case may be, and under this subsection (c). These hours will be credited to the Employee for the computation period or periods to which the award or agreement pertains rather than the computation period in which the award, agreement or payment is made.

(d) Related Employers/Leased Employees. For purposes of crediting Hours of Service, all Related Employers are treated as a single Employer. Hours of Service will be credited for employment with any Related Employer. Hours of Service also include hours credited as a Leased Employee for a recipient organization.

(e) Maternity/paternity leave. Solely for purposes of determining whether a Break in Service has occurred in a computation period, an individual who is absent from work for maternity or paternity reasons will receive credit for the Hours of Service which would otherwise have been credited to such individual but for such absence, or in any case in which such hours cannot be determined, 8 Hours of Service per day of such absence. For purposes of this paragraph, an absence from work for maternity or paternity reasons means an absence (1) by reason of the pregnancy of the individual, (2) by reason of a birth of a child of the individual, (3) by reason of the placement of a child with the individual in connection with the adoption of such child by such individual, or (4) for purposes of caring for such child for a period beginning immediately following such birth or placement. The Hours of Service credited under this paragraph will be credited (1) in the computation period in which the absence begins if the crediting is necessary to prevent a Break in Service in that period, or (2) in all other cases, in the following computation period.

22.102 Included Compensation. Included Compensation is Total Compensation, as modified under Part 3, #10 of the Agreement, used to determine allocations of contributions and forfeitures. Under the Nonstandardized Agreement, Included Compensation generally includes amounts an Employee earns with a Related Employer that has not executed a Co-Sponsor Adoption Page under the Agreement. However, the Employer may elect under Part 3, #10.b.(7) of the Nonstandardized Agreement [Part 3, #10.i. of the Nonstandardized 401(k) Agreement] to exclude all amounts earned with a Related Employer that has not executed a Co-Sponsor Adoption Page. Under the Standardized Agreement, Included Compensation always includes all compensation earned with allRelated Employers, without regard to whether the Related Employer executes the Co-Sponsor Adoption Page. (See Section 21.5.) In no case may Included Compensation for any Participant exceed the Compensation Dollar Limitation as defined in Section 22.32. Included Compensation does not include any amounts earned while an individual is an Excluded Employee (as defined in Section 1.2 of this BPD).

The Employer may select under Part 3, #10 of the 401(k) Agreement to provide a different definition of Included Compensation for determining Section 401(k) Deferrals, Employer Matching Contributions, and Employer Nonelective Contributions. Unless otherwise provided in Part 3, #10.j. of the Nonstandardized 401(k) Agreement, the definition of Included Compensation chosen for Section 401(k) Deferrals also applies to any Employee After-Tax Contributions and to any Safe Harbor Contributions designated under Part 4E of the Agreement; the definition of Included Compensation chosen for Employer Matching Contributions also applies to any QMACs; and the definition of Included Compensation chosen for Employer Nonelective Contributions also applies to any QNECs.

The Employer may elect to exclude from the definition of Included Compensation any of the amounts permitted under Part 3, #10 of the Agreement. However, to use the same definition of compensation for purposes of nondiscrimination testing, the definition of Included Compensation must satisfy the nondiscrimination requirements of Code (S)414(s). The definition of Included Compensation will be deemed to be nondiscriminatory under Code (S)414(s) if the only amounts excluded are amounts under Part 3, # 10.b.(1) - (3) of the Nonstandardized Agreement [Part 3, #10.c. - e. of the Nonstandardized 401(k) Agreement]. Any other exclusions could cause the definition of Included Compensation to fail to satisfy the nondiscrimination requirements of Code (S)414(s). If the definition of Included Compensation fails to satisfy the nondiscrimination requirements of Code (S)414(s), additional nondiscrimination testing may have to be performed to demonstrate compliance with the nondiscrimination requirements. The definition of Included Compensation under the Standardized Agreements must satisfy the nondiscrimination requirements under Code (S)414(s).

If the Plan uses a Permitted Disparity Method under Part 4 of the Agreement or if the Plan is a Safe Harbor 401(k) Plan, the definition of Included Compensation must satisfy the nondiscrimination requirements under Code (S)414(s). Therefore, any exclusions from Included Compensation under Part 3, #10.b.(4) - (8) of the Nonstandardized Agreement [Part 3, #10.f. - j. of the Nonstandardized 401(k) Agreement] will apply only to Highly Compensated Employees, unless specifically provided otherwise under Part 3, #10.b.(8). of the Nonstandardized Agreement [Part 3, #10.j. of the Nonstandardized

401(k) Agreement].

The Employer may elect under Part 3, #10.b.(1) of the Agreement [Part 3, #10.c. of the 401(k) Agreement] to exclude Elective Deferrals, pre-tax contributions to a cafeteria plan or a Code (S)457 plan, and qualified transportation fringes under Code (S) 132(f)(4). Generally, the exclusion of qualified transportation fringes is effective for Plan Years beginning on or after January 1, 2001. However, the Employer may elect an earlier effective date under Appendix B-3.c. of the Agreement.

22.103 Insurer. An insurance company that issues a life insurance policy on behalf of a Participant under the Plan in accordance with the requirements under Article 15.

22.104 Integrated Benefit Formula. A benefit formula under Part 4 of the target benefit plan Agreement that takes into account an Employee's Social Security benefits. See Section 2.5(c)(2).

22.105 Integration Level. The amount used for purposes of applying the Permitted Disparity Method allocation formula (or the Integrated Benefit Formulas under the target benefit plan Agreement). The Integration Level is the Taxable Wage Base, unless the Employer designates a different amount under Part 4 of the Agreement.

22.106 Investment Manager. A person (other than the Trustee) who (a) has the power to manage, acquire, or dispose of Plan assets (b) is an investment adviser, a bank, or an insurance company as described in (S)3(38)(B) of ERISA, and (c) acknowledges fiduciary responsibility to the Plan in writing.

22.107 Key Employee. Employees who are taken into account for purposes of determining whether the Plan is a Top-Heavy Plan. See Section 16.3(c).

22.108 Leased Employee. An individual who performs services for the Employer pursuant to an agreement between the Employer and a leasing organization, and who satisfies the definition of a Leased Employee under Code (S)414(n). See Section 1.2(b) for rules regarding the treatment of a Leased Employee as an Employee of the Employer.

22.109 Life Expectancy. A Participant's and/or Designated Beneficiary's life expectancy used for purposes of determining required minimum distributions under the Plan. See Section 10.3(e).

22.110 Limitation Year. The measuring period for determining whether the Plan satisfies the Annual Additions Limitation under Section 7.4(d).

22.111 Lookback Year. The 12-month period immediately preceding the current Plan Year during which an Employee's status as Highly Compensated Employee is determined. See Section 22.99(b)(2).

22.112 Maximum Disparity Percentage. The maximum amount by which the designated percentage of Excess Compensation under an Excess Benefit formula under Part 4 of the target benefit plan Agreement may exceed the designated percentage of Average Compensation. See Section 2.5(c)(3)(i).

22.113 Maximum Offset Percentage. The maximum amount that may be designated as the offset percentage under an Offset Benefit formula under Part 4 of the target benefit plan Agreement. See Section 2.5(c)(3)(ii).

22.114 Maximum Permissible Amount. The maximum amount that may be allocated to a Participant's Account within the Annual Additions Limitation. See Section 7.4(e).

22.115 Measuring Period. The period for which Average Compensation or Offset Compensation is measured under the target benefit plan Agreement. Unless elected otherwise under Part 3, #11 .b. or Part 3, #12.a. of the target benefit plan Agreement, as applicable, the Measuring Period is the Plan Year (or the 12-month period ending on the last day of the Plan Year for a short Plan Year). See Sections 2.5(d)(1)(ii) and 2.5(d)(5)(i).

22.116 Multiple Use Test. A special nondiscrimination test that applies when the Plan must perform both the ADP Test and the ACP Test in the same Plan Year. See Section 17.4.

22.117 Named Fiduciary. The Plan Administrator or other fiduciary named by the Plan Administrator to control and manage the operation and administration of the Plan. To the extent authorized by the Plan Administrator, a Named Fiduciary may delegate its responsibilities to a third party or parties. The Employer shall also be a Named Fiduciary.

22.118 Net Profits. The Employer's net income or profits that may be used to limit the amount of Employer Contributions made under the Plan. See Section 2.2(a)(2).

22.119 New Related Employer. An organization that becomes a Related Employer (as defined in Section 22.164) with the Employer by reason of an acquisition or disposition of stock or assets, a merger, or similar transaction. See Section 21.5 for special procedures under a Standardized Agreement when there is a New Related Employer.

22.120 Nonhighly Compensated Employee. Any Employee who is not a Highly Compensated Employee. See Section 22.99 for the definition of Highly Compensated Employee.

22.121 Nonhighly Compensated Employee Group. The group of Nonhighly Compensated Employees included in the ADP Test and/or the ACP Test. See Section 17.7(f).

22.122 Nonintegrated Benefit Formula. A benefit formula under Part 4 of the target benefit plan Agreement that does not take into account an Employee's Social Security benefits. See Section 2.5(c)(1).

22.123 Non-Key Employee. Any Employee who is not a Key Employee. (See Section 16.3(c).)

22.124 Nonresident Alien Employees. An Employee who is neither a citizen of the United States nor a resident of the United States for U.S. tax purposes (as defined in Code (S)7701(b)), and who does not have any earned income (as defined in Code (S)911) for the Employer that constitutes U.S. source income (within the meaning of Code (S)861). If a Nonresident Alien Employee has U.S. source income, he/she is treated as satisfying this definition if all of his/her U.S. source income from the Employer is exempt from U.S. income tax under an applicable income tax treaty.

22.125 Nonstandardized Agreement. An Agreement under this Prototype Plan under which an adopting Employer may not rely on a Favorable IRS Letter issued to the Prototype Sponsor. In order to have reliance from the IRS that the form of the Plan as adopted by the Employer is qualified, the Employer must request a determination letter on the Plan.

22.126 Normal Retirement Age. The age selected under Part 5 of the Agreement. If a Participant's Normal Retirement Age is determined wholly or partly with reference to an anniversary of the date the Participant commenced participation in the Plan and/or the Participant's Years of Service, Normal Retirement Age is the Participant's age when such requirements are satisfied. If the Employer enforces a mandatory retirement age, the Normal Retirement Age is the lesser of that mandatory age or the age specified in the Agreement.

22.127 Offset Compensation. The average of a Participant's annual Included Compensation during the three (3) consecutive Measuring Periods designated under Part 3, #12 of the target benefit plan Agreement. See Section 2.5(d)(5) for a complete definition of Offset Compensation.

22.128 Offset Benefit Formula. A Flat Offset Benefit formula or a Unit Offset Benefit formula under Part 4 of the target benefit plan Agreement that provides for a Stated Benefit based on a percentage of Average Compensation offset by a percentage of Offset Compensation. See Section 2.5(c)(2)(iii) and (iv).

22.129 Old-Law Calendar Year Election. A special election for determining the Lookback Year under the Highly Compensated Employee test that was available only for the 1997 Plan Year. See Section 22.99(b)(6).

22.130 Old-Law Required Beginning Date. If so elected under Part 13, #52 of the Agreement [Part 13, #70 of the 401(k) Agreement], the date by which minimum distributions must commence under the Plan, as determined under Section 10.3(a)(2).

22.131 Owner-Employee. A Self-Employed Individual (as defined in Section 22.180) who is a sole proprietor, or who is a partner owning more than 10 percent of either the capital or profits interest of the partnership.

22.132 Paired Plans. Two or more Standardized Agreements that are designated as Paired Plans. See Section 19.6.

22.133 Participant. A Participant is an Employee or former Employee who has satisfied the conditions for participating under the Plan. A Participant also includes any Employee or former Employee who has an Account Balance under the Plan, including an Account Balance derived from a rollover or transfer from another qualified plan or IRA. A Participant is entitled to share in an allocation of contributions or forfeitures under the Plan for a given year only if the Participant is an Eligible Participant as defined in Section 1.1, and satisfies the allocation conditions set forth in Section 2.6 and Part 4 of the Agreement.

22.134 Period of Severance. A continuous period of time during which the Employee is not employed by the Employer and which is used to determine an Employee's Participation under the Elapsed Time Method. See Section 6.5(b)(2).

22.135 Permissive Aggregation Group. Plans that are not required to be aggregated to determine whether the Plan is a Top-Heavy Plan. See Section 16.3(d).

22.136 Permitted Disparity Method. A method for allocating certain Employer Contributions to Eligible Participants as designated under Part 4 of the Agreement. See Article 2.

22.137 Plan. The Plan is the retirement plan established or continued by the Employer for the benefit of its Employees under this Prototype Plan document. The Plan consists of the BPD and the elections made under the Agreement. If the

Employer adopts more than one Agreement offered under this Prototype Plan, then each executed Agreement represents a separate Plan, unless the Agreement restates a previously executed Agreement.

22.138 Plan Administrator. The Plan Administrator is the person designated to be responsible for the administration and operation of the Plan. Unless otherwise designated by the Employer, the Plan Administrator is the Employer. If any Related Employer has executed a Co-Sponsor Adoption Page, the Employer referred to in this Section is the Employer that executes the Signature Page of the Agreement.

22.139 Plan Year. The 12-consecutive month period for administering the Plan, on which the records of the Plan are maintained. The Employer must designate the Plan Year applicable to the Plan under the Agreement. If the Plan Year is amended, a Plan Year of less than 12 months may be created. If this is a new Plan, the first Plan Year begins on the Effective Date of the Plan. If the amendment of the Plan Year or the Effective Date of a new Plan creates a Plan Year that is less than 12 months long, there is a Short Plan Year. The existence of a Short Plan Year may be documented under the Plan Year definition on page 1 of the Agreement. See Section 11.7 for operating rules that apply to Short Plan Years.

22.140 Pre-Age 35 Waiver. A waiver of the QPSA before a Participant reaches age 35. See Section 9.4(f).

22.141 Predecessor Employer. An employer that previously employed the Employees of the Employer. See Section 6.7 for the rules regarding the crediting of service with a Predecessor Employer.

22.142 Predecessor Plan. A Predecessor Plan is a qualified plan maintained by the Employer that is terminated within the 5-year period immediately preceding or following the establishment of this Plan. A Participant's service under a Predecessor Plan must be counted for purposes of determining the Participant's vested percentage under the Plan. See Section 4.5(b)(1).

22.143 Present Value. The current single-sum value of an Accrued Benefit under a Defined Benefit Plan.

22.144 Present Value Stated Benefit. An amount used to determine the Employer Contribution under the target benefit plan Agreement. See Section 2.5(b)(3).

22.145 Prior Year Testing Method. A method for applying the ADP Test and/or the ACP Test. See Section 17.2(a)(1) for a discussion of the Prior Year Testing Method under the ADP Test and Section 17.3(a)(1) for a discussion of the Prior Year Testing Method under the ACP Test.

22.146 Pro Rata Allocation Method. A method for allocating certain Employer Contributions to Eligible Participants under the Plan. See Article 2.

22.147 Projected Annual Benefit. An amount used in the numerator of the Defined Benefit Plan Fraction. See Section 7.5(b)(4).

22.148 Protected Benefit. A Participant's benefits which may not be eliminated by Plan amendment. Protected Benefits include early retirement benefits, retirement-type subsidies, and optional forms of benefit (as defined under the regulations). See Section 18.1(c).

22.149 Prototype Plan. A plan sponsored by a Prototype Sponsor the form of which is the subject of a Favorable IRS Letter from the Internal Revenue Service which is made up of a Basic Plan Document and an Adoption Agreement. An Employer may establish or continue a plan by executing an Adoption Agreement under this Prototype Plan.

22.150 Prototype Sponsor. The Prototype Sponsor is the entity that maintains the Prototype Plan for adoption by Employers. See Section 18.1 (a) for the ability of the Prototype Sponsor to amend this Plan.

22.151 QDRO -- Qualified Domestic Relations Order. A domestic relations order that provides for the payment of all or a portion of the Participant's benefits to an Alternate Payee and satisfies the requirements under Code (S)414(p). See Section 11.5.

22.152 QJSA -- Qualified Joint and Survivor Annuity. A QJSA is an immediate annuity payable over the life of the Participant with a survivor annuity payable over the life of the spouse. If the Participant is not married as of the Distribution Commencement Date, the QJSA is an immediate annuity payable over the life of the Participant. See Section 9.2.

22.153 QMAC Account. The portion of a Participant's Account attributable to QMACs.

22.154 QMACs -- Qualified Matching Contributions. An Employer Matching Contribution made by the Employer that satisfies the requirements under Section 17.7(g).

22.155 QNEC Account. The portion of a Participant's Account attributable to QNECs.

22.156 QNECs -- Qualified Nonelective Contributions. An Employer Nonelective Contribution made by the Employer that satisfies the requirements under Section 17.7(h).

22.157 QPSA -- Qualified Preretirement Survivor Annuity. A QPSA is an annuity payable over the life of the surviving spouse that is purchased using 50% of the Participant's vested Account Balance as of the date of death. The Employer may modify the 50% QPSA level under Part 11, #41.b. of the Agreement [Part 11, #59.b. of the 401(k) Agreement]. See Section 9.3.

22.158 QPSA Election Period. The period during which a Participant (and the Participant's spouse) may waive the QPSA under the Plan. See Section 9.4(e).

22.159 Qualified Election. An election to waive the QJSA or QPSA under the Plan. See Section 9.4(d).

22.160 Qualified Transfer. A plan-to-plan transfer which meets the requirements under Section 3.3(d).

22.161 Qualifying Employer Real Property. Real property of the Employer which meets the requirements under ERISA (S)407(d)(4). See Section 13.5(b) for limitations on the ability of the Plan to invest in Qualifying Employer Real Property.

22.162 Qualifying Employer Securities. An Employer security which is stock, a marketable obligation, or interest in a publicly traded partnership as described in ERISA (S)407(d)(5). See Section 13.5(b) for limitations on the ability of the Plan to invest in Qualifying Employer Securities.

22.163 Reemployment Commencement Date. The first date upon which an Employee is credited with an Hour of Service following a Break in Service (or Period of Severance, if the Plan is using the Elapsed Time Method of crediting service). For purposes of applying the Elapsed Time rules under Section 6.5(b), an Hour of Service is limited to an Hour of Service as described in Section 22.101(a).

22.164 Related Employer. A Related Employer includes all members of a controlled group of corporations (as defined in Code (S)414(b)), all commonly controlled trades or businesses (as defined in Code (S)414(c)) or affiliated service groups (as defined in Code (S)414(m)) of which the adopting Employer is a part, and any other entity required to be aggregated with the Employer pursuant to regulations under Code (S)414(o). For purposes of applying the provisions under this Plan, the Employer and any Related Employers are treated as a single Employer, unless specifically stated otherwise. See Section 11.8 for operating rules that apply when the Employer is a member of a Related Employer group.

22.165 Required Aggregation Group. Plans which must be aggregated for purposes of determining whether the Plan is a Top-Heavy Plan. See Section 16.3(f).

22.166 Required Beginning Date. The date by which minimum distributions must commence under the Plan. See Section 10.3(a).

22.167 Reverse QNEC Method. A method for allocating QNECs under the Plan. See Section 2.3(e)(2).

22.168 Rollover Contribution Account. The portion of the Participant's Account attributable to a Rollover Contribution from another qualified plan or IRA.

22.169 Rollover Contribution. A contribution made by an Employee to the Plan attributable to an Eligible Rollover Distribution from another qualified plan or IRA. See Section 8.8(a) for the definition of an Eligible Rollover Distribution.

22.170 Rule of Parity Break in Service. A Break in Service rule used to determine an Employee's Participation under the Plan. See Section 1.6(a) for the effect of the Rule of Parity Break in Service on eligibility to participate under the Plan and see Section 4.6(c) for the application for the effect of the Rule of Parity Break in Service Rule on vesting.

22.171 Safe Harbor 401(k) Plan. A 401(k) plan that satisfies the conditions under Section 17.6.

22.172 Safe Harbor Contribution. A contribution authorized under Part 4E of the 401(k) Agreement that allows the Plan to qualify as a Safe Harbor 401(k) Plan. A Safe Harbor Contribution may be a Safe Harbor Matching Contribution or a Safe Harbor Nonelective Contribution.

22.173 Safe Harbor Matching Contribution Account. The portion of a Participant's Account attributable to Safe Harbor Matching Contributions.

22.174 Safe Harbor Matching Contributions. An Employer Matching Contribution that satisfies the requirements under Section 17.6(a)(1)(i).

22.175 Safe Harbor Nonelective Contribution Account. The portion of a Participant's Account attributable to Safe Harbor Nonelective Contributions.

22.176 Safe Harbor Nonelective Contributions. An Employer Nonelective Contribution that satisfies the requirements under Section 17.6(a)(1)(ii).

22.177 Salary Reduction Agreement. A Salary Reduction Agreement is a written agreement between an Eligible Participant and the Employer, whereby the Eligible Participant elects to reduce his/her Included Compensation by a specific dollar amount or percentage and the Employer agrees to contribute such amount into the 401(k) Plan. A Salary Reduction Agreement may require that an election be stated in specific percentage increments (not greater than 1% increments) or in specific dollar amount increments (not greater than dollar increments that could exceed 1% of Included Compensation).

A Salary Reduction Agreement may not be effective prior to the later of: (a) the date the Employee becomes an Eligible Participant; (b) the date the Eligible Participant executes the Salary Reduction Agreement; or (c) the date the 401(k) plan is adopted or effective. A Salary Reduction Agreement is valid even though it is executed by an Employee before he/she actually has qualified as an Eligible Participant, so long as the Salary Reduction Agreement is not effective before the date the Employee is an Eligible Participant. A Salary Reduction Agreement may only apply to Included Compensation that becomes currently available to the Employee after the effective date of the Salary Reduction Agreement.

A Salary Reduction Agreement (or other written procedures) must designate a uniform period during which an Employee may change or terminate his/her deferral election under the Salary Reduction Agreement. An Eligible Participant's right to change or terminate a Salary Reduction Agreement may not be available on a less frequent basis than once per Plan Year.

22.178 Section 401(k) Deferral Account. The portion of a Participant's Account attributable to Section 401(k) Deferrals.

22.179 Section 401(k) Deferrals. Amounts contributed to the 401(k) Plan at the election of the Participant, in lieu of cash compensation, which are made pursuant to a Salary Reduction Agreement or other deferral mechanism, and which are not includible in the gross income of the Employee pursuant to Code (S)402(e)(3). Section 401(k) Deferrals do not include any deferrals properly distributed as excess Annual Additions pursuant to Section 7.1(c)(2).

22.180 Self-Employed Individual. An individual who has Earned Income (as defined in Section 22.58) for the taxable year from the trade or business for which the Plan is established, or an individual who would have had Earned Income but for the fact that the trade or business had no Net Profits for the taxable year.

22.181 Shareholder-Employee. A Shareholder-Employee means an Employee or officer of a subchapter S corporation who owns (or is considered as owning within the meaning of Code (S)318(a)(1)), on any day during the taxable year of such corporation, more than 5% of the outstanding stock of the corporation.

22.182 Shift-to-Plan-Year Method. The Shift-to-Plan-Year Method is a method for determining Eligibility Computation Periods, after an Employee's initial computation period. See Section 1.4(c)(1).

22.183 Short Plan Year. Any Plan Year that is less than 12 months long, either because of the amendment of the Plan Year, or because the Effective Date of a new Plan is less than 12 months prior to the end of the first Plan Year. See Section 11.7 for the operational rules that apply if the Plan has a Short Plan Year.

22.184 Social Security Retirement Age. An Employee's retirement age as determined under Section 230 of the Social Security Retirement Act. See Section 2.5(d)(6).

22.185 Standardized Agreement. An Agreement under this Prototype Plan that permits the adopting Employer to rely under certain circumstances on the Favorable IRS Letter issued to the Prototype Sponsor without the need for the Employer to obtain a determination letter.

22.186 Stated Benefit. The amount determined in accordance with the benefit formula selected in Part 4 of the target benefit plan Agreement, payable annually as a Straight Life Annuity commencing at Normal Retirement Age (or current age, if later). See Section 2.5(a).

22.187 Straight Life Annuity. An annuity payable in equal installments for the life of the Participant that terminates upon the Participant's death.

22.188 Successor Plan. A Successor Plan is any Defined Contribution Plan, other than an ESOP, SEP, or SIMPLE-IRA plan, maintained by the Employer which prevents the Employer from making a distribution to Participants upon the termination of a 401(k) plan. See Section 18.2(b)(2).

22.189 Taxable Wage Base. The maximum amount of wages that are considered for Social Security purposes. The Taxable Wage Base is used to determine the Integration Level for purposes of applying the Permitted Disparity Method allocation formula under the profit sharing or 401(k) plan Agreement (see Section 2.2(b)(2)) or under the money purchase plan Agreement (see Section 2.4(c)) or for applying the Integrated Benefit Formulas under the target benefit plan Agreement (see Section 2.5(d)(9)).

22.190 Testing Compensation. The compensation used for purposes of the ADP Test, the ACP Test, and the Multiple Use Test. See Section 17.7(i).

22.191 Theoretical Reserve. An amount used to determine the Employer Contribution under the target benefit plan Agreement. See Section 2.5(b)(4).

22.192 Three Percent Method. A method for applying the ADP Test or the ACP Test for a new 401(k) Plan. See Section 17.2(b) for a discussion of the ADP Test for new plans and Section 17.3(b) for a discussion of the ACP Test for new plans.

22.193 Top-Paid Group. The top 20% of Employees ranked by Total Compensation for purposes of applying the Top-Paid Group Test. See Section 22.99(b)(4).

22.194 Top-Paid Group Test. An optional test the Employer may apply when determining its Highly Compensated Employees. See Section 22.99(a)(2).

22.195 Top-Heavy Plan. A Plan that satisfies the conditions under Section 16.3(g). A Top-Heavy Plan must provide special accelerated vesting and minimum benefits to Non-Key Employees. See Section 16.2.

22.196 Top-Heavy Ratio. The ratio used to determine whether the Plan is a Top-Heavy Plan. See Section 16.3(h).

22.197 Total Compensation. Total Compensation is used to apply the Annual Additions Limitation under Section 7.1 and to determine the top-heavy minimum contribution under Section 16.2 (a). Total Compensation is either W-2 Wages, Withholding Wages, or Code (S)415 Safe Harbor Compensation, as designated under Part 3 of the Agreement. For a Self-Employed Individual, each definition of Total Compensation means Earned Income. Except as otherwise provided under Sections 7.4(g)(4) and 16.3(i), each definition of Total Compensation (including Earned Income for Self-Employed Individuals) is increased to include Elective Deferrals (as defined in Section 22.61) and elective contributions to a cafeteria plan under Code (S)125 or to an eligible deferred compensation plan under Code (S)457. For years beginning on or after January 1, 2001, each definition of Total Compensation also is increased to include elective contributions that are not includible in an Employee's gross income as a qualified transportation fringe under Code (S) 132(f)(4). The Employer may elect an earlier effective date under Appendix B-3.c. of the Agreement.

Unless modified under the Agreement, Total Compensation does not include amounts paid to an individual as severance pay to the extent such amounts are paid after the common-law employment relationship between the individual and the Employer has terminated. The Employer may modify the definition of Total Compensation under Part 13, #51.b. or c. of the Agreement [Part 13, #69.b. or c. of the 401(k) Agreement]. The Employer may elect under #51.b. or #69.b., as applicable, to modify the definition of Total Compensation to include imputed compensation of Disabled Employees as permitted under Section 7.4(g)(3) of this BPD. Additional modifications may be made under #51.c. or #69.c., as applicable. Any modification to the definition of Total Compensation must be consistent with the definition of compensation under Treas. Reg. (S)1.415-2(d).

(a) W-2 Wages. Wages within the meaning of Code (S)3401(a) and all other payments of compensation to an Employee by the Employer (in the course of the Employer's trade or business) for which the Employer is required to furnish the Employee a written statement under Code (S)6041(d), 6051(a)(3), and 6052, determined without regard to any rules under Code (S)3401(a) that limit the remuneration included in wages based on the nature or location of the employment or the services performed.

(b) Withholding Wages. Wages within the meaning of Code (S)3401(a) for the purposes of income tax withholding at the source but determined without regard to any rules that limit the remuneration included in wages based on the nature or location of the employment or the services performed.

(c) Code (S)415 Safe Harbor Compensation. A Participant's wages, salaries, fees for professional services and other amounts received for personal services actually rendered in the course of employment with the Employer (without regard to whether or not such amounts are paid in cash) to the extent that the amounts are includible in gross income. Such amounts include, but are not limited to, commissions, compensation for services on the basis of a percentage of profits, tips, bonuses, fringe benefits, and reimbursements or other

expense allowances under a nonaccountable plan (as described in Treas. Reg. (S)1.62-2(c)), and excluding the following:

(1) Employer contributions to a plan of deferred compensation which are not includible in the Employee's gross income for the taxable year in which contributed, or Employer contributions (other than Elective Deferrals) under a SEP (as described in Code (S)408(k)), or any distributions from a plan of deferred compensation. For this purpose, Employer contributions to a plan of deferred compensation do not include Elective Deferrals (as defined in Section 22.61), elective contributions to a cafeteria plan under Code (S)125 or a deferred compensation plan under Code (S)457 and, for years beginning on or after January 1, 2001, qualified transportation fringes under Code (S)132(f)(4). The Employer may elect an earlier effective date for qualified transportation fringes under Appendix B-3.c. of the Agreement.

(2) Amounts realized from the exercise of a non-qualified stock option, or when restricted stock (or property) held by the Employee either becomes freely transferable or is no longer subject to a substantial risk of forfeiture.

(3) Amounts realized from the sale, exchange or other disposition of stock acquired under a qualified stock option.

(4) Other amounts which received special tax benefits, or contributions made by the Employer (other than Elective Deferrals) towards the purchase of an annuity contract described in Code (S)403(b) (whether or not the contributions are actually excludable from the gross income of the Employee).

22.198 Transfer Account. The portion of a Participant's Account attributable to a direct transfer of assets or liabilities from another qualified retirement plan. See Section 3.3 for the rules regarding the acceptance of a transfer of assets under this Plan.

22.199 Trust. The Trust is the separate funding vehicle under the Plan.

22.200 Trustee. The Trustee is the person or persons (or any successor to such person or persons) named in the Trustee Declaration under the Agreement. The Trustee may be a Discretionary Trustee or a Directed Trustee. See Article 12 for the rights and duties of a Trustee under this Plan.

22.201 Two-Step Formula. A method of allocating certain Employer Contributions under the Permitted Disparity Method. See Section 2.2(b)(2)(i).

22.202 Union Employee. An Employee who is included in a unit of Employees covered by a collective bargaining agreement between the Employer and Employee representatives and whose retirement benefits are subject to good faith bargaining. For this purpose, an Employee will not be considered a Union Employee for a Plan Year if more than two percent of the Employees who are covered pursuant to the collective bargaining agreement are professionals as defined in section 1.410(b)-9 of the regulations. For this purpose, the term "Employee representatives" does not include any organization more than half of whose members are Employees who are owners, officers, or executives of the Employer.

22.203 Unit Benefit. A Nonintegrated Benefit Formula under Part 4 of the target benefit plan Agreement that provides for a Stated Benefit equal to a specified percentage of Average Compensation multiplied by the Participant's projected Years of Participation with the Employer. See Section 2.5(c)(1)(ii).

22.204 Unit Excess Benefit. An Integrated Benefit Formula under Part 4 of the target benefit plan Agreement that provides for a Stated Benefit equal to a specified percentage of Average Compensation plus a specified percentage of Excess Compensation multiplied by the Participant's projected Years of Participation. See Section 2.5(c)(2)(ii).

22.205 Unit Offset Benefit. An Integrated Benefit Formula under Part 4 of the target benefit plan Agreement that provides for a Stated Benefit equal to a specified percentage of Average Compensation offset by a specified percentage of Offset Compensation multiplied by the Participant's projected Years of Participation. See Section 2.5(c)(2)(iv).

22.206 Valuation Date. The date or dates selected under Part 12 of the Agreement upon which Plan assets are valued. If the Employer does not select a Valuation Date under Part 12, Plan assets will be valued as of the last day of each Plan Year. Notwithstanding any election under Part 12 of the Agreement, the Trustee and Plan Administrator may agree to value the Trust on a more frequent basis, and/or to perform an interim valuation of the Trust. See Sections 12.6 and 13.2.

22.207 Vesting Computation Period. The 12-consecutive month period used for measuring whether an Employee completes a Year of Service for vesting purposes. See Section 4.4.

22.208 W-2 Wages. An optional definition of Total Compensation which the Employer may select under Part 3, #9.a. of the Agreement. See Section 22.197(a) for the definition of W-2 Wages.

22.209 Withholding Wages. An optional definition of Total Compensation which the Employer may select under Part 3, #9.b. of the Agreement. See Section 22.197(b) for the definition of Withholding Wages.

22.210 Year of Participation. Years of Participation are used to determine a Participant's Stated Benefit under the target benefit plan Agreement. See Section 2.5(d)(10).

22.211 Year of Service. An Employee's Years of Service are used to apply the eligibility and vesting rules under the Plan. Unless elected otherwise under Part 7 of the Agreement, an Employee will earn a Year of Service for purposes of applying the eligibility rules if the Employee completes 1,000 Hours of Service with the Employer during an Eligibility Computation Period. (See Section 1.4(b).) Unless elected otherwise under Part 7 of the Agreement, an Employee will earn a Year of Service for purposes of applying the vesting rules if the Employee completes 1,000 Hours of Service with the Employer during a Vesting Computation Period. (See Section 4.5.)

MINIMUM DISTRIBUTION REQUIREMENTS

AMENDMENT TO THE

PROTOTYPE DEFINED CONTRIBUTION PLAN AND TRUST
SPONSORED BY
SUNTRUST BANK

ARTICLE I
GENERAL RULES

1.1. Effective Date. Unless an earlier effective date is specified in the Minimum Distribution Requirements Addendum to the Adoption Agreement, the provisions of this Amendment will apply for purposes of determining required minimum distributions for calendar years beginning with the 2003 calendar year.

1.2. Coordination with Minimum Distribution Requirements Previously in Effect. If the effective date of this Amendment is earlier than calendar years beginning with the 2003 calendar year, required minimum distributions for 2002 under this Amendment will be determined as follows. If the total amount of 2002 required minimum distributions under the Plan made to the distributee prior to the effective date of this Amendment equals or exceeds the required minimum distributions determined under this Amendment, then no additional distributions will be required to be made for 2002 on or after such date to the distributee. If the total amount of 2002 required minimum distributions under the Plan made to the distributee prior to the effective date of this Amendment is less than the amount determined under this Amendment, then required minimum distributions for 2002 on and after such date will be determined so that the total amount of required minimum distributions for 2002 made to the distributee will be the amount determined under this Amendment.

1.3. Precedence. The requirements of this Amendment will take precedence over any inconsistent provisions of the Plan.

1.4. Requirements of Treasury Regulations Incorporated. All distributions required under this Amendment will be determined and made in accordance with the Treasury regulations under Section 401(a)(9) of the Internal Revenue Code.

1.5. TEFRA Section 242(b)(2) Elections. Notwithstanding the other provisions of this Amendment, distributions may be made under a designation made before January 1, 1984, in accordance with Section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act (TEFRA) and the provisions of the Plan that relate to Section 242(b)(2) of TEFRA.

1.6 Adoption by prototype sponsor. Except as otherwise provided herein, pursuant to Section 5.01 of Revenue Procedure 2000-20, the sponsoring organization hereby adopts this amendment on behalf of all adopting employers.

ARTICLE II
TIME AND MANNER OF DISTRIBUTION

2.1. Required Beginning Date. The Participant's entire interest will be distributed, or begin to be distributed, to the Participant no later than the Participant's required beginning date.

2.2. Death of Participant Before Distributions Begin. If the Participant dies before distributions begin, the Participant's entire interest will be distributed, or begin to be distributed, no later than as follows:

(a) If the Participant's surviving spouse is the Participant's sole designated beneficiary, then, except as provided in Article VI, distributions to the surviving spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died, or by December 31 of the calendar year in which the Participant would have attained age 70 1/2, if later.

(b) If the Participant's surviving spouse is not the Participant's sole designated beneficiary, then, except as provided in Article VI, distributions to the designated beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died.

(c) If there is no designated beneficiary as of September 30 of the year following the year of the Participant's death, the Participant's entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(d) If the Participant's surviving spouse is the Participant's sole designated beneficiary and the surviving spouse dies after the Participant but before distributions to the surviving spouse begin, this Section 2.2, other than Section 2.2(a), will apply as if the surviving spouse were the Participant.

For purposes of this Section 2.2 and Article IV, unless Section 2.2(d) applies, distributions are considered to begin on the Participant's required beginning date. If Section 2.2(d) applies, distributions are considered to begin on the date distributions are required to begin to the surviving spouse under Section 2.2(a). If distributions under an annuity purchased from an insurance company irrevocably commence to the Participant before the Participant's required beginning date (or to the Participant's surviving spouse before the date distributions are required to begin to the surviving spouse under Section 2.2(a)), the date distributions are considered to begin is the date distributions actually commence.

2.3. Forms of Distribution. Unless the Participant's interest is distributed in the form of an annuity purchased from an insurance company or in a single sum on or before the required beginning date, as of the first distribution calendar year distributions will be made in accordance with Articles 3 and 4 of this Amendment. If the Participant's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of Section 401(a)(9) of the Code and the Treasury regulations.

ARTICLE III
REQUIRED MINIMUM DISTRIBUTIONS DURING PARTICIPANT'S LIFETIME

3.1. Amount of Required Minimum Distribution For Each Distribution Calendar Year. During the Participant's lifetime, the minimum amount that will be distributed for each distribution calendar year is the lesser of:

(a) the quotient obtained by dividing the Participant's account balance by the distribution period in the Uniform Lifetime Table set forth in Section 1.401(a)(9)-9 of the Treasury regulations, using the Participant's age as of the Participant's birthday in the distribution calendar year; or

(b) if the Participant's sole designated beneficiary for the distribution calendar year is the Participant's spouse, the quotient obtained by dividing the Participant's account balance by the number in the Joint and Last Survivor Table set forth in Section 1.401(a)(9)-9 of the Treasury regulations, using the Participant's and spouse's attained ages as of the Participant's and spouse's birthdays in the distribution calendar year.

3.2. Lifetime Required Minimum Distributions Continue Through Year of Participant's Death. Required minimum distributions will be determined under this Article 3 beginning with the first distribution calendar year and up to and including the distribution calendar year that includes the Participant's date of death.

ARTICLE IV
REQUIRED MINIMUM DISTRIBUTIONS AFTER PARTICIPANT'S DEATH

4.1. Death On or After Date Distributions Begin.

(a) Participant Survived by Designated Beneficiary. If the Participant dies on or after the date distributions begin and there is a designated beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the longer of the remaining life expectancy of the Participant or the remaining life expectancy of the Participant's designated beneficiary, determined as follows:

(1) The Participant's remaining life expectancy is calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

(2) If the Participant's surviving spouse is the Participant's sole designated beneficiary, the remaining life expectancy of the surviving spouse is calculated for each distribution calendar year after the year of the Participant's death using the surviving spouse's age as of the spouse's birthday in that year. For distribution calendar years after the year of the surviving spouse's death, the remaining life expectancy of the surviving spouse is calculated using the age of the surviving spouse as of the spouse's birthday in the calendar year of the spouse's death, reduced by one for each subsequent calendar year.

(3) If the Participant's surviving spouse is not the Participant's sole designated beneficiary, the designated beneficiary's remaining life expectancy is calculated using the age of the beneficiary in the year following the year of the Participant's death, reduced by one for each subsequent year.

(b) No Designated Beneficiary. If the Participant dies on or after the date distributions begin and there is no designated beneficiary as of September 30 of the year after the year of the Participant's death, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the Participant's remaining life expectancy calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

4.2. Death Before Date Distributions Begin.

(a) Participant Survived by Designated Beneficiary. Except as provided in Article VI, if the Participant dies before the date distributions begin and there is a designated beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the remaining life expectancy of the Participant's designated beneficiary, determined as provided in Section 4.1.

(b) No Designated Beneficiary. If the Participant dies before the date distributions begin and there is no designated beneficiary as of September 30 of the year following the year of the Participant's death, distribution of the Participant's entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(c) Death of Surviving Spouse Before Distributions to Surviving Spouse Are Required to Begin. If the Participant dies before the date distributions begin, the Participant's surviving spouse is the Participant's sole designated beneficiary, and the surviving spouse dies before distributions are required to begin to the surviving spouse under Section 2.2(a), this Section 4.2 will apply as if the surviving spouse were the Participant.

ARTICLE V
DEFINITIONS

5.1. Designated beneficiary. The individual who is designated as the Beneficiary under the Plan and is the designated beneficiary under Section 401(a)(9) of the Internal Revenue Code and Section 1.401(a)(9)-1, Q&A-4, of the Treasury regulations.

5.2. Distribution calendar year. A calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first distribution calendar year is the calendar year immediately preceding the calendar year which contains the Participant's required beginning date. For distributions beginning after the Participant's death, the first distribution calendar year is the calendar year in which distributions are required to begin under Section 2.2. The required minimum distribution for the Participant's first distribution calendar year will be made on or before the Participant's required beginning date. The required minimum distribution for other distribution calendar years, including the required minimum distribution for the distribution calendar year in which the Participant's required beginning date occurs, will be made on or before December 31 of that distribution calendar year.

5.3. Life expectancy. Life expectancy as computed by use of the Single Life Table in Section 1.401(a)(9)-9 of the Treasury regulations.

5.4. Participant's account balance. The account balance as of the last valuation date in the calendar year immediately preceding the distribution calendar year (valuation calendar year) increased by the amount of any contributions made and allocated or forfeitures allocated to the account balance as of dates in the valuation calendar year after the valuation date and decreased by distributions made in the valuation calendar year after the valuation date. The account balance for the valuation calendar year includes any amounts rolled over or transferred to the Plan either in the valuation calendar year or in the distribution calendar year if distributed or transferred in the valuation calendar year.

5.5 Required beginning date. The date specified in the Plan when distributions under Section 401(a)(9) of the Internal Revenue Code are required to being.

Except with respect to any election made by the employer in the Minimum Distribution Requirements Addendum to the Adoption Agreement, this Amendment is hereby adopted by the prototype sponsoring organization on behalf of all adopting employers on December 12, 2002.

Sponsor Name: SunTrust Bank

By: /s/ Margaret R. Bernardin

Exhibit 10.5

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SHOPPING CENTER LEASE AGREEMENT

by and between

FIESTA MART, INC.

(Landlord)

and

C. A. I., L.P.

(Tenant)

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SHOPPING CENTER LEASE AGREEMENT

This Shopping Center Lease Agreement is entered into as of the 3rd day of May, 2000, (the "Effective Date") by and between the Landlord and the Tenant hereinafter named.

ARTICLE I. DEFINITIONS AND BASIC LEASE PROVISIONS

1.1 Certain Defined Terms

(a)	Landlord:	FIESTA MART, INC.
(b)	Landlord's Address:	
	(i) For Payment of of Rent:	P. O. Box 297794 Houston, Texas 77297-0794
	(ii) For Notices:	c/o United Equities Incorporated 6909 Ashcroft, Suite 200 Houston, Texas 77081
	(iii)Copy To:	Charles H. Carmouche General Counsel Fiesta Mart, Inc. 5235 Katy Freeway Houston, Texas 77007
(c)	Tenant:	C.A.I., L.P., a Texas limited partnership
(d)	Tenant's Address:	
	(i) At the Demised Premises:	c/o Conn Appliances, Inc. 3295 College Avenue, Suite A Beaumont, Texas 77701
	(ii) For Notices:	
	(A) Prior to the Commencement Date:	c/o Conn Appliances, Inc. 209 North 11th St. Beaumont, TX 77702
	(B) From and after the Commencement Date:	c/o Conn Appliances, Inc. 3295 College Avenue, Suite A Beaumont, TX 77701
	(iii)Contact	Thomas J. Frank, CEO
	(iv) Copy To:	C.C. Crutchfield, Jr. Crutchfield, DeCordova & Chauveaux 210 Stedman Building 490 Park Street Beaumont, TX 77701
(e)	Tenant's Taxpayer Identification Number or Social Security Number:	76-0612662
	Tenant's Telephone No:	(409) 832-1696

Tenant's Telecopy No: (409) 835-7069

(f) Tenant's Trade Name: "Conn's" and "Conn Appliances"

(g) Additional Charges: All rental and other amounts payable under this Lease by Tenant, other than Minimum Guaranteed Rental.

(h) Commencement Date: The earlier of (i) one hundred twenty (120) days after tender of possession of the Demised Premises to Tenant by Landlord, or (ii) five (5) days after a certificate of occupancy is issued with respect to the Demised Premises.

(i) Demised Premises: Approximately 88,283 square feet of space in the Shopping Center and being the space circumscribed by red lines on the Site Plan attached hereto as Exhibit "B". Tenant acknowledges that in determining the number of square feet of space in the Demised Premises, all distances have been measured from the exterior face of all exterior walls and the center of all partition walls which separate the Demised Premises from any interior area. Upon determination of the exact square footage of the Demised Premises, Tenant will execute a Confirmation of Demised Premises reflecting the size of the Demised Premises and matters related thereto, the form and substance of which is attached hereto as Exhibit "G". With regard to the Site Plan, the parties agree that the Site Plan is attached solely for the purpose of locating the Shopping Center and the Demised Premises within the Shopping Center and that no representation, warranty or covenant is to be implied by any other information shown on the Site Plan (i.e., any information as to buildings, tenants or prospective tenants, etc. and is subject to change at any time).

(j) Guarantor; Conn Appliances, Inc. The form of the Guaranty Agreement is attached as Exhibit "E").

(k) Late Charge: Ten percent (10%) of the delinquent amount on which the Late Charge is imposed, as set forth in Section 4.8 below.

(1) Lease: This Shopping Center Lease Agreement.

(m) Lease Term: The period beginning on the Commencement Date and ending on the last day of the one hundred twentieth (120th) full calendar month after the Commencement Date.

(n) Lease Year: In the case of the first Lease Year, the period beginning on the Commencement Date and ending on the last day of the twelfth (12th) full calendar month after the Commencement Date. Such first Lease Year shall include the partial month, if any, at the commencement of the Lease Term if the Lease Term does not commence on the first (1st) day of a calendar month. Each subsequent Lease Year shall be the period of twelve (12) full calendar months commencing with the date following the last day of the preceding Lease Year and ending on the last day of the twelfth (12th) full calendar month thereafter.

(o) Minimum Guaranteed Rental: $2,618,400.00, payable in monthly installments as follows:

Months	Monthly Rental
1-12	$17,722.00
13-60	$20,232.00
61-120	$23,910.00

(p) Options to Renew: Two (2) two five (5) year options pursuant to the provisions of Exhibit "H" attached hereto.

(q) Intentionally left blank.

(r) Intentionally left blank

(s) Permitted Use: Only for general office purposes and uses related directly thereto, and for no other purpose whatsoever.

(t) Prepaid Rental and other charges: $24,269.66, being Minimum Guaranteed Rental, Tenant's Estimated Pro Rata Share of Common Area Costs, Real Estate Taxes, and Insurance Premiums for the first month of the Lease Term.

(u) Rent: All Minimum Guaranteed Rental and Additional Charges.

(v) Security Deposit: - None -

(w) Shopping Center: Beaumont Shopping Center, a commercial shopping center consisting of the existing and future buildings, parking areas, sidewalks, service areas and other improvements now existing or hereafter erected on the land located in the City of Beaumont, Jefferson County, Texas, more particularly described in Exhibit "A" attached hereto and made a part hereof for all purposes.

(x) Site Plan: The map outlining the Shopping Center and showing the Demised Premises in relation thereto, attached hereto as Exhibit "B" and made a part hereof for all purposes.

(y) Tenant's Pro Rata Share: A fraction having as its numerator the total number of square feet contained in the Demised Premises, as set forth in Section 1.1(i) and having as its denominator the total number of square feet contained in all rentable space in all buildings in the Shopping Center (whether or not actually leased) on the first day of January for the relevant calendar year for which any calculation of Tenant's pro rata share is being made. On the Effective Date hereof, Landlord represents that the specified fraction is 88,283/137,514.

(z) Tenant's Pro Rata Share of Common Area Costs: Estimated to be $43,258.18 for the first calendar year, based on an annual amount equal to $0.49 per square foot of floor area in the Demised Premises, payable in equal monthly installments of $3,604.89, subject to adjustment as provided in Sections 6.4 and 6.5 below. Should Tenant occupy the Demised Premises for any period less than the full calendar year, Tenant's Pro Rata Share of Common Area Costs shall be prorated accordingly to reflect the amount of time Tenant actually occupies the Demised Premises.

(aa) Tenant's Pro Rata Share of Insurance Premiums: Estimated to be $5,297.04 for the first calendar year, based on an annual amount equal to $0.06 per square foot of floor area in the Demised Premises, payable in equal monthly installments of $441.42, subject to adjustment as provided in Section 18.4. Should Tenant occupy the Demised Premises for any period less than the full calendar year, Tenant's Pro Rata Share of Insurance Premiums shall be prorated accordingly to reflect the amount of time Tenant actually occupies the Demised Premises.

(bb) Tenant's Pro Rata Share of Taxes: Estimated to be $30,016.20 for the first calendar year, based on an annual amount equal to $0.34 per square foot of floor area in the Demised Premises, payable in equal monthly installments of

$2,501.35, subject to adjustment as provided in Section 18.2. Should Tenant occupy the Demised Premises for any period less than the full calendar year, Tenant's Pro Rata Share of Taxes shall be prorated accordingly to reflect the amount of time Tenant actually occupies the Demised Premises.

(cc) Hazardous Substance shall mean any substance or material defined or designated as hazardous or toxic waste, hazardous or toxic material, a hazardous or toxic substance, or other similar term, by any federal, state or local environmental health, safety or similar laws, statutes, rules, regulations or ordinances presently in effect or which may be promulgated in the future, as such laws, statutes, rules, regulations and/or ordinances may be supplemented or amended from time to time (collectively, "Environmental Laws").

1.2 Construction of Definitions. Each of the foregoing definitions and basic provisions shall be construed in conjunction with and limited by the references thereto in the other provisions of this Lease.

ARTICLE II. TERM

In consideration of the obligation of Tenant to pay Rent as herein provided and perform Tenant's other obligations performable by Tenant under the provisions of this Lease, and in consideration of the other terms, covenants and conditions hereof, Landlord hereby demises and leases to Tenant, and Tenant hereby takes from Landlord, the Demised Premises. TO HAVE AND TO HOLD the Demised Premises for the Lease Term all upon the terms and conditions set forth in this Lease. Landlord further agrees that if Tenant shall perform all of the covenants and agreements herein required to be performed by Tenant, Tenant shall, subject to the terms of this Lease, at all times during the continuance of this Lease have peaceful and quiet possession of the Demised Premises.

ARTICLE III. ACCEPTANCE OF PREMISES

3.1 Suitability of Demised Premises. By occupying the Demised Premises, Tenant shall be deemed to have accepted the same and to have acknowledged that the same comply fully with Landlord's covenants and obligations hereunder. Tenant represents and warrants to Landlord that Tenant has, prior to the execution of this Lease, fully inspected the Demised Premises and that Tenant has made, performed and obtained all studies, inspections, reports and tests that Tenant desires relative to the condition of the Demised Premises and Tenant's proposed use thereof. Tenant acknowledges and agrees that, except as otherwise expressly provided in this Lease, Tenant is accepting the Demised Premises in its present "AS-IS," "WHERE-IS" condition, "WITH ALL FAULTS". Tenant further represents and warrants that it has used all due diligence in conducting such studies, inspections and tests on the Demised Premises that Tenant deemed necessary or appropriate. By execution of this Lease by Tenant, Tenant shall be deemed to have acknowledged that the roof, mechanical, electrical and plumbing systems and the heating and air conditioning system with respect to the Demised Premises are in good working condition, reasonable wear and tear excepted and that Landlord is under no obligation to make any improvements whatsoever with respect to the Demised Premises or the Shopping Center. Tenant further acknowledges that except as herein expressly set forth with specificity to the contrary, Landlord has not made and does not make, and Landlord hereby disclaims, any and all other warranties, expressed or implied, which in any way relate to the Demised Premises or the condition thereof, including, without limitation, any implied warranty of suitability or habitability. Tenant further understands that Landlord has relied upon Tenant's representations and warranties aforesaid and Tenant's having made all inspections desired by Tenant prior to leasing the Demised Premises from Landlord, and that but for such inspections by Tenant, Landlord would not have leased the Demised Premises to Tenant. Additionally, the parties hereto agree that the obligation of Tenant to pay all Rent and other sums hereunder provided to be paid by Tenant, and the obligation of Landlord to perform Landlord's covenants and duties hereunder constitute independent, separate and unconditional obligations to be performed at all times provided for hereunder, save and except only when an abatement thereof or reduction therein is expressly provided for herein and not otherwise. Except as herein expressly provided to the contrary, Tenant waives and relinquishes all rights which Tenant might have to

claim any nature of a lien against or withhold or deduct from or offset against any Rent or other sums provided hereunder to be paid to Landlord by Tenant, including without limitation, any rights Tenant might otherwise have under Section 91.004 of the Texas Property Code.

3.2 Tender of Possession. Possession for the purpose of performing the Tenant Work as hereinafter defined, will be tendered on the date that Landlord executes this Lease (the "Delivery Date").

3.3 Memorandum of Lease. Tenant agrees that at the request of Landlord it will execute and deliver a short form or memorandum of lease in recordable form containing the basic provisions of this Lease and acknowledging that Tenant has accepted possession and reciting the exact Commencement Date and termination date of this Lease.

3.4 [Intentionally Left Blank].

ARTICLE IV. RENTAL

4.1 Accrual of Rental. Rental shall accrue hereunder from the Commencement Date, and shall be payable to Landlord at the address specified in Section 1.1(b)(i) above, or at such other address as Landlord may designate from time to time by written notice to Tenant. All Rent and other- sums provided to be paid by Tenant hereunder shall be due and payable to Landlord without demand, deduction, abatement or set-off except as expressly provided herein.

4.2 Minimum Guaranteed Rental. Tenant shall pay to Landlord Minimum Guaranteed Rental in monthly installments in the amounts specified in Section 1.1 (o) above. The number of installments of Minimum Guaranteed Rental included in the amount specified in Section 1.1(t) shall be due and payable on the execution of this Lease by Tenant and subsequent installments shall be due and payable on or before the first day of each calendar month during the Lease Term; provided that if the Commencement Date is a date other than the first day of a calendar month, there shall be due and payable on or before such date as Minimum Guaranteed Rental for the balance of such calendar month a sum equal to that proportion of the Minimum Guaranteed Rental specified for the first full calendar month as herein provided, which the number of days from the Commencement Date to the end of the calendar month during which the Commencement Date shall fall bears to the total number of days in such month.

4.3 Intentionally Left Blank.

4.4 Intentionally Left Blank.

4.5 Intentionally Left Blank.

4.6 Interest on Past Due Rentals. It is understood that the Minimum Guaranteed Rental and Additional Charges are payable on or before the first day of the month (as provided elsewhere in this Lease), without offset or deduction of any nature. In the event any Rent is not received within three (3) business days after its due date for any reason whatsoever, it is agreed that the amount then due shall bear interest at the maximum contractual rate which could legally be charged under applicable law in the event of a loan of such amounts to Tenant (but in no event to exceed 1-1/2% per month), such interest to accrue continuously on any unpaid balance due to Landlord by Tenant during the period commencing with the aforesaid due date and terminating with the date on which Tenant makes full payment of all amounts, owing to Landlord at the time of said payment. Any such interest shall be payable as an Additional Charge hereunder and shall be payable immediately on demand.

4.7 Intentionally Left Blank.

4.8 Late Charge; Returned Checks. If any Rent is not received by Landlord prior to three (3) business days after Landlord's written notice to Tenant that monthly Rent has not been received, the Late Charge shall be due and payable (in addition thereto). Notwithstanding the foregoing, Landlord shall only be obligated to provide two (2) such notices during any Lease Year, after which, no further notice shall be required and the Late Charge shall be due and payable three (3) business

days after the Rent's due date. Such Late Charge is for the purpose of reimbursing Landlord for the extra cost and expense incurred in connection with the handling and processing of such late payment. To the extent any personal or corporate check is returned to Landlord, Tenant will pay Landlord a fee equal to $100.00 to reimburse Landlord for the extra cost and expense incurred in connection with the handling and processing of such returned item.

ARTICLE V. INTENTIONALLY LEFT BLANK.

ARTICLE VI. COMMON AREA

6.1 Use and Regulation of Common Area. The term "Common Area" is defined for all purposes of this Lease as that part of the Shopping Center intended for the common use of all tenants, including among other facilities (as such may be applicable to the Shopping Center) parking areas, private streets and alleys, landscaping, curbs, loading area, sidewalks, malls and promenades (enclosed or otherwise), gutters and down-spouts, sprinkler risers serving all or any buildings in the Shopping Center, drainage facilities, lighting facilities, drinking fountains, meeting rooms, public toilets, Shopping Center signs, service areas, common utility lines, pipes and conduits and the like but excluding space in buildings (now or hereafter existing) designed for rental for commercial purposes, as the same may exist from time to time, and further excluding streets and alleys maintained by a public authority. Landlord reserves the right to change from time to time the dimensions and location of the Common Area including, without limitation, changes in the location or configuration of driveways, entrances, exits, vehicular parking spaces, parking areas or the direction of the flow of traffic, as well as the dimensions, identity and type of any buildings in the Shopping Center. Except as hereinafter provided, Tenant, and its employees and customers, and when duly authorized pursuant to the provisions of this Lease, its subtenants, licensees and concessionaires, shall have the non-exclusive right to use the Common Area as constituted from time to time, such use to be in common with Landlord, other tenants of the Shopping Center and other persons permitted by Landlord to use the same, and subject to such reasonable rules and regulations governing use as Landlord may from time to time uniformly prescribe, except that in all events, since Tenant will not be conducting a retail sales operation from the Demised Premises, Tenant's employees, invitees, subtenants, licensees and concessionaires shall be entitled to park at all times, on an equal basis, first come, first served, upon the general parking areas of the Shopping Center, as Shopping Center customers and/or invitees of other tenants, and not as "employees". Tenant will not load or unload any trucks or permit any trucks serving the Demised Premises, whether owned by Tenant or not, to be loaded or unloaded in the Shopping Center, except in the areas specifically designated for such use by Landlord. Tenant shall not solicit business or display or offer for sale merchandise within the Common Area or at any other point outside the Demised Premises or distribute handbills in the Common Area or take any action which would interfere with the rights of other persons to use the Common Area. In addition, Tenant shall not hang, place or otherwise maintain or permit to be hanged, placed or otherwise maintained in the Common Area or on any building in the Shopping Center any sign, banner or pennant. If Tenant violates the foregoing prohibition, Landlord shall have the right to remove any such unauthorized sign, banner or pennant and dispose of the same as Landlord sees fit, and Tenant shall reimburse Landlord for all costs and expenses incurred by Landlord in effecting such removal and disposition. Landlord may temporarily close any part of the Common Area for such periods of time as may be reasonably necessary to make repairs or alterations or to prevent the public from obtaining prescriptive rights. Landlord shall have the right to designate specified smoking areas in the Common Area and Tenant shall cause its employees to utilize this smoking area as the only permitted area in the Shopping Center where smoking by Tenant's employees shall be permitted. Tenant shall be obligated to clean and maintain the smoking area and receptacles placed therein at Tenant's sole cost and expense. Should Tenant fail to properly maintain said area, Landlord shall be entitled to maintain and clean the smoking area whereupon Tenant shall be obligated to reimburse Landlord for the cost thereof within thirty (30) days of being invoiced therefore. Notwithstanding anything contained in this Lease to the contrary, certain portions of the parking area located in the Shopping Center are hereby designated as exclusive parking for Tenant while other areas have been designated as exclusive parking for Specialties Entertainment, Inc. dba Golden Nugget Bingo ("Specialties"), all as depicted more fully on the Site Plan attached hereto as Exhibit "B". Landlord shall, as a Common Area Cost, properly mark and designate those areas which are for the exclusive parking of Tenant and Specialties, respectively. Any portion of the parking areas not designated as either exclusive for Tenant or

Specialties are available for use by all tenants of the Shopping Center. Nothing contained herein is intended to authorize Tenant to tow any unauthorized vehicles parked in Tenant's exclusive parking areas.

6.2 Substitute Parking. Landlord may from time to time substitute, as to all tenants of the Shopping Center on a uniform basis, for any parking area other areas reasonably accessible to the tenants of the Shopping Center, which areas may be elevated, surface or underground.

6.3 Maintenance of Common Area. Landlord shall be responsible for the operation, management, and maintenance of the Common Area, the manner of such maintenance and the expenditures therefor to be in the sole discretion of Landlord, conditioned that operation, management and maintenance shall be consistent with standard shopping center practices of similar sized shopping centers in Beaumont, Jefferson County, Texas.

6.4 Common Area Costs. In addition to Rent and other charges prescribed in this Lease, Tenant shall pay to Landlord Tenant's Pro Rata Share of Common Area Costs. The term "Common Area Costs", as used herein, means all costs and expenses of every kind and nature which may be paid or incurred by Landlord during the Lease Term in operating, managing, policing, equipping, lighting, repairing, replacing and maintaining the Common Area, including, without limitation, costs of resurfacing and re-striping the parking area; repainting, cleaning, sweeping, and other janitorial services provided to the Common Area; security guards and other security services and systems (Landlord makes no representation it will provide any security services whatsoever); purchase, construction and maintenance of refuse receptacles; planting and re-landscaping including the cost of installing and maintaining a sprinkler system and related equipment; cost of maintaining or installing directional signs and other markers; car stops; traffic control expenses including the cost of hiring off duty policemen for such purpose; lighting and other utilities provided to the Common Area, including the cost of tubes, bulbs and ballasts; repairing and maintaining overhead canopies; repairing gutters and down-spouts; exterminating and pest control in and about the Shopping Center; professional fees and expenses incurred by Landlord for ad valorem tax consultants or tax-rendering services; maintenance and repair (but not replacement) of utility systems, including water, sanitary and storm sewer lines and other utility lines, pipes and conduits within the Common Area; drainage systems serving the Shopping Center; rental charges or depreciation if owned, for machinery and equipment used in operation, maintenance and repair of the Common Area; installing, operating and maintaining Shopping Center identification signs; premiums on public liability and property damage insurance; costs of personnel to implement all of the foregoing, including wages, unemployment taxes, social security taxes and workmen's compensation insurance premiums; personal property taxes; fees for required licenses and permits; supplies; any modifications to the Common Area precipitated by applicable governmental statutes, regulations, rules or demands, including without limitation, the Americans With Disabilities Act; and an allowance to Landlord for Landlord's supervision of the Common Area and for accounting, bookkeeping and collection costs in an amount equal to fifteen percent (15%) of the total of all Common Area Costs (but there shall be excluded from Common Area Costs depreciation of the cost of constructing, erecting and installing the Common Area). Landlord may cause any or all of said services to be provided by a third party contractor or contractors (which may be an affiliate of Landlord) and all fees, charges and expenses paid to such contractors shall be a Common Area Cost. Tenant shall make such payments to Landlord monthly, in advance, with the regular monthly installments of Minimum Guaranteed Rental due and payable pursuant to this Lease, such monthly payments being based upon the Landlord's estimate of the annual Common Area Costs, payable in advance but subject to adjustment from time to time by Landlord during the Lease Term on the basis of the actual Common Area Costs for such calendar year. Following the end of each calendar year occurring during the Lease Term, Landlord will give Tenant notice of the total amount paid by Tenant for the relevant calendar year together with the actual amount of Tenant's Share of Common Area Costs for such calendar year. If the actual amount of Tenant's Share of such Common Area Costs with respect to such period exceeds the aggregate amount previously paid by Tenant with respect thereto during the such period, Tenant shall pay to Landlord the deficiency within ten (10) days following notice from Landlord. If, however, the aggregate amount previously paid by Tenant with respect thereto exceeds Tenant's Share of such Common Area Costs for such period, then, Landlord shall refund such net surplus to Tenant.

6.5 Tenant's Audit Rights. Landlord will maintain accurate records of all costs and expenses incurred by Landlord which constitute Common Area Costs. Tenant shall have the right to inspect and/or audit Landlord's books and records relating to Common Area Costs and request copies of specific supporting documentation pertaining thereto for any Lease Year during the Lease Term and any renewal thereof. Should Tenant elect to audit the Common Area Costs, Tenant shall advise Landlord in writing of such request within one hundred twenty (120) days of Tenant's receipt of the year end reconciliation reflecting the total amount due and owing from Tenant with respect to the immediately preceding calendar year. Should Tenant fail to timely elect to proceed with its audit rights pursuant hereto, Tenant shall be deemed to have accepted Landlord's report and Tenant shall have no right to proceed with the audit for such calendar year. Any such inspection or audit conducted by Tenant shall be conducted at Landlord's office during normal business hours. Tenant shall not be entitled to have more than two people in Landlord's office at any time and Tenant shall proceed on an expedited basis to conclude such audit in a reasonable time. If Landlord and Tenant mutually agree that an error occurred and the amount of such error, Landlord shall refund Tenant such amount within thirty (30) days or Tenant shall pay within thirty (30) days such additional amount to Landlord as reflected by the audit. If the parties cannot agree on whether errors exist or the cumulative amount of any errors, then the parties shall submit such dispute for resolution to a panel of not more than three arbitrators with one arbitrator selected by Landlord, one by Tenant and one selected by the foregoing two arbitrators. The arbitrators shall be certified public accountants with at least ten years experience in the real estate industry and none of the arbitrators shall work for or have been employed by Landlord or Tenant for at least three (3) years prior to such appointment. After at least ten (10) days prior written notice to Landlord and Tenant, such arbitrators shall hold a hearing at which Landlord and Tenant may present evidence and such arbitrators shall render a written decision within twenty (20) days after the date of such hearing. The decision of the arbitrators will be final, binding and non-appealable. The non-prevailing party in such dispute shall pay the reasonable cost of such arbitration. In the event of an overstatement of charges pertaining to Common Area Costs exceeds 5% of the sum actually due and owing by Tenant to Landlord, Landlord shall reimburse Tenant for the reasonable expenses of such audit not to exceed however, $500.00. Notwithstanding any dispute between Landlord and Tenant concerning Common Area Costs, Tenant shall nevertheless continue to pay the monthly estimates of Common Area Costs as provided in this Lease.

ARTICLE VII. USE

7.1 Use of Demised Premises. The Demised Premises may be used only for the purpose or purposes specified in Section 1.1(s) above, and for no other purposes without the prior written consent of Landlord. Tenant shall use in the transaction of business in the Demised Premises the trade name specified in Section 1.1(f) above and no other trade name without the prior written consent of Landlord. No public or private auction or any fire, "going out of business," liquidation, "lost-our-lease," bankruptcy or similar sale or auctions or "wholesale or factory outlet store" a "second hand" store, a "surplus" store, shall be conducted in or from the Demised Premises. Tenant shall not, without Landlord's prior written consent, keep anything within the Demised Premises or use the Demised Premises for any purpose which increases the insurance premium cost or invalidates any insurance policy carried on the Demised Premises or other parts of the Shopping Center. All property kept, stored or maintained within the Demised Premises by Tenant shall be at Tenant's sole risk. During the term of this Lease, Tenant shall not install any public telephones or arcade games in or about the Demised Premises or the Shopping Center and shall not install any vending machines in the Common Area of the Shopping Center. Any attempt to install or the actual installation by Tenant of public telephones or arcade games in or about the Demised Premises or the Shopping Center shall constitute a default by Tenant under this Lease.

7.2 Continuous Operation. Tenant shall not at any time leave the Demised Premises vacant, but shall in good faith continuously throughout the term of this Lease conduct and carry on in the entire Demised Premises the business for which the Demised Premises are leased. Notwithstanding the foregoing, in the event Tenant determines to cease operating its business at the Demised Premises, Tenant shall have the right to cease operating its business at the Demised Premises provided (i) Tenant shall notify Landlord at least ninety (90) days prior to the date Tenant intends to close its business at the Demised Premises, and (ii) Tenant shall continue to be obligated to pay all amounts due under this Lease and to perform all covenants and obligations hereunder for

the Lease Term. To the extent Tenant ceases operating its business in the Demised Premises or vacates the Demised Premises, Landlord will have the option at any time thereafter to terminate this Lease whereupon Landlord and Tenant will be released from all further liabilities and obligations under the Lease from and after the effective date of such termination except for those matters which survive the termination or expiration of this Lease.

7.3 Operation of Business. Tenant shall not permit any objectionable or unpleasant odors to emanate from the Demised Premises; nor place or permit any radio, television, loudspeaker or amplifier on the roof or outside the Demised Premises or where the same can be seen or heard from outside the building in which the Demised Premises are located; nor place any antenna, awning or other projection on the exterior of the Demised Premises; nor take any other action which would constitute a nuisance or would disturb or endanger other tenants of the Shopping Center or unreasonably interfere with their use of their respective premises; nor do anything which would tend to injure the reputation of the Shopping Center. Tenant shall maintain all display windows in a neat, attractive condition, and shall keep all display windows, exterior electric signs and exterior lighting under any canopy in front of the Demised Premises lighted from dusk until 10:00 o'clock p.m. every day, including Sundays and holidays.

7.4 Disposal of Trash. Tenant shall take good care of the Demised Premises and keep the same free from waste at all times. Tenant shall keep the Demised Premises and sidewalks, service-ways and loading areas adjacent to the Demised Premises neat, clean and free from dirt or rubbish at all times, and shall store all trash and garbage within the Demised Premises, arranging for the regular pick-up of such trash and garbage at Tenant's expense. Receiving and delivery of goods and merchandise and removal of garbage and trash shall be made only in the manner and areas prescribed by Landlord. Tenant shall not operate an incinerator or burn trash or garbage within the Shopping Center area. Tenant shall provide for its own trash and garbage removal as specified in Exhibit "F" attached hereto.

7.5 Compliance with Laws. Tenant shall procure at its sole expense any permits and licenses required for the transaction of Tenant's business in the Demised Premises and otherwise comply with all applicable laws, codes, ordinances and governmental rules and regulations applicable to the Demised Premises and the business conducted therein by Tenant, including without limitation, the Americans With Disabilities Act and the Texas Architectural Barriers Act.

7.6 Alterations by Landlord. Tenant acknowledges that neither Landlord nor any agent of Landlord has agreed to undertake any modification, alteration or improvement to the Demised Premises.

ARTICLE VIII. MAINTENANCE AND REPAIRS

8.1 Landlord's Obligations. Landlord, at Landlord's expense shall keep the foundation and exterior walls (except plate glass; windows, doors, door closure devices and other exterior openings; window and door frames, molding, locks and hardware; special store fronts; lighting, heating, air conditioning, plumbing and other electrical, mechanical and electromotive installations, equipment and fixtures; signs, placards, decorations or advertising media of any type; damage caused by break-ins or attempted break-ins to the Demised Premises; and interior painting) and roof (excluding, however, damage to flashing around rooftop air conditioning units caused by the activities of Tenant or Tenant's contractors, which shall be Tenant's expense) in good repair. Landlord, however, shall not be required to make any repairs occasioned by the act or negligence of Tenant, its agents, employees, subtenants, licensees and concessionaires; and the provisions of the previous sentence are expressly recognized to be subject to the provisions of Article XV and Article XVI of this Lease. In the event that the Demised Premises should become in need of repairs required to be made by the Landlord hereunder, Tenant shall give immediate written notice thereof to Landlord; and Landlord shall not be responsible in any way for failure to make any such repairs until a reasonable time shall have elapsed after receipt by Landlord of such written notice. Further, to the extent Tenant fails to timely notify Landlord pursuant hereto, Tenant shall be responsible for the additional costs incurred by Landlord to effect such repairs as the result of Tenant's failure to timely notify Landlord thereof.

8.2 Tenant's Obligations. Tenant shall keep the Demised Premises in good, clean and habitable condition and shall at its sole cost and expense keep the Demised Premises free of insects, rodents, vermin and other pests and make all needed repairs and replacements, including replacement of cracked or broken glass except for repairs and replacements required to be made by Landlord under the provisions of Section 8.1, Article XV and Article XVI. Without limiting the coverage of the previous sentence, it is understood that Tenant's responsibilities shall include the repair and replacement of all lighting, heating, air conditioning, plumbing and other electrical, mechanical and electromotive installation, equipment and fixtures; all utility repairs in ducts, conduits, pipes and wiring in the Demised Premises; any sewer stoppage located in, under and above the Demised Premises; and all damage caused by break-ins or attempted break-ins to the Demised Premises. In the event that any roof penetration is required in connection with any repairs or maintenance required to be made by Tenant hereunder, Landlord shall perform such roof penetration at Tenant's cost within a reasonable time after notice from Tenant, in which event Tenant shall reimburse Landlord, upon demand, for the cost thereof or, at Landlord's option, such roof penetration shall be performed by Tenant, using a contractor approved, in advance, by Landlord. If any repairs required to be made by Tenant hereunder are not made within thirty (30) days after written notice delivered to Tenant by Landlord, Landlord may at its option make such repairs without liability to Tenant for any loss or damage which may result to its inventory or other property or business by reason of such repairs; and Tenant shall pay to Landlord upon demand, as additional Rent hereunder, the cost of such repairs plus interest at the rate of eighteen percent (18%) per annum, such interest to accrue continuously from the date of payment by Landlord until repayment by Tenant. At the expiration of this Lease, Tenant shall surrender the Demised Premises in good condition, excepting reasonable wear and tear and losses required to be restored by Landlord under Section 8.1, Article XV and Article XVI of this Lease. Notwithstanding anything contained in this Lease to the contrary, should Tenant cause any work to be performed on the roof of the building in which the Demised Premises is a part and such work voids or otherwise adversely impacts any existing roof warranty, Tenant shall be responsible for all damages, claims, costs and expenses incurred by Landlord as a result of the voiding or impacting of the roof warranty. Any such damages, claims, costs and expenses will be due and payable by Tenant to Landlord upon demand by Landlord.

ARTICLE IX. ALTERATIONS

9.1 Required Approval and Renewals. Tenant shall not make any alterations, additions or improvements to the Demised Premises without the prior written consent of Landlord, and without Landlord's prior written approval of Tenant's plans and specifications for any such alterations, additions or improvements, except for the installation of unattached, movable trade fixtures which may be installed without drilling, cutting or otherwise defacing the Demised Premises or any other portion of the Shopping Center. The submission and approval of Tenant's plans and specifications shall be in accordance with the provisions of Exhibit "C" attached hereto and made a part hereof. All alterations, additions, improvements and fixtures (other than Tenant's unattached, readily movable furniture and office equipment) which may be made or installed by either party in the Demised Premises including without limitation, the heating, ventilating and air conditioning system and equipment, shall be surrendered with the Demised Premises and become the property of Landlord at the termination of this Lease, unless Landlord requests their removal in which event Tenant shall remove the same and restore the Demised Premises to their original condition at Tenant's expense.

9.2 Construction by Tenant. All construction work done by Tenant within the Demised Premises shall be performed in accordance with Exhibit "C" attached hereto and incorporated herein for all purposes by this reference.

ARTICLE X. ACCESS

10.1 Entry by Landlord. Landlord shall have the right to enter upon the Demised Premises at any time during normal business hours, with not less than one (1) days' notice to Tenant (provided, however, no notice shall be required in the event of an emergency), for the purpose of inspecting the same, or of making repairs to the Demised Premises, or of making repairs, alterations or additions to adjacent premises, or of showing the Demised Premises to prospective purchasers,

lessees or lenders or of removing non-conforming signs, graphics and other materials under the provisions of Article XI hereof.

10.2 Placement of Signs. Tenant will permit Landlord to place and maintain "For Rent" or "For Lease" signs on the Demised Premises during the last ninety (90) days of the Lease Term, it being understood that such signs shall in no way affect Tenant's obligations under any provision of this Lease.

ARTICLE XI. EXTERIOR CHANGES AND SIGNS

Tenant shall not, without Landlord's prior written consent (a) make any changes to the store front or (b) install any exterior lighting, decorations, paintings, awnings, canopies or the like or (c) erect or install any signs, window or door lettering, placards, decorations or advertising media of any type which can be viewed from the exterior of the Demised Premises, excepting only dignified displays in its display windows. All signs, lettering, placards, decorations and advertising media shall conform in all respects to the sign criteria attached hereto as Exhibit "D" and as otherwise established by Landlord for the Shopping Center from time to time in its sole discretion, and shall be subject to the prior written approval of Landlord as to construction, method of attachment, size, shape, height, lighting, color and general appearance. All signs shall be kept in good condition and in proper operating order at all times. Tenant shall submit to Landlord a design for Tenant's building sign which design shall conform to the sign and graphics criteria attached hereto as Exhibit "D". If the design of Tenant's sign complies with the sign criteria and is otherwise satisfactory to Landlord, Tenant shall thereafter install or cause to be installed such sign at Tenant's sole cost and expense. Tenant shall immediately remove any signs, window or door lettering, placards, decorations or advertising media of any type which is not in conformity with the above mentioned sign and graphics criteria. In the event such removal is not completed within twenty-four (24) hours following written demand for such removal by Landlord, Landlord shall have the right to enter upon the Demised Premises during normal business hours and remove all such non-conforming signs, window or door lettering, placards, decorations or advertising media at Tenant's sole cost and expense. If Tenant shall elect to install a sign on the Demised Premises, Tenant shall cause Tenant's building sign to be placed on a time clock device which will cause such sign to be illuminated automatically, from dusk until 12:00 midnight every day during the Lease Term.

ARTICLE XII. UTILITIES

12.1 Facilities. Landlord agrees to cause to be provided the necessary mains, conduits and other facilities to be available in the Shopping Center to the exterior walls of the Demised Premises for tap-in by Tenant, so as to enable Tenant to run the necessary lines to secure the water, electricity, telephone service and sewage service required by Tenant in the Demised Premises.

12.2 Payment for Services. Tenant shall promptly pay, prior to delinquency, all charges for electricity, water, telephone service, sewage service and other utilities furnished to the Demised Premises.

12.3 Water Usage Charges. Tenant shall pay to Landlord, Tenant's Pro Rata Share of Water Usage Charges as calculated by Landlord on an equitable basis with respect to all such water usage which is metered to Tenant in common with other tenants of the Shopping Center. Tenant shall pay to Landlord in monthly installments, on the same dates as and in addition to the monthly installment of Minimum Guaranteed Rental and Additional Charges, an amount equal to one-twelfth (1/12th) of Tenant's Pro Rata Share of Water Usage Charges, as estimated by Landlord in good faith from time to time. As soon as practicable after the close of each calendar year during the Lease Term, Landlord shall furnish a statement in writing to Tenant specifying the actual amount due by Tenant in respect of Tenant's Pro Rata Share of Water Usage Charges. In the event the total of the monthly payments theretofore paid by Tenant under this Section 12.3 for such year exceeds the actual amount due, then the excess shall be applied pro rata as a credit on the monthly installments thereafter becoming due under this Section 12.3. In the event the total of the monthly payments theretofore paid by Tenant under this Section 12.3 for such year is less than the actual amount due, any such deficiency shall be due and payable by Tenant to Landlord within thirty (30) days after Tenant's receipt of such statement. During any year which shall be less than a full calendar year,

Tenant's Pro Rata Share of Water Usage Charges shall be pro rated on a daily basis between the parties to the end that Tenant shall only pay for water charges attributable to the portion of the calendar year occurring within the Lease Term. Tenant's audit rights specified in Section 6.5 above shall likewise apply to Water Usage Charges.

12.4 Interruption in Service. Landlord shall not be liable for any interruption whatsoever in utility services not furnished by it, nor for interruptions in utility services furnished by it which are due to fire, accident, strike, acts of God or other causes beyond the control of Landlord or in order to make alterations, repairs or improvements.

12.5 Utility Deregulation. Landlord has advised Tenant that presently Entergy ("Electric Service Provider") is the utility company selected by Landlord to provide electricity service for the Shopping Center. Notwithstanding the foregoing, if permitted by applicable law, Landlord shall have the exclusive right in its sole discretion at any time and from time to time during the Lease Term or any renewal thereof, to either contract for services from a different company or companies providing electricity service (each such company shall hereinafter be referred to as an "Alternate Service Provider"), or continue to contract for service from the Electric Service Provider, conditioned that no use of an Alternate Service Provider shall result in an increase in Tenant's electrical charges over rates then available from the Electric Service Provider. Tenant shall cooperate with Landlord, the Electric Service Provider and any Alternate Service Provider at all times and, as reasonably necessary, shall allow Landlord, Electric Service Provider, and any Alternate Service Provider reasonable access to the Demised Premises' electric lines, feeders, risers, wiring, and any other machinery and equipment within the Demised Premises as it relates to the electric service provided thereto.

ARTICLE XIII. INSURANCE AND INDEMNITY

13.1 Indemnity. Landlord shall not be liable to Tenant or to Tenant's employees, agents, or visitors, or to any other person whomsoever, for any injury to person or damage to property on or about the Demised Premises or the Common Area caused by the act, negligence or misconduct of Tenant, its employees, subtenants, licensees or concessionaires, or of any other person entering the Shopping Center under express or implied invitation of Tenant, or arising out of the use of the Demised Premises by Tenant and the conduct of its business therein, or arising out of any breach or default by Tenant in the performance of its obligations hereunder; and Tenant hereby agrees (except for claims as to which the Landlord shall have waived rights of subrogation) to indemnify Landlord and hold Landlord harmless from any loss, liability, expense or claims arising out of such damage or injury or on account of any occurrence in, upon or at the Demised Premises and/or the Shopping Center, or resulting from the occupancy or use thereof by Tenant, Tenant's customers, invitees, agents, contractors, employees, subtenants, assignees, licensees or concessionaires or by reason of the use or misuse by Tenant or any such person of the parking area or any other Common Areas in the Shopping Center; and, without limiting the generality of the foregoing, Tenant further covenants and agrees to indemnify and save Landlord harmless from and against any penalty, damage or charge incurred or imposed by reason of any violation of law or ordinance by Tenant. THE FOREGOING INDEMNITY SHALL NOT TERMINATE UPON RELEASE OR OTHER TERMINATION OF THIS LEASE WITH RESPECT TO ANY CIRCUMSTANCE OR EVENT EXISTING OR OCCURRING PRIOR TO SUCH RELEASE OR TERMINATION, BUT WILL SURVIVE TERMINATION OF THIS LEASE. In the event of any action or claim against which Landlord is entitled to indemnification hereunder, Tenant shall immediately notify Landlord of the same and shall furnish Landlord with all relevant information concerning such action or claim, and Landlord shall be entitled, at Tenant's expense, to participate in, and to the extent that Landlord wishes, to assume the defense thereof. The indemnification given by Tenant pursuant to this Section 13.1 shall in no event apply to any claim, fine, cause of action, damage or expense arising out of the negligence or misconduct of Landlord or Landlord's officers, directors, shareholders, employees, servants and agents.

13.2 Tenant's Liability Insurance. Tenant shall procure and maintain throughout the term of this Lease a policy or policies of Commercial General Liability Insurance, at its sole cost and expense, insuring Tenant and covering Tenant's use or occupancy of the Demised Premises, the limits of such policy or policies to be in an amount not less than $2,000,000.00 combined single

limit, to be written by insurance companies authorized to transact business in the State of Texas with a Best's Rating of "A" or higher, with not less than a $3,000,000.00 Excess Liability or Commercial Umbrella Policy in addition thereto. The Commercial General Liability Policy and the Excess Liability and/or Commercial Umbrella Policy shall name Landlord (and any of its affiliates, subsidiaries, successors and assigns designated by Landlord) as an additional insured. Tenant shall obtain a written obligation on the part of each insurance company to notify Landlord at least thirty (30) days prior to cancellation of or any material change in such policies. Such policies or duly executed certificates of insurance shall be promptly delivered to Landlord and renewals thereof as required shall be delivered to Landlord at least thirty (30) days prior to the expiration of the respective policy terms. If Tenant should fail to comply with the foregoing requirements relating to liability insurance, Landlord may obtain such insurance and Tenant shall pay to Landlord on demand as additional Rent hereunder the premium cost thereof plus interest at the rate of eighteen percent (18%) per annum from the date of payment until repaid by Tenant. Further, should Tenant fail to deliver Landlord the required insurance policies or certificates of insurance within twenty (20) days after written demand therefore by Landlord, Tenant shall be obligated to pay Landlord a fee equal to $250.00. Notwithstanding the foregoing, Landlord shall have the right to modify the amount of the respective insurance coverage required in this Section 13.2 at the commencement of any renewal term provided for in this Lease to such amounts as reasonably determined by Landlord provided Landlord carries the same limits of insurance pursuant to Section 13.4 below.

13.3 Tenant's Fire Insurance. Tenant agrees to take out and maintain at all times during the Lease Term a policy of fire and extended coverage insurance on its leasehold improvements, alterations, trade fixtures, inventory and other personal property placed in or upon the Demised Premises from time to time in such amounts as are acceptable to Landlord. Such policy shall contain a replacement cost endorsement. Any policy proceeds shall be used for the repair or replacement of the property damaged or destroyed unless this Lease is terminated under the other provisions hereof. A certified copy of such policy or policies shall be delivered to Landlord reflecting the payment of the premiums for such policies. Further, should Tenant fail to deliver Landlord the required insurance policies or certificates of insurance within twenty (20) days after written demand therefore by Landlord, Tenant shall be obligated to pay Landlord a fee equal to $250.00.

13.4 Landlord's Liability Insurance. Landlord agrees to maintain in force during the Lease Term, as part of the Insurance Premiums referenced in Section 18.4 below, a policy of Commercial General Liability Insurance written by one or more responsible insurance companies licensed to do business in the State of Texas with a Best's Rating of "A" or higher, insuring Landlord against loss of life, bodily injury and/or property damage with respect to the Common Areas of the Shopping Center and the operation of the Shopping Center, which the policy shall be in the face amount of $2,000,000.00 combined single limit, with not less than a $3,000.000.00 Excess Liability or Commercial Umbrella Policy in addition thereto. Except for injury, loss, claims or damage to any person or property while on the Common Areas of the Shopping Center caused by an act, omission, neglect or default of Tenant, its agents, employees or contractors, and subject to Section 13.5 hereof, the Landlord's insurance required under this Section 13.4 will provide primary coverage.

13.5 Landlord's Fire and Extended Coverage Insurance. Throughout the full term of this Lease and any extensions hereof, Landlord shall maintain with responsible companies qualified to do business in the State of Texas, as part of the Insurance Premiums referenced in Section 18.4 below, "all-risk" casualty coverage insurance (including earthquake and flood insurance) to the extent of the full replacement value of the buildings and the improvements now located or hereafter constructed on the Shopping Center. The proceeds of any such insurance shall be dedicated to the repair of casualty damage to the Shopping Center and the shell of the Demised Premises, subject, however, to the provisions of Article XV hereof.

13.6 Waiver of Subrogation. Landlord and Tenant hereby release each other and their respective agents, employees, partners, shareholders, officers and directors from any claims or actions for damage to any person or to the Demised Premises or the Shopping Center that are caused by or result from risks actually insured or which are required to be insured by the parties hereto under the terms of this Lease or are in force at the time of any such damage. Landlord and Tenant each covenant and agree that no insurer shall hold any right of subrogation against the other with respect to any such damage or loss. Each party shall cause each insurance policy obtained by it to provide

that the insurance company waives all rights of recovery by way of subrogation against the other party in connection with any damage covered by any such policy.

ARTICLE XIV. LANDLORD'S LIABILITY

Landlord and Landlord's agents and employees shall not be liable to Tenant for injury to person or damage to property caused by the Demised Premises or other portions of the Shopping Center becoming out of repair or by defect or failure of any structural element of the Demised Premises or of any equipment, pipes or wiring, or broken glass, or by the backing up of drains, or by gas, water, steam, electricity or oil leaking, escaping or flowing into the Demised Premises (except where due to Landlord's willful failure to make repairs), nor shall Landlord be liable to Tenant for any loss or damage that may be occasioned by or through the acts or omissions of other tenants of the Shopping Center or of any other persons whomsoever. Landlord shall have no liability for damage, loss or disappearance of any of the contents from the Demised Premises from whatever cause, whether by casualty, theft, riot or otherwise. Landlord shall not be responsible or liable for any loss or damage to any property or person on the Demised Premises or the Shopping Center occasioned by theft, fire, acts of God, public enemy, injunction, riot, strike, insurrection, court order, requisition or order of governmental authority, or any other manner beyond Landlord's control, or the acts or omissions of Tenant, its agents, employees, contractors, visitors, or invitees.

ARTICLE XV. DAMAGE BY FIRE AND OTHER CAUSES

15.1 Notice of Loss. Tenant shall give immediate written notice to Landlord of any damage caused to the Demised Premises by fire or other casualty.

15.2 Demised Premises Usable. In the event the Demised Premises shall be damaged by fire or other casualty, but shall not be rendered wholly or partially unusable by Tenant, Landlord may elect either (i) to cause such damage to be repaired, in which event the Minimum Guaranteed Rental shall not be reduced or abated unless the repairs are delayed beyond ten (10) days after commencement of such repairs, and then on a proportionate basis during the period and to the extent that the Demised Premises are unfit for use by Tenant and not actually used by Tenant in the ordinary conduct of its business, or (ii) to give Tenant written notice within forty-five (45) days following the date of such damage of Landlord's intention to terminate this Lease.

15.3 Demised Premises Unusable. If the Demised Premises shall be rendered partially or wholly unusable, Landlord may elect either (i) to cause such damage to be repaired in which event the Minimum Guaranteed Rental and Additional Charges which Tenant is obligated to pay shall be reduced proportionately during the period and to the extent that the Demised Premises are unfit for use by Tenant and not actually used by Tenant in the ordinary course of its business, or (ii) to give Tenant written notice within forty-five (45) days following the date of such damage of its intention to terminate this Lease.

15.4 Damage to Shopping Center. In the event all or part of the Shopping Center, other than the Demised Premises, shall be damaged or destroyed by fire or other casualty, Landlord, at its sole discretion, may elect either (i) to cause such damage to be repaired or (ii) to terminate this Lease by giving Tenant written notice of termination within forty-five (45) days following the date of such damage or destruction. Neither Minimum Guaranteed Rental nor the Additional Charges due under this Lease shall be abated or reduced if Landlord elects such damage to be repaired under the terms hereof.

15.5 Scope of Repair by Landlord. If Landlord elects to rebuild and repair any damage or destruction under this Article XV the scope of the work shall be limited to restoring the shell of the building and the Demised Premises, exclusive of any alterations, additions, improvements, fixtures and equipment installed by Tenant, to substantially the same condition in which the same existed prior to the casualty. Tenant agrees that promptly after completion of such work by Landlord, Tenant will proceed with reasonable diligence and at Tenant's sole cost and expense to restore, repair and replace all alterations, additions, improvements, fixtures, signs and equipment installed by Tenant.

15.6 Continuation of Tenant's Business. Tenant agrees that during any period of reconstruction or repair of the Demised Premises it will continue the operation of its business within the Demised Premises to the extent practicable.

15.7 Commencement of Repairs. Notwithstanding anything contained in this Lease to the contrary, if the rebuilding of the damage cannot reasonably be completed within two hundred ten (210) days from the date of the casualty, as reasonably determined by Landlord, this Lease shall terminate at the option of either Landlord or Tenant and Rent shall be abated for the unexpired portion of this Lease effective from the date of the casualty. Tenant shall have the right to exercise its termination option within thirty (30) days after Landlord advises Tenant of the time period (in excess of said two hundred ten [210] day period) within which Landlord reasonably estimates the time to complete such rebuilding, and should Tenant fail to timely exercise its termination option pursuant hereto, Tenant will be deemed to have waived such option for all purposes. If this Lease is not terminated as provided in the immediately preceding sentence, Landlord, shall promptly commence rebuilding and/or repairing the shell of the Demised Premises (including the roof, structural walls and demising walls, but excluding any and all leasehold improvements made to the Demised Premises) to substantially restore the shell of the Demised Premises and Landlord will use its best efforts to complete same in a professional, good and workmanlike manner as soon as reasonably practicable. Notwithstanding the foregoing, in the event the casualty occurs during the last two (2) years of the Lease Term and such damage causes the Demised Premises to be unfit for use by Tenant and is not actually used by Tenant in the ordinary course of its business, if the rebuilding of the damage cannot reasonably be completed within one hundred fifty (150) days from the date of the casualty, as reasonably determined by Landlord, this Lease shall terminate at the option of either Landlord or Tenant and rent shall be abated for the unexpired portion of the Lease effective from the date of the casualty. Tenant shall have the right to exercise its termination option pursuant to the preceding sentence within thirty (30) days after Landlord advises Tenant of the time period (in excess of said one hundred fifty [150] day period) within which Landlord reasonably estimates the time to complete such rebuilding, and should Tenant fail to timely exercise its option pursuant hereto, Tenant will be deemed to have waived such option for all purposes.

ARTICLE XVI. EMINENT DOMAIN

16.1 Major Taking. If more than thirty percent (30%) of the floor area of the Demised Premises should be taken for any public or quasi-public use under any governmental law, ordinance or regulation or by right of eminent domain or by private purchase in lieu thereof, this Lease shall, unless Landlord and Tenant agree otherwise in writing, terminate and the Rent shall be abated during the unexpired portion of the Lease Term, effective on the date physical possession is taken by the condemning authority.

16.2 Minor Taking. If less than thirty percent (30%) of the floor area of the Demised Premises should be taken as aforesaid, this Lease shall not terminate unless Landlord elects to terminate this Lease and gives written notice of termination to Tenant within thirty (30) days after the date physical possession is taken by the condemning authority. If this Lease is not terminated, Minimum Guaranteed Rental payable hereunder during the unexpired portion of this Lease shall be reduced in proportion to the area taken, effective on the date physical possession is taken by the condemning authority. If this Lease is not terminated by Landlord, following such partial taking, Landlord shall make all necessary repairs or alterations to the remaining Demised Premises required to make the remaining portions of the Demised Premises an architectural whole.

16.3 Taking of Common Area. If any part of the Common Area should be taken as aforesaid, this Lease shall not terminate, nor shall the Rent payable hereunder be reduced, except that Landlord may terminate this Lease if the area of the Common Area remaining following such taking plus any additional parking area provided by Landlord in reasonable proximity to the Shopping Center shall be less than eighty percent (80%) of the area of the Common Area immediately prior to the taking. Any election to terminate this Lease in accordance with this provision shall be evidenced by written notice of termination delivered to Tenant within thirty (30) days after the date physical possession is taken by the condemning authority.

16.4 Award. All compensation awarded for any taking (or the proceeds of private sale in lieu thereof) of the Demised Premises or Common Area shall be the property of Landlord, and Tenant hereby assigns its interest in any such award to Landlord; provided however, Landlord shall have no interest in any award made to Tenant for Tenant's moving and relocation expenses or for the loss of Tenant's fixtures and other tangible personal property if a separate award for such items is made to Tenant.

ARTICLE XVII. ASSIGNMENT AND SUBLETTING

17.1 Prohibition. Tenant shall not assign or in any manner transfer this Lease or any interest therein, or sublet or license the Premises (other than the permitted encumbrance of the leasehold estate as referenced in Exhibit "J" attached hereto, which encumbrance is approved by Landlord) or any part or parts thereof, or permit occupancy of all or any part thereof by anyone with, through or under it, without the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed. In the event that Landlord fails to approve the proposed assignment, subletting or licensing of the Premises (in whole or in part) within twenty (20) days from and after the date that Landlord receives Tenant's request to assign, sublet or license the Premises, and provided the request for approval is given in compliance with the notice provisions of this Lease, then such assignment, subletting or licensing of the Demised Premises shall be deemed to have not been approved by Landlord. If Tenant requests Landlord's consent to a specific assignment or sublease, Tenant will give Landlord (i) the name and address of the proposed assignee or subtenant, (ii) the basic terms of the proposed assignment or sublease, and (iii) reasonably satisfactory information about the nature, financial condition, business and business history of the proposed assignee or subtenant, and its proposed initial use of the Premises. Consent by Landlord to one or more assignments or subletting shall not operate as a waiver of Landlord's rights as to any proposed subsequent assignments or sublettings. Should the Demised Premises be occupied in whole or in part by anyone other than Tenant without the express prior written consent of Landlord, Landlord may nevertheless collect rent from the assignee, sublessee, mortgagee or other party to whom the leasehold interest was transferred and apply the net amount collected to the Rent payable hereunder, but no such transaction or collection of Rent through application thereof by Landlord shall be deemed to waive the provisions hereof or release Tenant from the further performance by Tenant of its covenants, duties and obligations hereunder. Any request for an assignment or subletting consideration must be accompanied with a $500.00 non-refundable processing fee. In addition, Tenant shall be responsible to reimburse Landlord for all costs and expenses incurred by Landlord in connection with such assignment or subletting request, including without limitation, reasonable attorney's fees, which sum will be due and payable within thirty (30) days after Tenant receives an invoice for such expenses.

17.2 Permitted Assignments and Subleases. Notwithstanding the foregoing, Tenant may, without the approval of Landlord, assign the Lease, or any part thereof, or sublease the Premises, in whole or in part, to: (a) any corporation or other legal entity which has the power to direct Tenant's management and operation, or any corporation whose management and operation is controlled by Tenant; or (b) any corporation a majority of whose voting stock is owned by Tenant; or (c) any corporation or other entity in which or with which Tenant is merged or consolidated, in accordance with applicable statutory provisions for merger or consolidation of corporations or other entities, so long as the liabilities of the corporations or other entities participating in such merger or consolidation are assumed by the corporation or other entity surviving such merger or created by such consolidation; or (d) any corporation or other entity acquiring this Lease and a substantial portion of Tenant's assets; or (e) any corporate or other successor to a successor corporation or entity becoming such by either of the methods described in subsections (c) or (d); or (f) any entity (or member of a group of affiliated entities) which is acquiring the majority of Tenant's other similar stores located in the Houston, Texas, "Area of Dominant Influence for Media Coverage" (as such term is commonly defined in the advertising industry), or (g) as permitted in Exhibit "J" attached hereto. Tenant must deliver prompt written notice of any such assignment or sublease to Landlord. Notwithstanding any assignment or sublease pursuant to this provision, Tenant and any guarantor of Tenant's obligations under this Lease shall at all times remain fully responsible and liable for the payment of Rent herein specified and for compliance with all of Tenant's other obligations under this Lease.

17.3 Sublease of Surrender Space. Further, Tenant may, without the approval of Landlord, sublet the "Surrender Space" (as defined in Section 29.7 below) so long as the sublessee complies with all of the terms and conditions of this Lease, including without limitation, the Permitted Use. Should the proposed sublessee desire to utilize the Demised Premises for other than the Permitted Use, such use shall be subject to the prior written consent of Landlord, which consent will not be unreasonably withheld or delayed provided however, under no circumstances shall the Demised Premises be utilized for any "Prohibited Use" (hereafter defined). Tenant must deliver prompt written notice of any such sublease to Landlord. Notwithstanding any sublease pursuant hereto, Tenant and the guarantor of Tenant's obligations under this Lease shall at all times remain fully responsible and liable for the payment of Rent herein specified and for compliance with all of Tenant's other obligations under this Lease. For purposes hereof, the term "Prohibited Use" shall mean any of the following: (a) any use which emits an obnoxious odor, noise or sound which can be heard or smelled outside of the Demised Premises; (b) any operation primarily used as warehouse operation and any assembling, manufacturing, distilling, refining, rendering, processing, smelting, agricultural or mining operations; (c) any mobile home park, trailer court, labor camp, junkyard or stockyard; (d) any central laundry or dry cleaning plant; (e) any automobile, truck, trailer, or recreational vehicle sales, leasing, display, repair or body shop; (f) any theater of any type or character; (g) any living quarters, sleeping apartments, hotel or lodging rooms; (h) any veterinary hospital or animal raising facilities (except that this prohibition shall not prohibit pet shops); (i) any mortuary or funeral home; (j) an adult book store or adult video tape store or any establishment selling or exhibiting pornographic materials or massage parlor or any form of a sexually oriented business; (k) any bar, tavern or brew pub; (1) any flea market; (m) carwash; (n) a facility for the sale of paraphernalia for use with illicit drugs; (o) a carnival, amusement park or circus; (p) a facility for any use which is illegal, dangerous, or constitutes a nuisance; (q) a kennel or animal boarding or breeding facility; (r) a fire sale, bankruptcy sale or auction house operation; (s) a gambling facility operation, including but not limited to an off-track or sports betting parlor, and a facility with table games such as blackjack or poker, slot machines, and/or video poker/blackjack/keno machines (provided, however, nothing herein shall be construed to prohibit the sale of lottery tickets); (t) any use in violation of any exclusive use restrictions in written leases between Landlord and other tenants located in the Shopping Center; (u) any use (other than those set forth in this Section) not in direct competition with the "primary use" (hereinafter defined) of another tenant in the Shopping Center; or (v) a skating rink or bowling alley. For purposes hereof, the term "primary use" shall mean any use which generates greater than 35% of the gross revenues of another tenant in the Shopping Center. It is understood and agreed that Tenant shall be entitled to retain any rent received by Tenant attributable to the sublease of the Surrender Space pursuant hereto without any obligation to account for same to Landlord.

17.4 Conditions to Consent. Notwithstanding any assignment or subletting with Landlord's consent as required under this Article XVII, Tenant and any guarantor of Tenant's obligations under this Lease shall at all times remain fully responsible and liable for the payment of the Rent herein specified and for compliance with all of Tenant's other obligations under this Lease (even if future assignments and sublettings occur subsequent to an assignment or subletting by Tenant, and regardless of whether or not Landlord's approval has been obtained for such future assignments and sublettings). Moreover, in the event that the rental due and payable by a sublessee (or a combination of the rental payable under such sublease plus any bonus or other consideration therefor or incident thereto) exceeds the Rent payable under this Lease, or if with respect to a permitted assignment, permitted license or other transfer by Tenant permitted by Landlord, the consideration payable to Tenant by the assignee, licensee or other transferee exceeds the Rent payable under this Lease, then Tenant shall be bound and obligated to pay Landlord all such excess rental and other excess consideration within ten (10) days following receipt thereof by Tenant from such sublessee, assignee, licensee or other transferee, as the case may be.

17.5 Transfer by Landlord. In the event of the transfer and assignment by Landlord of its interest in this Lease and in the building containing the Demised Premises to a person expressly assuming Landlord's obligations under this Lease, Landlord shall thereby be released from any further obligations hereunder, and Tenant agrees to look solely to such successor in interest of the Landlord for performance of such obligations. Any security given by Tenant to secure performance of Tenant's obligations hereunder may be assigned and transferred by Landlord to such successor in interest, and Landlord shall thereby be discharged of any further obligation relating thereto.

ARTICLE XVIII. TAXES AND INSURANCE PREMIUMS

18.1 Taxes on Tenant's Property. Tenant shall be liable for all taxes levied against Tenant's personal property and trade fixtures placed by Tenant in the Demised Premises. If any such taxes are levied against Landlord or Landlord's property and if Landlord elects to pay the same or if the assessed value of Landlord's property is increased by inclusion of personal property and trade fixtures placed by Tenant in the Demised Premises and Landlord elects to pay the taxes based on such increase, Tenant shall pay to Landlord upon demand that part of such taxes for which Tenant is primarily liable hereunder.

18.2 Taxes. Except as provided in Sections 18.1 and 18.3, Landlord shall pay or cause to be paid all general real estate taxes and special assessments and governmental charges (hereinafter collectively referred to as "Taxes") levied or assessed against the Shopping Center for each real estate tax year. Tenant shall pay to Landlord in monthly installments, on the same dates as and in addition to the monthly installment of Minimum Guaranteed Rental and Additional Charges, an amount equal to one-twelfth (1/12th) of Tenant's Pro Rata Share of Taxes, as estimated by Landlord in good faith from time to time. As soon as practicable before or after the close of each calendar year during the Lease Term, Landlord shall furnish a statement in writing to Tenant specifying the actual amount due by Tenant in respect of Tenant's Pro Rata Share of Taxes. In the event the total of the monthly payments theretofore paid by Tenant under this Section 18.2 for such year exceeds the actual amount due, then the excess shall be applied pro rata as a credit on the monthly installments thereafter coming due under this Section 18.2. In the event the total of the monthly payments theretofore paid by Tenant under this Section 18.2 for such year is less than the actual amount due, any such deficiency shall be due and payable by Tenant to Landlord within thirty (30) days after Tenant's receipt of such statement. If the Demised Premises shall be separately assessed, then Tenant's Pro Rata Share of the Taxes shall be the amount of such separate assessment. During any year which shall be less than a full tax year, Tenant's Pro Rata Share of Taxes shall be prorated on a daily basis between the parties to the end that Tenant shall only pay for Taxes attributable to the portion of the tax year occurring within the Lease Term. Notwithstanding anything contained in this Lease Agreement to the contrary, the provisions contained in Exhibit "K" are incorporated herein by reference, and shall control as to the amount of any Pro Rata Share of Taxes payable by Tenant under this Lease Agreement. Tenant's audit rights specified in Section 6.5 above shall likewise apply to Tax Charges.

18.3 Substitute Taxes. If at any time during the primary term of this Lease or any renewal or extension thereof a tax or excise on rents, or other tax however described (except any franchise, estate, inheritance, capital stock, income or excess profits tax imposed upon Landlord) is levied or assessed against Landlord by any lawful taxing authority on account of Landlord's interest in this Lease or the rents or other charges reserved hereunder, as a substitute in whole or in part, or in addition to the Taxes described in Section 18.2 above, Tenant agrees to pay to the Landlord upon demand, and in addition to the Rent and Additional Charges described in this Lease, the amount of such tax or excise. In the event any such tax or excise is levied or assessed directly against Tenant then Tenant shall be responsible for and shall pay the same at such times and in such manner as the taxing authority shall require.

18.4 Insurance Premiums. For purposes of this Lease, the term "Insurance Premiums" shall mean and include the total annual insurance premiums and other charges for all insurance policies maintained by Landlord, from time to time, for or with respect to the Shopping Center or any part thereof, or any land, buildings or other improvements therein, including, without limitation, fire and extended coverage, public liability, property damage, boiler, rental loss and other insurance in form and amount deemed necessary by Landlord. Tenant shall pay to Landlord in monthly installments, on the same dates as and in addition to the Minimum Guaranteed Rental, an amount equal to one-twelfth (1/12th) of Tenant's Pro Rata Share of Insurance Premiums, as estimated by Landlord in good faith from time to time. As soon as practicable after the close of each calendar year during the term hereof, Landlord shall furnish a statement in writing to Tenant specifying the actual amount due by Tenant in respect of Tenant's Pro Rata Share of Insurance Premiums. In the event the total of the monthly payments theretofore paid by Tenant under this Section 18.4 for such year exceeds the actual amount due, then the excess shall be applied pro rata as a credit on the monthly installments thereafter coming due under this Section 18.4. In the event the total of the monthly

payments theretofore paid by Tenant under this Section 18.4 for such year is less than the actual amount due, any such deficiency shall be due and payable by Tenant to Landlord within thirty (30) days after Tenant's receipt of such statement. For purposes hereof, premiums paid for insurance policies having policy years which do not coincide with calendar years shall be prorated on a per diem basis for each calendar year affected, and total premiums for policies issued for more than one year will be prorated equally over the number of years of the term of such policies, regardless of differences in premium amounts actually paid during any particular year or years of such term. During any part of the Lease Term which shall be less than a full policy year, Tenant's Pro Rata Share of Insurance Premiums shall be prorated on a daily basis between the parties to the end that Tenant shall only pay for Insurance Premiums attributable to the portion of the policy year occurring within the Lease Term. Tenant's audit rights specified in Section 6.5 above shall likewise apply to Insurance Charges.

ARTICLE XIX. DEFAULT

19.1 Events of Default. Each of the following events shall be deemed to be an Event of Default by Tenant under this Lease:

(a) Tenant shall fail to pay any installment of Rent or any other obligation hereunder involving the payment of money when due hereunder, and shall not cure such default within ten (10) days after written notice thereof to Tenant; provided however, Landlord shall not be obligated to provide more than two (2) such notices during any Lease Year;

(b) Tenant shall fail to comply with any term, provision or covenant of this Lease, other than as described in subsections (a) above and (c) through (e) below, and shall not cure such failure within thirty (30) days after written notice thereof to Tenant; provided however, Landlord shall not be obligated to provide more than two (2) such notices during the Lease Term for a particular type of default;

(c) Tenant or any guarantor of Tenant's obligations under this Lease shall become insolvent, or shall make a transfer in fraud of creditors, or shall make an assignment for the benefit of creditors;

(d) Tenant or any guarantor of Tenant's obligations under this Lease shall file a petition under any section or chapter of the United States Bankruptcy Code, as amended, or under any similar law or statute of the United States or any State thereof and same is not dismissed within ninety (90) days from the date of filing; or Tenant or any guarantor of Tenant's obligations under this Lease shall be adjudged bankrupt or insolvent in proceedings filed against Tenant or any guarantor of Tenant's obligations under this Lease; and

(e) A receiver or Trustee shall be appointed for the Demised Premises or for all or substantially all of the assets of Tenant or any guarantor of Tenant's obligations under this Lease and same is not dismissed within ninety (90) days from the date of filing.

19.2 Remedies. Upon the occurrence of any Events of Default, Landlord shall have the option to pursue any one or more of the following remedies, in addition to any other remedy provided in this Article XIX or under applicable law, upon providing Tenant with an additional three (3) days written notice to cure such Event of Default, after which, no further notice or demand is required:

(a) Terminate this Lease, in which event Tenant shall immediately surrender possession of the Demised Premises to Landlord, and if Tenant fails to do so, Landlord may, without prejudice to any other remedy which Landlord may have for possession or arrearages in Rent, enter upon and take possession of the Demised Premises and expel or remove Tenant and any other person who may be occupying the Demised Premises or any part thereof, by force if necessary, without being liable for prosecution of any claim for damages therefor;

(b) Enter upon and take possession of the Demised Premises and expel or remove Tenant and any other person who may be occupying the Demised Premises or any part thereof, by force if

necessary, without being liable for prosecution or any claim for damages therefor, with or without having terminated the Lease; and/or

(c) Alter locks and other security devices at the Demised Premises.

Exercise by Landlord of any one or more remedies hereby granted or otherwise available shall not be deemed to be an acceptance of surrender of the Demised Premises by Tenant, whether by agreement or by operation of law, it being understood that such surrender can be effected only by the written agreement of Landlord and Tenant.

19.3 Alteration of Locks. The following provision shall override and control any conflicting provisions of the Texas Property Code, as well as any successor statute governing the right of a landlord to change the door locks of commercial tenants. Upon any Event of Default by Tenant under this Lease, Landlord is entitled and is hereby authorized, without any further notice to Tenant whatsoever (other than the three (3) day notice required by Section 19.2 above), to enter upon the Demised Premises by use of a master key, a duplicate key or other peaceable means, and to change, alter and/or modify the door locks on all entry doors of the Demised Premises, thereby permanently excluding Tenant therefrom. In the event that Landlord has either permanently repossessed the Demised Premises pursuant to the provisions of this Lease or has terminated this Lease by reason of Tenant's default, Landlord shall not thereafter be obligated to provide Tenant with a key to the Demised Premises at any time, regardless of any amounts subsequently paid by Tenant; provided, however, that in any such instance, during Landlord's normal business hours and at the convenience of Landlord, and upon receipt of written request from Tenant accompanied by such written waivers and releases as Landlord may require, Landlord will either (at Landlord's option) (i) escort Tenant or its authorized representative to the Demised Premises to retrieve any personal belongings or other property of Tenant not subject to the Landlord's lien or security interest described herein, or (ii) obtain a list from Tenant of such personal property as Tenant intends to remove, whereupon Landlord shall remove such property and make it available to Tenant at a time and place designated by Landlord. However, if Landlord elects option (ii) above, Tenant shall pay, in cash, in advance, all costs and expenses estimated by Landlord to be incurred in removing such property and making it available to Tenant and all moving and/or storage charges theretofore incurred by Landlord with respect to such property. If Landlord elects to exclude Tenant from the Demised Premises without permanently repossessing or terminating this Lease pursuant to the provisions hereof, then Landlord shall not be obligated to provide Tenant a key to re-enter the Demised Premises until such time as all delinquent Rent and other amounts due under this Lease have been paid in full, all other Events of Default, if any, have been completely cured to Landlord's satisfaction (if such cure occurs prior to any actual permanent repossession or termination). During any such temporary period of exclusion, Landlord will, during Landlord's regular business hours and at Landlord's convenience, upon receipt of written request from Tenant (accompanied by such written waivers and releases as Landlord may require), escort Tenant or its authorized personnel to the Demised Premises to retrieve personal belongings of Tenant or its employees and such other property of Tenant as is not subject to the Landlord's lien and security interest described herein. This remedy of Landlord shall be in addition to, and not in lieu of, any of its other remedies set forth in this Lease, or otherwise available to Landlord at law or in equity.

19.4 Landlord's Right to Cure Defaults. If Tenant should fail to make any payment or cure any default hereunder within the time herein permitted, if any, Landlord, without being under any obligation to do so and without thereby waiving such default, may make such payment and/or remedy such other default for the account of Tenant (and enter the Demised Premises for such purpose), and thereupon Tenant shall be obligated, and hereby agrees, to pay Landlord, upon demand, all costs, expenses and disbursements (including reasonable attorneys' fees) incurred by Landlord in taking such remedial actions.

19.5 Termination by Landlord. In the event Landlord elects to terminate this Lease by reason of an Event of Default, then notwithstanding such termination, Tenant shall be liable for and shall pay to Landlord the sum of all Rent and other indebtedness accrued to the date of such termination plus, as damages, an amount equal to the aggregate amount of the Rent and all other sums reserved hereunder for the remaining unexpired portion of the Lease Term (had this Lease not been so terminated by Landlord) less the then fair rental value of the Demised Premises for such

period as determined by Landlord, the parties hereto hereby stipulating that such fair rental value shall in no event exceed seventy-five percent (75%) of the aggregate amount of the Rent reserved for such period.

19.6 Termination of Tenant's Right to Possession. In the event Landlord elects to repossess the Demised Premises without terminating the Lease, then Tenant shall be liable for and shall pay to Landlord all Rent and other indebtedness accrued to the date of such repossession, plus all Rent and other sums required to be paid by Tenant to Landlord during the remainder of the Lease Term, diminished by any net sums thereafter received by Landlord through reletting the Demised Premises during said period (after deducting all expenses incurred by Landlord as provided herein). In no event shall Tenant be entitled to any excess rental obtained by reletting over and above the Rent herein reserved. Actions to collect amounts due by Tenant as provided in this Section 19.6 may be brought from time to time, on one or more occasions, without the necessity of Landlord's waiting until the expiration of the Lease Term.

19.7 Obligation to Relet. In the event of termination or repossession of the Demised Premises for an Event of Default, Landlord shall attempt to relet the Demised Premises, or any portion thereof; and in the event of any such reletting, Landlord may relet the whole or any portion of the Demised Premises for any period, to any tenant and for any use or purpose.

Landlord and Tenant agree that any such duty to attempt to mitigate shall be satisfied and Landlord shall be conclusively deemed to have used objectively reasonable efforts to relet the Demised Premises by doing the following: (a) posting a "For Lease" sign on the Demised Premises, (b) advising Landlord's leasing staff of the availability of the Demised Premises; and (c) advising at least one commercial brokerage entity familiar with the market in which the Shopping Center is located of the availability of the Demised Premises. Furthermore, Landlord shall be required to use only the same efforts Landlord then uses to lease premises in the Shopping Center generally. Landlord shall not in any event be required to give any preference or priority to the leasing of the Demised Premises over any other space that Landlord may have available in the Shopping Center. Landlord shall not be required to: (i) take any instruction or advice given by Tenant regarding reletting the Demised Premises; (ii) accept any proposed tenant unless such tenant has a creditworthiness acceptable to Landlord in its sole discretion; (iii) accept any proposed tenant unless the proposed use of the Demised Premises by such tenant is acceptable to Landlord in its sole discretion; (iv) accept any proposed tenant unless such tenant leases the entire Demised Premises upon terms and conditions satisfactory to Landlord in its sole discretion (after giving consideration to all expenditures by Landlord for tenant improvements, broker's commissions and other leasing costs); or (v) consent to any assignment or sublease for a period which extends beyond the expiration of the current term or which Landlord would not otherwise be required to consent to under the provision of this Lease. If the rental received through reletting does not at least equal the Rent provided for herein, Tenant shall pay and satisfy the deficiency between the amount of the Rent so provided for and that received through reletting, including but not limited to, broker's fees, advertisements, concessions granted to a new tenant upon reletting, the cost of renovating, altering and decorating for a new tenant, reasonable attorney's fees and all other costs of reletting. Further, Tenant shall not in any event ever be entitled to any excess rental and other sums provided herein, and the same shall belong solely to Landlord. Nothing herein shall be construed as in any way denying Landlord the right, in the event of abandonment of the Demised Premises or other breach of this Lease by Tenant, to treat the same as an entire breach and at Landlord's option to terminate this Lease at any time thereafter as herein provided.

19.8 Injunctive Relief. In the event of the breach or the attempted or threatened breach of any covenant or provision contained in this Lease by Tenant, Landlord shall have, in addition to all other remedies provided to it hereunder or by law or equity, the right to obtain an injunction prohibiting such breach or attempted breach without the necessity of proving the inadequacy of legal remedy, irreparable harm or probable right of recovery.

19.9 Expenses of Litigation. In the event that either Landlord or Tenant institutes any action or proceeding to enforce payment of a monetary sum due hereunder or to otherwise enforce the performance by the other party of its obligations hereunder, the prevailing party in such action shall be entitled to recover from the non-prevailing party reasonable costs incurred by the prevailing

party in attempting to collect such sum or enforce such obligations, including reasonable attorneys' fees.

19.10 Default by Landlord. In the event of any default by Landlord, Tenant's exclusive remedy shall be an action for damages (Tenant hereby waiving the benefit of any laws granting to it a lien upon the property of Landlord and/or upon Rent due Landlord), but prior to any such action Tenant will give Landlord written notice specifying such default with particularity, and Landlord shall thereupon have thirty (30) days in which to cure such default or to commence to cure such default if any such default cannot be cured within such 30-day period, in which event Landlord shall prosecute such cure with diligence to a conclusion. Unless and until Landlord fails to so cure or proceed with diligence to cure any default after such notice, Tenant shall not have any remedy or cause of action by reason thereof. All obligations of Landlord hereunder will be construed as covenants, not conditions; and all such obligations will be binding upon Landlord only during the period of its ownership of the Shopping Center and not thereafter. In the event Landlord fails to cure its default within the time period set forth herein, Tenant may, at its option (in addition to all other rights and remedies provided Tenant at law, in equity or under this Lease), upon written notice to Landlord of Tenant's intention to exercise its self-help remedies hereunder, incur any reasonable expense necessary to perform the obligation of Landlord specified in such notice and bill Landlord for the cost thereof. If Landlord has not reimbursed Tenant within thirty (30) days after receipt of Tenant's bill, Tenant may deduct the reasonable cost of such expense from the Minimum Guaranteed Rent and Additional Charges next becoming due after the expiration of said thirty (30) day period. The self-help option given in this Section is for the sole protection of Tenant, and its existence shall not release Landlord from its obligation to perform the terms, provisions, covenants and agreements herein provided to be performed by Landlord or deprive Tenant of any legal rights which it may have by reason of any such default by Landlord. Notwithstanding the foregoing, Tenant shall not deduct more than one-quarter of the Minimum Guaranteed Rental from any monthly installment thereof if there are sufficient months remaining in the Lease Term to enable Tenant to fully recover the amount owed by Landlord pursuant hereto.

19.11 Prepaid Rental. Landlord hereby acknowledges receipt from Tenant of the Prepaid Rental to be applied to the first accruing installments of Minimum Guaranteed Rental and Additional Charges.

ARTICLE XX. WAIVER OF LANDLORD'S LIEN

Landlord hereby waives any statutory liens and any rights of distress with respect to the personal property (trade fixtures, equipment and merchandise) of Tenant from time to time located within the Demised Premises ("Tenant's Property"). This Lease does not grant a contractual lien or any other security interest to Landlord or in favor of Landlord with respect to Tenant's Property. Respecting any lender of Tenant having a security interest in Tenant's Property ("Tenant's Lender"), Landlord agrees as follows: (i) to provide Tenant's Lender, upon written request of Tenant (accompanied by the name and address of Tenant's Lender), with a copy of any default notice(s) given to Tenant under this Lease, and (ii) to allow Tenant's Lender, prior to any termination of the Lease or repossession of the Demised Premises by Landlord, the same period of time (which period of time shall run concurrently with Tenant's cure period provided Landlord delivers a copy of any such notice of default to Tenant's Lender concurrently with delivery of such notice to Tenant), after its receipt of such copy of default notice, to cure such default as is allowed Tenant under the Lease, and (iii) to permit Tenant's Lender to go upon the Demised Premises for the purpose of removing Tenant's Property any time within twenty (20) days after the effective date of any termination of this Lease or any repossession of the Demised Premises by Landlord (with Landlord having given Tenant's Lender prior written notice of such date of termination or repossession); provided, however, Tenant's Lender shall be responsible for any damages caused to either the Demised Premises or the Shopping Center in connection with the removal of Tenant's Property and Tenant's Lender shall indemnify and hold Landlord harmless from any and all claims, damages, causes of action, costs and expenses incurred by Landlord related directly or indirectly to the removal of Tenant's Property by Tenant's Lender. Further, Tenant's Lender, as a condition hereof, shall be required to agree that in the event Tenant's Lender fails to timely remove Tenant's Property, Tenant's Lender shall be deemed to have abandoned Tenant's Property whereupon Landlord shall be entitled to dispose of Tenant's Property as Landlord deems appropriate in its sole discretion without any obligation to account for the proceeds of such disposition to either Tenant or Tenant's Lender. Landlord further agrees to

execute and deliver such instruments reasonably requested by Tenant's Lender from time to time to evidence or effect the aforesaid waiver and agreements of Landlord.

ARTICLE XXI. HOLDING OVER

In the event Tenant remains in possession of the Demised Premises after the expiration of this Lease and without the execution of a new lease, it shall be deemed to be occupying the Demised Premises as a tenant at will at a rental equal to the Rent herein provided plus fifty percent (50%) of such amount and otherwise subject to all the conditions, provisions and obligations of this Lease insofar as the same are applicable to a tenancy at will. No holding over by Tenant after the expiration or termination of this Lease shall be construed to extend the Lease Term or in any other manner be construed as a permission by Landlord to hold over. Tenant shall indemnify Landlord (i) against all claims for damages by any other tenant to whom Landlord may have leased all or any part of the Demised Premises effective upon the termination or expiration of the Lease Term, and (ii) for all of the losses, expenses, including reasonable attorneys' fees, incurred by reason of such holding over.

ARTICLE XXII. SUBORDINATION, ATTORNMENT AND NON-DISTURBANCE

22.1 No Prior Lien on Shopping Center. Landlord represents that it is the owner of good and indefeasible fee simple title to the Shopping Center and to the Demised Premises, subject to no lien or encumbrance superior to the leasehold estate herein created in favor of Tenant.

22.2 Conditional Subordination to Future First Lien. Tenant shall, upon Landlord's request, subordinate this Lease in the future to any first lien placed by Landlord upon the Demised Premises, or the Shopping Center or building of which the Demised Premises forms a part, with an Institutional First Mortgagee, provided that such lender executes and delivers to Tenant a non-disturbance agreement providing that this Lease shall not terminate, so long as Tenant is not in default under this Lease, as a result of the foreclosure of such lien, or conveyance in lieu thereof, and Tenant's rights under this Lease shall continue in full force and effect and its possession shall be undisturbed, except in accordance with the provisions of this Lease. Tenant will, upon request of either Landlord or the lienholder, be a party to such an agreement, and will agree that, if such lienholder succeeds to the interest of Landlord, Tenant will recognize said lienholder (or successor in interest of the lienholder) as its landlord under the terms of this Lease. Such agreement shall be substantially in form and content as EXHIBIT "I" attached hereto.

22.3 Notice to Mortgagee. At any time when the holder of an outstanding mortgage, deed of trust or other lien covering Landlord's interest in the Demised Premises or the Shopping Center as a whole has given Tenant written notice of its interest in this Lease, Tenant shall not exercise any remedy for default by Landlord hereunder unless and until the holder of the indebtedness secured by such mortgage, deed of trust or other lien shall have received written notice of such default and a reasonable time for curing such default shall thereafter have elapsed.

ARTICLE XXIII. [INTENTIONALLY LEFT BLANK]

ARTICLE XXIV. [INTENTIONALLY LEFT BLANK]

ARTICLE XXV. NOTICES

Wherever any notice is required or permitted hereunder such notice shall be in writing. Any notice required or permitted to be delivered hereunder shall be delivered by hand or sent by United States Registered or Certified Mail, Return Receipt Requested, adequate postage prepaid and, for purposes of the calculation of the various time periods referred to herein, shall be deemed received when delivered to the place for giving notice to a party referred to herein in the case of delivery by hand or upon the earlier to occur of (i) actual receipt as indicated on the signed receipt, or (ii) one (1) day after posting as herein provided, in the case of delivery by mail in the manner provided above. All notices given hereunder shall be addressed to the parties hereto at their respective addresses set out in Sections 1.1(b)(ii) and 1.1(d)(ii) above (or at Landlord's option, to Tenant at the Demised Premises), or at such other addresses as they have theretofore specified by written

notice, except that the Demised Premises may not be used by Tenant as its sole address for notice purposes.

ARTICLE XXVI. [INTENTIONALLY LEFT BLANK]

ARTICLE XXVII. LEASEHOLD MORTGAGES

27.1 Leasehold Mortgages. Tenant may at any time execute and deliver one or more mortgages or deeds of trust (such mortgage or deed of trust being hereinafter called a "Leasehold Mortgage") of Tenant's leasehold estate and rights hereunder without the consent of Landlord; provided, however, that Tenant shall be and remain liable hereunder for the payment of all Rent and for the performance of all the covenants and conditions of this Lease. If either Tenant or the mortgagee under any such Leasehold Mortgage shall send Landlord a notice informing Landlord of the existence of such Leasehold Mortgage and the address of the mortgagee thereunder for the service of notices, such mortgagee shall be deemed to be a Leasehold Mortgagee as such term is used in this Lease. Landlord shall be under no obligation under this Section 27.1 to any mortgagee, grantee or corporate trustee under a Leasehold Mortgage of whom Landlord has not received such notice.

27.2 Event of Default. If an Event of Default under this Lease shall occur, written notice thereof shall be sent by Landlord to any Leasehold Mortgagee, and Landlord shall take no action to terminate this Lease or to interfere with the occupancy, use or enjoyment of the Demised Premises unless Landlord has provided the Leasehold Mortgagee the same notice Landlord provided Tenant with respect to any Event of Default and the same time period to cure such Event of Default as provided to Tenant under this Lease.

27.3 Exercise of Remedies. Upon Leasehold Mortgagee becoming the owner of the interest of Tenant in this Lease, Leasehold Mortgagee shall be obligated to execute an assumption agreement whereby the Leasehold Mortgagee will be responsible and directly obligated for all of the obligations and liabilities of Tenant under this Lease including without limitation, the obligation to pay all Rent and to cure any existing Events of Default with respect to this Lease. Leasehold Mortgagee shall not have the right to assign to any person such interest or such new lease without the prior written consent of Landlord, which consent will not be unreasonably withheld or delayed. Upon any such assignment by Leasehold Mortgagee after complying with the conditions of the preceding sentence, Leasehold Mortgagee shall no longer be liable for the performance and observance of any covenants and conditions with respect to this Lease from and after the effective date of such assignment.

27.4 Termination of Lease. If this Lease shall terminate for any reason or be rejected or disaffirmed pursuant to bankruptcy law or other law affecting creditors' rights, any Leasehold Mortgagee or a person designated by such Leasehold Mortgagee shall have the right, exercisable by notice to Landlord, within twenty (20) days after the effective date of such termination, to enter into a new lease of the Premises with Landlord. The term of said new lease shall begin on the date of the termination of this Lease and shall continue for the remainder of the Lease Term. Such new lease shall otherwise contain the same terms and conditions as those set forth herein, except for requirements which are no longer applicable or have already been performed, provided that such Leasehold Mortgagee shall have remedied all defaults on the part of Tenant hereunder which are susceptible of being remedied by the payment of money, and provided further that such new lease shall require the tenant thereunder promptly to commence, and expeditiously to continue, to remedy all other defaults on the part of Tenant hereunder. The provisions of this Section 27.4 shall survive the termination of this Lease and shall continue in full force and effect thereafter to the same extent as if this Section 27.4 were a separate and independent contract among Landlord, Tenant and each Leasehold Mortgagee. From the date on which any Leasehold Mortgagee shall execute the new lease, such Leasehold Mortgage may use and enjoy the Demised Premises without hindrance by Landlord.

27.5 Limited Liability. No Leasehold Mortgagee shall become personally liable for the performance or observation of any covenants or conditions to be performed or observed by Tenant unless and until such Leasehold Mortgagee becomes the owner of Tenant's interest hereunder upon

the exercise of any remedy provided for in any leasehold mortgage or enters into a new lease with Landlord pursuant to Section 27.4 above.

27.6 Lender's Agreement. Simultaneously with the execution of this Lease, Landlord and the Leasehold Mortgagee agree to execute a Landlord's Agreement in substantially the form attached hereto as EXHIBIT "J".

ARTICLE XXVIII. MISCELLANEOUS

28.1 Relationship Between Parties. Nothing herein contained shall be deemed or construed by the parties hereto, nor by any third party, as creating the relationship of principal and agent or of a partnership or joint venture between the parties hereto, it being understood and agreed that neither the method of computation of Rent, nor any other provision contained herein, nor any acts of the parties hereto, shall be deemed to create any relationship between the parties hereto other than the relationship of landlord and tenant.

28.2 Independent Obligations. Tenant shall not for any reason withhold or reduce Tenant's required payments of Rent and other charges provided in this Lease, it being agreed that the obligations of Landlord hereunder are independent of Tenant's obligations except as may be otherwise expressly provided. In this regard it is specifically understood and agreed that in the event Landlord commences any proceedings against Tenant for non-payment of Rent or any other sum due and payable by Tenant hereunder, Tenant will not interpose any counter-claim or other claim against Landlord of whatever nature or description in any such proceedings; and in the event that Tenant interposes any such counter-claim or other claim against Landlord in such proceedings, Landlord and Tenant stipulate and agree that, in addition to any other lawful remedy of Landlord, upon motion of Landlord, such counter-claim or other claim asserted by Tenant shall be severed out of the proceedings instituted by Landlord and the proceedings instituted by Landlord may proceed to final judgment separately and apart from and without consolidation with or reference to the status of such counter-claim or any other claim asserted by Tenant.

28.3 Landlord's and Tenant's Liability. Under no circumstances whatsoever shall Landlord or Tenant ever be liable hereunder for consequential damages, punitive damages or special damages. Notwithstanding anything in this Lease to the contrary, the liability of Landlord to Tenant for any default by Landlord under the terms of this Lease shall be limited to the proceeds of sale on execution of the interest of Landlord in the Shopping Center; and Landlord shall not be personally liable for any deficiency, nor shall Landlord, its agents, employees, officers, directors, shareholders, partners, successors and assigns ever be personally liable hereunder. Tenant hereby waives any and all lien rights Tenant might otherwise have under Section 91.004 of the Texas Property Code for any damages sustained by Tenant.

28.4 Consent of Parties. Except as may be otherwise herein provided, in all circumstances under this Lease where prior consent or permission of one party ("First Party"), whether it be Landlord or Tenant, is required before the other party ("Second Party") is authorized to take any particular type of action, the matter of whether to grant such consent or permission shall be within the sole and exclusive judgment and discretion of the First Party; and it shall not constitute any nature of breach by the First Party hereunder or any defense to the performance of any covenant, duty or obligation of the Second Party hereunder that the First Party delayed or withheld the granting of such consent or permission, whether or not the delay or withholding of such consent or permission was, in the opinion of the Second Party, prudent or reasonable or based on good cause.

28.5 No Waivers. The acceptance of any Rent by Landlord shall not constitute a waiver as to any breach of any covenants or conditions of Tenant contained herein nor a waiver of any of Landlord's rights hereunder. One or more waivers of any covenant, term or condition of this Lease by either party shall not be construed as a waiver of a subsequent breach of the same covenant, term or condition. The consent or approval by either party to or of any act by the other party requiring such consent or approval shall not be deemed to waive or render unnecessary consent to or approval of any subsequent similar act. No right or remedy of either party hereunder or covenant, duty or obligation of either party shall be deemed waived by the other party unless such waiver is in writing and signed by the party to be charged.

28.6 Force Majeure. Except with respect to the payment of Rent by Tenant, for which force majeure is not applicable, whenever a period of time is herein prescribed for action to be taken by Landlord or Tenant, Landlord or Tenant shall not be liable or responsible for, and there shall be excluded from the computation of any such period of time, any delays due to strikes, riots, acts of God, shortages of labor or materials, war, governmental laws, regulations or restrictions or any other causes of any kind whatsoever which are beyond the reasonable control of Landlord or Tenant, respectively.

28.7 Certifications; Financial Statements. Tenant shall execute and deliver to Landlord, in recordable form, a certificate stating that this Lease is unmodified and in full force and effect, or in full force and effect as modified, and stating the modifications. The certificate also shall state the amount of Minimum Guaranteed Rental and Additional Charges, the dates to which Rent has been paid in advance, if any, and the amount of the Security Deposit and Prepaid Rent. The certificate shall also state whether or not, to the best of knowledge of the signer of such certificate, the Landlord is in default in performance of any covenant, agreement or condition contained in this Lease and, if so, specify each such default of which the signer may have knowledge and such other information as may be reasonably requested by a lender or proposed purchaser of the Shopping Center. Failure to deliver the certificate within ten (10) days, after the same is requested, shall be conclusive upon the party failing to deliver the certificate for the benefit of the party requesting the certificate and any successor to the party requesting the certificate, that (i) this Lease is in full force and effect and has not been modified except as represented by the party requesting the certificate, (ii) that to Tenant's knowledge, there are no uncured defaults in Landlord's performance, and (iii) that no Rent has been paid in advance except as set forth in this Lease. Within one hundred thirty-five (135) days after the expiration of Tenant's fiscal year, Tenant shall deliver to Landlord its current financial statements of Tenant (with an opinion by a certified public accountant, if available), including a balance sheet and profit and loss statement for the fiscal year previously ended, all prepared in accordance with generally accepted accounting principles consistently applied.

28.8 Governing Law. The laws of the State of Texas shall govern the interpretation, validity, performance and enforcement of this Lease. If any provision of this Lease should be held to be invalid or unenforceable, the validity and enforceability of the remaining provisions of this Lease shall not be affected thereby. All obligations of Landlord and Tenant (including, without limitation, any monetary obligation of Landlord or Tenant for damages for any breach of the respective covenants, duties or obligations of Landlord or Tenant hereunder) are performable exclusively in Beaumont, Jefferson County, Texas.

28.9 No Bankruptcy. Neither Landlord, Tenant nor any Guarantor has ever filed a petition under any section or chapter of the United States Bankruptcy Code, as amended, or under any similar law or statute of the United States or any state thereof or has ever had a petition filed against Tenant thereof or Guarantor or Landlord under any section or chapter of the United States Bankruptcy Code, as amended.

28.10 Captions. The captions used herein are for convenience only and do not limit or amplify the provisions hereof.

28.11 Genders. Whenever herein the singular number is used, the same shall include the plural and words of any gender shall include each other gender.

28.12 Successors. The terms, provisions and covenants contained in this Lease shall apply to, inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors, assigns (when permitted under the terms of this Lease) and legal representatives, except as otherwise herein expressly provided.

28.13 Entire Agreement. This Lease contains the entire agreement between the parties, and no agreement shall be effective to change, modify or terminate this Lease in whole or in part unless such is in writing and duly signed by the party against whom enforcement of such change, modification or termination is sought. Landlord and Tenant hereby acknowledge that they are not relying on any representation or promise of the other, except as may be expressly set forth in this Lease.

28.14 Time of the Essence. In all instances where Tenant is required hereunder to pay any sum or due any act at a particular indicated time or within an indicated period, it is understood and agreed that time is of the essence.

28.15 [Intentionally Left Blank]

28.16 [Intentionally Left Blank]

28.17 Brokers. Tenant warrants that it has engaged no broker in connection with the negotiation or execution of this Lease, and no fee or commission is payable to any such broker representing Tenant in connection herewith. Landlord may or may not be obligated to pay a brokerage fee to any broker engaged by Landlord in connection with the negotiation or execution of this Lease, and if so, pursuant to a separate agreement between Landlord's broker, if any, and Landlord, to which Tenant is not a party. Landlord agrees to indemnify and hold-harmless Tenant from all claims for commissions due to any broker engaged by Landlord.

28.18 Disclaimers. LANDLORD AND TENANT EXPRESSLY ACKNOWLEDGE AND AGREE, AS A MOVING AND MATERIAL PART OF THE CONSIDERATION FOR LANDLORD'S ENTERING INTO THIS LEASE WITH TENANT, THAT, EXCEPT TO THE EXTENT SPECIFICALLY SET FORTH IN THIS LEASE WITH PARTICULARITY, LANDLORD HAS MADE NO WARRANTIES TO TENANT AS TO THE USE OR CONDITION OF THE DEMISED PREMISES OR THE SHOPPING CENTER, EITHER EXPRESS OR IMPLIED, AND LANDLORD EXPRESSLY DISCLAIMS ANY IMPLIED WARRANTY THAT THE DEMISED PREMISES OR THE SHOPPING CENTER ARE SUITABLE FOR TENANT'S INTENDED COMMERCIAL PURPOSE OR ANY OTHER WARRANTY (EXPRESS OR IMPLIED) REGARDING THE DEMISED PREMISES OR THE SHOPPING CENTER. TENANT EXPRESSLY WAIVES (TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW) ANY CLAIMS UNDER FEDERAL, STATE OR OTHER LAW THAT TENANT MIGHT OTHERWISE HAVE AGAINST LANDLORD RELATING IMPLIED WARRANTIES AS TO THE USE, CHARACTERISTICS OR CONDITION OF THE DEMISED PREMISES OR THE SHOPPING CENTER. LANDLORD AND TENANT EXPRESSLY AGREE THAT THERE ARE NO, AND SHALL NOT BE ANY, IMPLIED WARRANTIES OF MERCHANTABILITY, HABITABILITY, FITNESS FOR A PARTICULAR PURPOSE OR ANY OTHER KIND ARISING OUT OF THIS LEASE AND THAT ALL EXPRESS AND IMPLIED WARRANTIES IN CONNECTION HEREWITH ARE EXPRESSLY DISCLAIMED AND WAIVED.

28.19 Preliminary Negotiations. The submission of this Lease form by Tenant for examination does not constitute an offer to lease on the terms set forth herein. In addition Landlord and Tenant acknowledge that neither of them shall be bound by the representations, promises or preliminary negotiations with respect to the Demised Premises made by the parties respective employees or agents. It is the intention of the parties that neither party be legally bound in any way until this Lease has been fully executed by both Landlord and Tenant.

ARTICLE XXIX. REPRESENTATIONS AND WARRANTIES

29.1 Landlord's Affirmative Covenants. Landlord covenants and agrees throughout the Lease Term, as follows:

(a) To indemnify, protect, defend and hold Tenant harmless from and against any and all claims, demands, losses, liabilities, penalties and costs (including, without limitation, reasonable attorneys' fees at all trial and appellate levels, whether or not suit is brought) arising directly or indirectly from or out of, or in any way connected with the presence, leakage, escape, emanation or release of any Hazardous Substances on, under, above or about the Real Property or the Demised Premises caused by Landlord, its agents, employees or contractors.

(b) To indemnify, protect, defend and hold Tenant harmless from and against any and all injury, loss, claims or damage to any person or property while on the Common Areas of the Shopping Center unless caused by an act, omission, neglect or default of Tenant, its agents,

employees, contractors or invitees; and, subject to Section 13.6 hereof, to indemnify, protect, defend and hold Tenant harmless from and against any and all injury, loss, claims or damage to any person or property occasioned by any negligence or willful act or omission of Landlord, its agents, employees or contractors.

(c) Landlord will perform all repairs and replacements which are Landlord's responsibility under the terms of this Lease in a good and workmanlike manner within the time periods set forth in this Lease.

29.2 Landlord's Negative Covenants. Landlord covenants and agrees throughout the Lease Term not to materially reduce the number of parking spaces within the Shopping Center without providing comparable, additional parking (unless due to governmental action such as condemnation, in which event Article XVI hereof shall govern).

29.3 Landlord's Representations. Landlord, in order to induce Tenant to enter into this Lease, hereby represents:

(a) That, as of the Effective Date and again as of the Delivery Date, Landlord, to its current actual knowledge, is not aware of the presence of any Hazardous Substance (including without limitation asbestos material) on, under or above the Shopping Center except as reflected in the Fiesta Mart's Asbestos Inspection prepared by Analytical Labs Environmental Service Company, Inc. ("Report"), a copy of which has been made available to Tenant.

(b) Except as set forth in the Report, that, as of the Effective Date and again as of the Delivery Date, Landlord has not received any notice with respect to, and has no current actual knowledge of, any facts which would constitute violations of any Environmental Laws relating to the use, ownership or occupancy of the Shopping Center.

(c) Except as set forth in the Report, that, as of the Effective Date and again as of the Delivery Date, Landlord has not engaged in the generation, storage, treatment, recycling, transportation or disposal of any Hazardous Substances on, under or above the Shopping Center (any such activity is referred to herein as a "Regulated Activity") except in compliance with all applicable Environmental Laws, and no Regulated Activity engaged in by Landlord has occurred on, under or above the Shopping Center, except in compliance with applicable Environmental Laws.

(d) That Landlord is duly organized and validly existing under the laws of the State of Texas and has full power and authority to enter into this Lease.

(e) That Landlord is not a party to any agreement or litigation which could adversely affect the ability of Landlord to perform its obligations under this Lease or which would constitute a default on the part of Landlord under this Lease, or otherwise adversely affect Tenant's rights or entitlements under this Lease.

(f) That Landlord is the sole fee simple owner of the Shopping Center and has good and indefeasible title thereto. Landlord is not a party to any lease, contract or agreement which restricts the use of the Demised Premises by Tenant as it relates to the Permitted Use.

(g) That, to Landlord's knowledge, the execution, delivery and performance of this Lease by Landlord will not conflict with, be inconsistent with, or result in any breach or default of any of the terms, covenants, conditions or provisions of any indenture, mortgage, deed of trust, instrument, document, agreement or contract of any kind or nature to which Landlord is a party or by which Landlord or the Demised Premises may be bound.

(h) That any construction activities being conducted by, through or under Landlord shall be performed in a manner having as little adverse effect as possible (under the circumstances) on Tenant's use of the Demised Premises and in particular, Landlord shall use its best efforts to avoid using the parking areas directly in front of the Demised Premises as a staging area for trucks or equipment or the storage of materials as it relates to any such activities.

29.4 Tenant's Affirmative Covenants. Tenant covenants and agrees throughout the Lease Term and all renewals thereof, as follows:

(a) To perform all of the obligations of Tenant set forth in this Lease and in the Exhibits attached hereto.

(b) To use the Premises only for the Permitted Use.

(c) Subject to Landlord's repair and maintenance obligations expressly set forth in this Lease, at Tenant's sole cost and expense, to (i) maintain and keep all the Demised Premises in a good condition and state of repair, including all equipment, facilities and fixtures therein; (ii) keep all glass, including that in windows, doors and skylights, clean and in good condition, and to immediately replace any glass which may be damaged or broken with glass of equivalent quality; and (iii) keep the HVAC system serving the Demised Premises in good working order.

(d) To (i) make all repairs, alterations or other improvements in and to the interior of Demised Premises required by governmental authority; (ii) keep the Demised Premises equipped with all safety appliances so required because of Tenant's use of the Demised Premises; (iii) procure any licenses and permits required for any such use; and (iv) comply with the orders and regulations of all governmental authorities having jurisdiction over the use of the Demised Premises. Notwithstanding anything to the contrary contained in this Lease, Tenant agrees to cause the interior of the Demised Premises (excluding structural portions constructed or installed by Landlord) to comply with all laws (including without limitation the "Americans with Disabilities Act"), codes, regulations and other governmental requirements (both now or hereafter in effect).

(e) To pay when due the entire cost of any work on the Demised Premises, including equipment, facilities, signs and fixtures therein, undertaken by Tenant, so that the Demised Premises shall at all times be free of liens for labor and materials; to procure all necessary permits before undertaking such work; to perform such work in a good and workmanlike manner, employing materials of good quality; to comply with all governmental requirements; and to save Landlord harmless and indemnified from all injury, loss, claims or damage to any person or property occasioned by or arising out of such work.

(f) To save Landlord harmless and indemnified from all injury, loss, claims or damage to any person or property while on the Demised Premises, unless caused by any act, omission, neglect or default of Landlord, its agents, employees and subcontractors; and, subject to Section 13.6 hereof, to save Landlord harmless and indemnified from all injury, loss, claims or damage to any person or property occasioned by any negligent act or omission of Tenant, its agents or employees. Tenant shall additionally be obligated to maintain workers compensation insurance (with the limits required by applicable law) covering all of Tenant's employees working in the Demised Premises and to deposit with Landlord a certificate of insurance with respect thereto bearing the endorsement that the policy will not be canceled or reduced in scope of coverage or amount of coverage until thirty (30) days after written notice to Landlord. Notwithstanding the requirement that Tenant provide workers compensation insurance, in the event that Tenant elects to become a non-subscriber on a company-wide basis, the failure to continue workers compensation insurance shall not constitute an Event of Default under this Lease.

(g) At the termination of this Lease, peaceably to give up and surrender the Demised Premises, including all alterations and additions made by Tenant and all fixtures permanently attached to the Demised Premises, during the Lease Term; except removable fixtures and such built in fixtures as Landlord shall direct Tenant to remove; the Demised Premises and improvements to be in good order, repair and condition, excepting only reasonable wear and tear, fire or other casualty, a taking by eminent domain or any repairs that are the obligation of Landlord under this Lease.

(h) To remain fully obligated under this Lease notwithstanding any assignment or sublease, or any indulgence, granted by Landlord to Tenant or to any assignee or sublessee, unless expressly released by Landlord.

(i) To obtain all permits or licenses necessary to conduct business and to pay all taxes upon its merchandise, stock, fixtures, equipment and leasehold improvements in the Demised Premises.

29.5 Tenant's Negative Covenants. Tenant covenants and agrees throughout the Lease Term all renewals thereof, as follows:

(a) Not to intentionally or negligently injure, deface or otherwise harm the Demised Premises or any part thereof or any equipment or installation therein; nor commit any nuisance; nor permit the emission of any objectionable noise or odor, nor burn any trash or refuse within the Shopping Center; nor make any use of the Demised Premises or of any part thereof or equipment therein which is improper, offensive or contrary to any law or ordinance or to reasonable rules and regulations of Landlord as such may be promulgated from time to time, or which will invalidate or increase the cost of any of Landlord's insurance over a standard rate for similar commercial properties, notwithstanding the Permitted Use; nor use any advertising medium which may constitute a nuisance, such as loud speakers or tape recorders, in a manner to be heard outside the Demised Premises; nor conduct any auction, fire, "going out of business," bankruptcy or similar distress sales; nor to sell or display merchandise on, or otherwise obstruct, the Common Area.

(b) Not to permit to be created nor to remain undischarged, and to indemnify Landlord against, any lien, encumbrance or charge filed against the Demised Premises or any part thereof by reason of any work, labor, services or materials performed at or furnished to the Demised Premises, to Tenant, or to anyone holding the Demised Premises through or under Tenant, and not to suffer any other matter or thing whereby the estate, right and interest of Landlord in the Demised Premises or any part thereof may be impaired. Notice is hereby given that Landlord shall not be liable for any work or materials furnished to Tenant on credit and that no mechanic's or other lien for any such work or materials shall attach to or affect Landlord's interest in the Demised Premises or Shopping Center based on any work or material supplied to Tenant or anybody claiming through Tenant. Should Tenant receive written notice of such a lien having attached to Landlord's interest, Tenant shall forthwith take such action by bonding or otherwise as will remove or satisfy such lien. If Tenant shall fail to cause such lien to be discharged within thirty (30) days after receipt by Tenant of written notice of the filing thereof and before judgment or sale thereunder, then, in addition to any other right or remedy of Landlord, Landlord may, but shall not be obligated to, discharge the same by paying the amount reasonably claimed to be due or by bonding or other proceeding deemed appropriate by Landlord, and the amount so paid by Landlord and/or all reasonable costs and expenses, including interest at eighteen percent (18%) per annum and reasonable attorneys' fees, incurred by Landlord in procuring the discharge of such lien shall be deemed to be Additional Charges and shall be due and payable by Tenant to Landlord on the first day of the next following month.

(c) Not to dispose of or discharge, or allow any of Tenant's employees, contractors, agents, or invitees to discharge any Hazardous Substance on, in, or about the Demised Premises. Tenant will properly store and handle any Hazardous Substance Tenant is legally permitted to bring onto the Demised Premises. Tenant will only bring onto the Demised Premises such Hazardous Substances as are necessary for Tenant to carry on the Permitted Use and then only to the extent in compliance with all applicable laws. Tenant will promptly furnish to Landlord copies of all notices given by Tenant, its agents, or employees, to any governmental agency, court, or other entity, or received by Tenant, its agents, or employees from any governmental agency, court, or other entity, in connection with any Hazardous Substance relating to the Demised Premises. Tenant will promptly notify Landlord of the pendency or threat of private or governmental claims or judicial or administrative actions relating to environmental impairment or regulatory requirements relating to Hazardous Substances on the Demised Premises caused by the acts or omissions of Tenant, its agents or employees. If Tenant defaults in any of its obligations under this Section, Landlord will have the right (but not the obligation) to cure such default (at Tenant's sole expense), including the repair of the Demised Premises. The amount so paid by Landlord, together with any reasonable attorneys' fees incurred by Landlord, will be immediately due from Tenant to Landlord as Additional Charges. Tenant hereby indemnifies, protects, defends, and holds Landlord harmless from and against any and all claims, demands, losses, liabilities, and penalties (including, without limitation, reasonable attorneys' fees at all trial and appellate levels, whether or not suit is brought) arising from or out of

the presence of any Hazardous Substance on the Demised Premises or any violation of any local, state or federal environmental law, regulation, ordinance or administrative or judicial order relating to any Hazardous Substance, provided such has been caused by the acts or omissions of Tenant, its agents, contractors, employees or invitees. The provisions of this Section 29.5 (c) shall survive the expiration or earlier termination of this Lease.

(d) Tenant shall not install any storage or other type of tanks on or under the Demised Premises or on or under the Shopping Center.

29.6 Tenant's Representations.

(a) That Tenant is duly organized and validly existing under the laws of the State of Texas and has full power and authority to enter into this Lease.

(b) That Tenant is not a party to any agreement or litigation which could adversely affect the ability of Tenant to perform its obligations under this Lease or which would constitute a default on the part of Tenant under this Lease, or otherwise adversely affect Landlord's rights or entitlements under this Lease.

(c) That all statements made here are true and correct in all material respects.

(d) That, to Tenant's knowledge, the execution, delivery and performance of this Lease by Tenant will not conflict with, be inconsistent with, or result in any breach or default of any of the terms, covenants, conditions or provisions of any indenture, mortgage, deed of trust, instrument, document, agreement or contract of any kind or nature to which Tenant is a party or by which Tenant may be bound.

29.7 Surrender Space. Notwithstanding anything contained in this Lease to the contrary, Tenant shall have the option to surrender 21,900 square feet of the Demised Premises as outlined in yellow on the Site Plan attached hereto as Exhibit "B" ("Surrender Space") provided (i) Tenant has delivered written notice to Landlord not later than the expiration of the eleventh (11th) month of the Lease Term of its election to deliver the Surrender Space to Landlord at the end of the first Lease Year, and (ii) Tenant is not in default with respect to this Lease at the time of its election pursuant hereto. Should Tenant fail to timely provide the required notice or be in default under this Lease, Tenant will be deemed to have waived its option to deliver the Surrender Space to Landlord. To the extent Tenant timely elects to return the Surrender Space to Landlord pursuant hereto and is not in default under this Lease, Tenant shall deliver the Surrender Space to Landlord not later than the end of the first Lease Year and shall vacate the Surrender Space not later than the expiration of the first Lease Year. Should Tenant timely elect to deliver the Surrender Space to Landlord and actually delivers possession thereof to Landlord at the expiration of the first Lease Year, the Minimum Guaranteed Rental for the remainder of the Lease Term for the remaining Demised Premises shall be $1,808,904.00, payable in monthly installments as follows:

Months	Monthly Rental
13-60	$15,213.00
61-120	$17,978.00

To the extent Tenant timely elects to tender the Surrender Space to Landlord pursuant hereto, Tenant shall continue to be obligated to pay all Rent and the Additional Charges which accrue pursuant to the terms of this Lease and be responsible for all of the covenants and obligations contained in this Lease as it relates to the entire Demised Premises for the remainder of the first Lease Year, and for the remaining Demised Premises for the entire Lease Term. Should Tenant default with respect to any of its obligations under this Lease prior to the delivery of the Surrender Space to Landlord, Tenant will be deemed to have waived its option to return the Surrender Space to Landlord pursuant hereto.

EXECUTED as of the date hereinabove stated, the" Effective Date.".

LANDLORD:

FIESTA MART, INC.
a Texas corporation

By: /s/ Louis Katopodis

Louis Katopodis, President

TENANT:

C.A.I., L.P., a Texas limited partnership

By: CONN APPLIANCES, INC.,
a Texas corporation,
its General Partner

By: /s/ C.W. Frank

C.W. Frank, Chief Financial Officer

EXHIBIT A

Legal Description

BEING an 11.79 acre tract of land out of Lots 60 through 66, Inclusive, College Acres Addition, and Lots 29, 30, and 31, Columbus Cartwright Subdivision No. l, in the David Brown League, Abstract 5, Beaumont, Jefferson County, Texas, plat of said College Acres Addition being recorded in Volume 5, Page 34, and the plat of said Columbus Cartwright Subdivisions No. 1 being recorded in Volume 1, Page 112, both of the Map Records, Jefferson County, Texas, the 11.79 acre tract being located along and adjacent to the south right-of way line of College Street, along and adjacent to the east right-of-way, line of 8th Street, and along and adjacent to the north right-of-way line of Milam Street and more fully described by metes and bounds as follows;

BEGINNING at the southwest corner of Lot 29 of the Columbus Cartwright Subdivision No. l at the intersection of the east line of 8th Street and the north line of Milam Street and being the southwest corner of the 11.79 acre tract;

THENCE north 00 DEG. 02'00" west along the east line of 8th Street and the west line of the said Lot 29 and the west line of Lot 60, College Acres Addition, at 467.00' the northwest corner of said Lot 29 and the southwest corner of said Lot 60, and at 688.70' a point for corner 127.00' south of the northwest corner of said Lot 60, the northwest corner of Lot 60 being in the south line of College Street;

THENCE north 89 DEG. 45'50" east parallel to the south line of College Street, at 100.00' the east line of Lot 60 and the west line of Lot 61, and at 123.00' point for corner;

THENCE north 00 DEG. 02'00 west, parallel to the east line of 8th Street, a distance of 127.00 feet to corner in the south line of College Street and the north line of Lot 61;

THENCE north 89 DEG. 45'50" east, along the south line of college Street and the north line of Lots 61 through 66, inclusive, College Acres Addition, a distance of 577.00' to corner at the northeast comer of Lot 66;

THENCE south 00 DEG. 09'30" cast along the cast line of Lot 66 and said east line extended, at 350.40' the southeast corner of Lot 66 and the north line of Lot 31, Columbus Cartwright Subdivisions No.1, and at 530,40' point for corner it said Lot 31;

THENCE south 87 DEG. 15'48" west, a distance of 151.65' to comer,

THENCE south 00 DEG. 05'10" east, a distance of 280' to corner in the north line of Milam Street and the south line of said Lot 30, Columbus Cartwright Subdivision No.1;

THENCE south 89 DEG. 54'10" west along the north line of Milam Street and the south line of Lots 30 and 29, Columbus Cartwright Subdivision No.1, at 220.00' the southwest comer of Lot 30 and the southeast corner of Lot 29 and at 550.00' the PLACE OF BEGINMNG containing in area 11.79 acres of land, more or less.

EXHIBIT "B"

[LOGO] FIESTA - BEAUMONT
BEAUMONT, TEXAS

[GRAPHIC]

DEMISED PREMISES

SURRENDER SPACE

EXHIBIT "C"

CONSTRUCTION RIDER

This Construction Rider is attached to and forms a part of that certain Shopping Center Lease Agreement (the "Lease") dated ---------- , 2000, between Fiesta Mart, Inc., as "Landlord" and C.A.I., L.P., as "Tenant".

1. The term "Tenant's Work" shall mean all work required to be performed by Tenant, at the sole cost and expense of Tenant, to make the interior of the Demised Premises suitable for Tenant's intended use, including but not limited to the furnishing and equipping the Demised Premises. Tenant will be responsible for the construction of the interior leasehold improvements and for the installation of its fixture package in accordance with the interior detail to be provided to Landlord, and subject to Landlord's approval, as specified in Paragraph 3. below.

2. Upon the execution of the Lease and conditioned that Tenant has provided a certificate reflecting the existence of the required Commercial General Liability Policy under Section 13.2 of the Lease, Tenant shall have the right to come onto the Demised Premises in order to, take measurements and commence Tenant's Work, including fixturing, but such entry by Tenant shall be at Tenant's sole risk.

3. Tenant's Work will be performed in a good and workmanlike manner, without the imposition of any liens on the Shopping Center or Demised Premises. Prior to commencement of Tenant's Work, Tenant will provide a copy of Tenant's plans and specifications to Landlord for Landlord's approval, which approval will not be unreasonably withheld or delayed.

4. Tenant shall cause Tenant's Work to be substantially completed within one hundred twenty (120) days from and after the Effective Date of the Lease, subject to the extension by virtue of force majeure only.

5. At all times while Tenant is constructing and completing the Tenant's Work and installing its trade equipment, furniture and fixtures, Tenant shall not interfere with the conducting of business at the Shopping Center. Tenant shall comply with reasonable requests of Landlord for the purpose of avoiding such interference. If at any time during the course of Tenant's Work at the Demised Premises the storefront of the Demised Premises is not fully secure, Tenant shall construct a barricade of plywood or other material approved by Landlord to secure the Demised Premises.

6. In connection with the performance of Tenant's Work, with respect to any labor performed or materials furnished by Tenant at the Demised Premises, the following shall apply: All such labor shall be performed and materials furnished at Tenant's own cost, expense and risk. With respect to any contract for any such labor or materials, Tenant will act as a principal and not as the agent of Landlord. Tenant agrees to indemnify and hold Landlord harmless from all claims (including costs and expenses of defending against such claims) arising or alleged to arise from any act or omission of Tenant or Tenant's agents, employees, contractors, subcontractors, laborers, materialmen or invitees or arising from any bodily injury or property damage occurring or alleged to have occurred incident to Tenant's Work at the Demised Premises. Tenant shall have no authority to place any lien upon the Demised Premises or any interest therein nor in any way to bind Landlord. If, because of any actual or alleged act or omission of Tenant, any lien, affidavit, charge or order for payment of money shall be filed against Landlord, the Demised Premises or the Shopping Center or any portion thereof or interest therein, whether or not such lien, affidavit, charge or order is valid or enforceable, Tenant shall, at its own cost and expense, cause same to be discharged of record by payment, bonding or otherwise no later than fifteen (15) days after notice to Tenant of the filing thereof, but in all events, prior to any foreclosure thereof. All of Tenant's construction at the Premises shall be performed in compliance with the working drawings, applicable codes and other legal requirements, and in a good and workmanlike manner reasonably satisfactory to Landlord and in such manner as to not cause Landlord's fire and extended coverage insurance to be canceled or the rate therefor increased. All of Tenant's construction at the Demised Premises shall be performed in compliance with the plans and specifications previously approved by Landlord in a good and

workmanlike manner. Further, all such work shall be performed by Tenant in strict compliance with all applicable building codes, regulations and all other legal requirements.

7. Upon completion of Tenant's Work by Tenant, Tenant shall deliver to the Landlord of the following:

(a) A general contractor's affidavit and lien waiver with respect to the Demised Premises and the Shopping Center, executed by the general contractor(s) performing Tenant's Work for Tenant, stating that construction has been completed and that all materials and labor for such work have been paid in full, provided that if Tenant acts as its own general contractor, Tenant will execute such affidavit.

(b) A sub-contractor's affidavit and lien waiver with respect to the Demised Premises and the Shopping Center, executed by each sub-contractor performing Tenant's Work of a value in excess of $10,000.00, stating that all materials and labor employed by such sub-contractor have been paid in full.

(c) Notice from Tenant to Landlord that Tenant has opened for business at the Demised Premises, together with evidence, if required by Landlord, of payment to any contractors or subcontractors which shall then be due and owing by Tenant related to Tenant's Work.

(d) A certificate of occupancy (or other certificates evidencing inspection and acceptance of all of Tenant's construction by appropriate governmental authorities).

(e) Certificate of substantial completion from Tenant's architect or engineer certifying that Tenant's Work has been fully completed in accordance with the approved plans and specifications.

(f) Delivery to Landlord of one (1) set of as-built plans for the Demised Premises.

EXHIBIT "D"

SIGN CRITERIA

The purpose of this sign criteria is to outline the standards which have been established to govern the design, fabrication and installation of tenant's signs on the Beaumont Shopping Center.

This information should be given to your sign company to serve as a guide in preparing their cost estimate for your approval, Three (3) copies of your sign drawings must be submitted to offices of the center's Landlord for their review and approval.

FASCIA MOUNTED TENANT SIGNS

1. The maximum overall length of a sign shall not exceed 75% of the lease frontage.

2. The maximum overall vertical height for a sign shall not exceed twenty (20) inches.

3. The maximum overall depth of a sign shall not exceed ten (10) inches.

4. All signs shall be an interior-illuminated box type.

5. All cans shall be fabricated of 20 GA. Sheetmetal with a steel angle frame. All exposed exterior surfaces sha11 match the building's canopy color.

6. All fasteners, screws, bolts, etc., used shall be rust proof.

7. All cans to be lighted with lamps overlapped for even illumination.

8. Transformers and all electrical shall be UL approved and mounted inside of sign can.

9. All signs are to be centered over the leased premises.

LIABILITY

a. The sign company shall be held liable and shall bear all costs for removal, repair and/or correction of all non-conforming signs and for all buildings repairs resulting from same.

b. All signs shall be constructed and installed at tenant's expense.

c. All permits for signs and their installation shall be obtained by the tenant or his representative.

d. Tenant vacating premises for any reason shall bear all costs for removal of signs and for repair of fascia panels damaged or penetrated by tenant's sign.

EXHIBIT "E"

GUARANTY

For Value Received, CONN APPLIANCES, INC., a Texas corporation, hereinafter called Guarantor, in consideration of the premises and of the benefits that will accrue (whether directly or indirectly) to Tenant and Guarantor from that certain Lease between Fiesta Mart, Inc. as Landlord, and CAI, L.P. as Tenant, covering approximately 88,293 square feet in the Beaumont Shopping Center, 3295 College Street, Beaumont, Jefferson County, Texas, (the "Lease"), which consideration is acknowledged by Guarantor to be new, independent and sufficient, and as a material inducement to Landlord to enter the Lease, Guarantor does hereby unconditionally, fully and absolutely guarantee without offset or deduction, the prompt payment when due of all sums payable by Tenant under the Lease, and to do or cause to be done, or perform or cause to be performed, all duties, covenants and obligations of Tenant under the Lease, for the full Lease Term and any renewals thereof, this Guaranty constituting an absolute and unconditional guaranty (1) of full payment, and not of collection of all sums due under the Lease, and (2) that Tenant will perform punctually and faithfully under and in accordance with the terms of the Lease. Guarantor further agrees to indemnify and hold harmless Landlord from any and all losses, damages, costs, and expenses (including, without limitation, costs of court and attorney's fees incurred by Landlord) in the event of any default or breach by Guarantor of its obligations under this Guaranty.

Guarantor hereby agree that Guarantor, as principal obligor, will pay or otherwise provide for or bring about promptly when due all payments required of Tenant under the Lease and the timely and full performance of all duties, covenants and obligations of Tenant under the Lease, notwithstanding any fact or circumstance, including, but not limited to, (1) the liquidation, dissolution, receivership, insolvency or bankruptcy of Tenant, (2) the making by Tenant of an assignment for the benefit of its creditors, (3) the reorganization, arrangement, composition or readjustment of Tenant, or (4) any proceeding affecting the status, existence or assets of Tenant. Without limiting the foregoing, Guarantor expressly and specifically agrees that it will not be necessary or required, and Guarantor shall not be entitled to require, that Landlord shall file suit or proceed to or obtain a judgment against Tenant or any other party, or make any effort of collection from Tenant or any other party, or exercise any remedy or remedies provided in the Lease or by law before, or as a condition precedent to, enforcing the liability of Guarantor hereunder; and Guarantor, knowingly and with the express intention of extinguishing legal rights (if any may exist), hereby waives any and all rights, whether existing by rule, statute, general law, equity or otherwise, to assert or require that (1) Landlord previously seek or obtain judgment against Tenant or any other party prior to Landlord's suing Guarantor for the enforcement of this Guaranty, or (2) Landlord joins Tenant or any other party in any suit against Guarantor for the enforcement of this Guaranty.

Guarantor waives notice of the acceptance of this Guaranty (such acceptance being hereby conclusively presumed). The obligations of Guarantor shall be continuous from the date hereof until the payment and performance hereby guaranteed has been fully paid or performed, and Guarantor's obligations hereunder shall continue in full force and effect notwithstanding (1) any release of Tenant or any other party liable for payment or performance under the Lease, (2) any changes, modifications, amendments, assignments or extensions of the Lease, or (3) any waiver or forbearance on the part of Landlord in enforcing payment or performance by Tenant under the Lease.

Guarantor stipulates that in accordance with Article 1302-2.06, Vernon's Annotated Civil Statutes of Texas, the directors of Guarantor have determined that the action taken pursuant hereto may reasonably be expected to benefit the Guarantor, directly or indirectly.

This Guaranty (1) constitutes the entire agreement between Guarantor and Landlord and supersedes all prior agreements or understandings, both written and oral, regarding the subject matter hereof, (2) shall inure to the benefit of Landlord and Landlord's successors and assigns, and (3) may be modified or amended only by a written instrument signed by Guarantor and Landlord and dated subsequent to the date of this Guaranty.

Failure of Landlord to insist upon strict performance or observance of any of the terms, provisions or covenants of the Lease or to exercise any right therein contained shall not be construed as a waiver or relinquishment for the future of any such term, provision, covenant or right, but the same shall continue and remain in full force and effect. Receipt by Landlord of any monetary sum

or acceptance of performance of any obligation of Tenant under the Lease with knowledge of the default or breach of any provision of the Lease shall not be deemed a waiver of such breach.

Guarantor further agrees that in any right of action which shall accrue to Landlord with respect to the Lease or under this Guaranty, Landlord may, at its option, proceed against Tenant alone (without having made any prior demand upon Guarantor or having commenced any action against Guarantor or having obtained or having attempted to satisfy any judgment against Guarantor) or may proceed against Guarantor and Tenant, jointly or severally, or may proceed against Guarantor alone (without having made any prior demand upon Tenant or having commenced any action against Tenant or having obtained or having attempted to satisfy any judgment against Tenant other than as may be required by the Lease). Under no circumstances shall the liability of Guarantor under this Guaranty be terminated either with respect to any period of time when the liability of Tenant under the Lease continues or with respect to any circumstances as to which the liability of Tenant has not been fully discharged by performance.

Guarantor agrees that in the event that Tenant shall become insolvent or shall be adjudicated a bankrupt, or shall file a petition for reorganization, arrangement or other relief under any present or future provisions of the National Bankruptcy Act, or if such a petition be filed by creditors of said Tenant, or if Tenant shall seek a judicial readjustment of the rights of its creditors under any present or future Federal or State law or if a receiver of all or part of its property and assets is appointed by any State or Federal court, no such proceeding or action taken therein shall modify, diminish or in any way affect the liability of Guarantor under this Guaranty and the liability of Guarantor with respect to such Lease shall be of the same scope as if Guarantor had itself executed said Lease as the named tenant thereunder and no "rejection" and/or "termination" of such Lease in any of the proceedings referred to in this paragraph shall be effective to release and/or terminate the continuing liability of Guarantor to Landlord under this Guaranty with respect to such Lease for the remainder of the lease term stated therein unaffected by any such "rejection" and/or "termination" in said proceedings; and if, in connection with any of the circumstances referred to in this paragraph, Landlord should request that Guarantor execute a new Lease for the balance of the term of said Lease (unaffected by any such "rejection" and/or "termination" in any of said proceedings), but in all other respects identical with said Lease, Guarantor shall do so as the named "Tenant" under such new Lease (irrespective of the fact that the existing Lease may have been "rejected" or "terminated" in connection with any proceedings referred to in this paragraph). In the event of failure or refusal of Guarantor to execute such new Lease as herein provided, without limiting any of the legal or equitable remedies of Landlord on account of such failure or refusal, Guarantor agrees that Landlord shall have the right to obtain a decree of specific performance against Guarantor.

In the event of the dissolution of Guarantor while this Guaranty is in force, and without regard to whether Tenant shall be in default under the Lease, no distribution or disposition of the assets of Guarantor shall be made without first making provision acceptable to Landlord for the payment or satisfaction of Guarantor's obligations (and contingent obligations) hereunder.

Should any portion of this Guaranty ever be held legally invalid or unenforceable, the balance of this Guaranty shall not thereby be affected, but shall remain in full force and effect in accordance with its terms and provisions.

The stated rights and remedies of Landlord under this Guaranty against Guarantor with respect to the liability of Guarantor hereunder shall be understood as not excluding any other legal or equitable rights and remedies of Landlord against Guarantor not expressly set forth herein, but shall be understood as being cumulative of all such other legal and equitable rights and remedies of Landlord not expressly stated herein.

All terms and provisions hereof shall inure to the benefit of the successors and assigns of Landlord and shall be binding upon the heirs, legal representatives, administrators, successors and assigns of Guarantor.

EXECUTED by Guarantor on the day and year shown opposite Guarantor's signature below.

Date: ---------- , 2000

CONN APPLIANCES, INC.,
a Texas Corporation

By: ----------
Thomas J. Frank, CEO

EXHIBIT "F"

TRASH DISPOSAL RIDER

This Trash Disposal Rider is attached to and forms a part of that certain Shopping Center Lease Agreement (the "Lease") dated _____, 2000, by and between Fiesta Mart, Inc., hereinafter referred to as "Landlord", and C.A.I., LTD., a Texas Limited Partnership, hereinafter referred to as "Tenant".

1. Tenant agrees to contract for the supplying of a "dumpster" for Tenant's exclusive use, such dumpster to be located as a location on the Shopping Center mutually agreeable to Landlord and Tenant. Landlord's consent to the location of such dumpster at a location convenient to the Demised Premises will not be unreasonably withheld.

2. Tenant hereby agrees to place all of its trash from the normal operation of its business activities at the Demised Premises (excluding construction) into the dumpster container so provided by Tenant, and Tenant agrees that no other trash container may be utilized by Tenant outside the Demised Premises.

3. Tenant agrees to contract for a dumpster service which will empty the dumpster on a regular basis.

4. In consideration for Tenant's supplying such dumpster and contracting for the service to said dumpster, Tenant shall not be required to pay, as part of the Common Area Costs or otherwise, any portion of the trash disposal expenses incurred by Landlord as a result of trash removal which may be provided for other tenants of Landlord.

5. The foregoing provisions shall not, however, exclude Tenant from paying its Pro Rata Share of trash removal from the Common Area as part of the Common Area Costs to be prorated under the terms of the Lease.

EXHIBIT "G"

CONFIRMATION OF DEMISED PREMISES

This Confirmation of Demised Premises ("Confirmation") is made this ____ day of _____, 2000 by and between Fiesta Mart, Inc. ("Landlord") and C.A.I., L.P. ("Tenant").

W I T N E S S E T H:

WHEREAS, Landlord and Tenant have entered into that certain Shopping Center Lease Agreement ("Lease") dated _____, 2000 for the lease of certain premises located at _____, Texas ("Demised Premises"); and

WHEREAS, Landlord and Tenant wish to set forth certain agreements as to the exact size of the Demised Premises and issues related thereto.

NOW, THEREFORE, in consideration of Ten Dollars ($10.00) and other good and valuable consideration as described in the Lease, Landlord and Tenant agree as follows:

1. Except as otherwise defined herein, all capitalized terms shall have the same meaning as set forth in the Lease.

2. The square footage of the Demised Premises is _____ square feet of space.

3. Tenant's Pro Rata Share of Common Area Costs for the first year of the Lease Term is estimated to be $_____, payable in equal monthly installments of $_____, subject to adjustment as provided in Section 6.4 of the Lease.

4. Tenant's Pro Rata Share of Insurance Premiums for the first year of the Lease Term is estimated to be $_____, payable in equal monthly installments of $_____, subject to adjustment as provided in Section 18.4 of the Lease.

5. Tenant's Pro Rata Share of Taxes for the first year of the Lease Term is estimated to be $_____, payable in equal monthly installments of $_____, subject to adjustment as provided in Section 18.2 of the Lease, subject reduction if tax abatement obtained.

6. Tenant's Pro Rata Share of Water Usage Charges for the first year of the Lease Term is estimated to be $_____, payable in equal monthly installments of $_____, subject to adjustment as provided in Section 12.3 of the Lease, if any.

Except as otherwise provided herein, the Lease remains unmodified, in full force and effect. IN WITNESS WHEREOF, the parties hereto have executed this Confirmation as of the day and year first above written.

TENANT:

C.A.I., L.P., a Texas limited partnership

By: CONN APPLIANCES, INC.,
a Texas corporation,
its General Partner

By: _____
C. W. Frank,
Chief Financial Officer

LANDLORD:

FIESTA MART, INC.
a Texas corporation

By: _____
Louis Katopodis, President

EXHIBIT "H"

OPTIONS TO RENEW

Provided there is no existing Event of Default under the Lease, Tenant may, by written notice six (6) months or more prior to the expiration of the Lease Term, advise Landlord in writing of its intention to extend the Lease Term for an additional term of five (5) years ("First Renewal Term") upon the same terms and conditions provided in this Lease (except as otherwise provided in this paragraph) commencing on the first day following the expiration of the Lease Term. The Minimum Guaranteed Rental for the First Renewal Term shall be an amount equal to the product of $4.25 multiplied by the square footage of the Demised Premises (being either 66,383 or 88,283, as applicable), payable in equal monthly installments. Failure of Tenant to give Landlord timely notice of the exercise of its renewal option shall cause the renewal option for the First Renewal Term to lapse and be of no further force and effect and the Lease Term shall expire at the end of the initial Lease Term. Provided there is no existing Event of Default, Tenant may, by written notice six (6) months or more prior to the expiration of the First Renewal Term, advise Landlord in writing of its intention to extend the First Renewal Term for an additional term of five (5) years ("Second Renewal Term") upon the same terms and conditions provided in this Lease except the Minimum Guaranteed Rental for the Second Renewal Term shall be an amount equal to the product of $5.25 multiplied by the square footage of the Demised Premises (being either 66,383 or 88,283, as applicable), payable in equal monthly installments. Should Tenant fail to timely give the requisite notice, the renewal option for the Second Renewal Term will lapse and be of no further force and effect and the Lease shall expire at the end of the First Renewal Term. Tenant shall have no further renewal options after the expiration of the Second Renewal Term. Tenant shall be obligated to execute a lease amendment evidencing Tenant's exercise of any renewal option pursuant hereto within thirty (30) days after being provided the form thereof, in the absence of which, the renewal option shall be deemed to have lapsed and the Lease shall expire at the end of the Lease Term or the First Renewal Term, as applicable.

EXHIBIT "I"

SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT

THIS SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT ("Agreement") executed by and between _____, a(n) _____ ("Mortgagee") and CAI, L. P., a Texas limited partnership ("Tenant").

WITNESSETH:

WHEREAS, _____ ("Landlord") has entered into a certain lease ("Lease") with Tenant dated _____, 2000 relating to certain premises located in the County of _____, City of _____, State of _____ ("Premises"), said Premises being more particularly described in said Lease and being situated on a portion of the real property described in EXHIBIT A attached hereto and made a part hereof; and

WHEREAS, Mortgagee [has committed to make a] [has made a] mortgage loan to Landlord in the original principal amount of _____ Dollars ($_____), secured by a Mortgage [dated _____] ("Mortgage") covering the Premises [, which Mortgage is recorded in Book _____, Page _____, of _____];

NOW, THEREFORE, it is mutually agreed as follows:

1. The Lease is and shall be subject and subordinate to the Mortgage and to all renewals, modifications, consolidations, replacements and extensions of the Mortgage.

2. In the event of a foreclosure of the Mortgage or should Mortgagee obtain title by deed in lieu thereof, or otherwise, Mortgagee, for itself, its successors or assigns (which shall include any persons acquiring title by voluntary deed, assignment or other disposition or transfer in lieu of foreclosure), agrees that the Lease remains unaffected in full force and effect and Tenant may continue its occupancy of the Premises in accordance with the terms and provisions of the Lease, so long as Tenant is not in default under the Lease beyond any applicable notice and cure period. Mortgagee agrees not to name Tenant as a party defendant in any foreclosure action.

3. Tenant agrees to attorn to: (a) Mortgagee when in possession of the Premises; (b) a receiver appointed in an action or proceeding to foreclose the Mortgage or otherwise; or (c) to any party acquiring title to the Premises as a result of foreclosure of the Mortgage or deed in lieu thereof. Tenant further covenants and agrees to execute and deliver, upon request of Mortgagee, or its assigns, an appropriate agreement of attornment, in form and content reasonably acceptable to Tenant and Mortgagee (but which shall not amend the terms of the Lease or otherwise diminish Tenant's rights thereunder) with any subsequent titleholder of the Premises.

4. So long as the Mortgage on the Premises remains outstanding and unsatisfied, Tenant will deliver to Mortgagee a copy of all notices of default given to Landlord by Tenant. At any time before the rights of Landlord shall have been forfeited or adversely affected because of any default under the Lease as therein provided, Mortgagee shall have the right (but not the obligation) to cure such default within the same period of time as is allowed Landlord under the Lease.

5. If Mortgagee shall succeed to the interest of Landlord under the Lease, Mortgagee shall be bound to Tenant under all the terms, covenants and conditions of the Lease, and Tenant shall, from and after Mortgagee's succession to the interest of Landlord under the Lease, have the same remedies against Mortgagee for the breach of an agreement contained in the Lease that Tenant might have had under the Lease against Landlord if Mortgagee had not succeeded to the interest of Landlord; provided further, however, that Mortgagee shall not be:

(a) liable for any warranty, act or omission of any prior landlord (including Landlord), except those of a continuing nature; or

(b) subject to any offsets or defense which Tenant might have against any prior landlord (including Landlord), except (i) offsets specifically provided for in the Lease, or (ii) those which arose out of such Landlord's default under the Lease and accrued after Tenant has notified Mortgagee and given Mortgagee an opportunity to cure as provided in Paragraph 4 above; or

(c) bound by any rent or additional rent which Tenant might have paid for more than the current month to any prior landlord (including Landlord); or

(d) bound by any amendment or modification of the Lease or any collateral agreement made without Mortgagee's consent.

6. This Agreement shall be binding upon and inure to the benefit of the heirs, successors and assigns (which shall include any persons acquiring title by voluntary deed, assignment or other disposition or transfer in lieu of foreclosure) of the parties.

7. Any notices under this Agreement may be delivered by hand or sent by commercial delivery services or United States Postal Service express mail, in either case for overnight delivery with proof of service, or sent by certified mail, return receipt requested, to the following addresses:

To Tenant: C.A.I., L.P., a Texas limited partnership
c/o CONN APPLIANCES, INC.
P. O. Box 2358
Beaumont, Texas 77704
Attention: Mr. Thomas J. Frank, Chairman\CEO

To Lender:

The notice shall be deemed to have been given on the date it was actually received.

9. This Agreement may be executed and delivered in counterparts for the convenience of the parties.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date indicated below their respective signatures.

MORTGAGEE: ---
a(n)

By:

Print Name:

Print Title:

Date: , 2000

TENANT: C.A.I., L.P., a Texas limited partnership

By: CONN APPLIANCES, INC.,
a Texas corporation,
its General Partner

By:

Date: , 2000 Thomas J. Frank, Chairman\CEO

STATE OF (S)

(S) SS:
COUNTY OF (S)

I, the undersigned, a Notary Public in and for said County in said State, hereby certify that , whose name as of
---
, a , is signed to the foregoing instrument, who
- ---
is known to me, acknowledged before me on this day that, being informed of the contents of the instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation.

Given under my hand and official seal this day of , 20 .

Notary Public
State of:

My Commission expires:

STATE OF (S)

(S) SS:
COUNTY OF (S)

This instrument was acknowledged before me on the day of ,

2000, by Thomas J. Frank, Chairman/CEO of Conn Appliances, Inc., a Texas corporation, on behalf of said corporation, as General Partner on behalf of CAI, L.P., a Texas limited partnership.

Given under my hand and official seal this day of , 2000.

Notary Public
State of:

My Commission expires:

EXHIBIT J

LANDLORD'S AGREEMENT

The undersigned, as lessor ("Lessor"), has entered into a lease (such lease, including all amendments, modifications, renewals, and extensions thereto, being hereinafter referred to as the "Lease"), with CAI, L.P., a Texas limited partnership, as lessee ("Lessee"), with respect to a portion of the real property more particularly described on Exhibit "A" annexed hereto and made a part hereof (the "Real Estate"). A true and complete copy of the Lease is annexed hereto as Exhibit "B". The premises leased to Lessee by the Lease are all or part of the Real Estate and are more particularly described in the Lease (the "Premises").

Lessor has been informed that Chase Bank of Texas, National Association, individually and as Administrative Agent (the "Agent"), and NationsBank, N.A., individually and as Documentation Agent ("NationsBank"), and the other financial institutions listed on the signature pages of the Credit Agreement (as hereinafter defined) (the Agent, NationsBank and all the foregoing, are collectively the "Lenders") are providing loans to Lessee and certain of its subsidiaries to be used by Lessee and those subsidiaries by Lessee for various purposes. In connection with such financing, Lessee intends to grant to Lenders (i) a first leasehold deed of trust or mortgage (the "Leasehold Mortgage") on Lessee's interest in the Lease and (ii) a security interest and first lien (the "Security Interest") in and to Lessee's interest in the property more particularly described in Exhibit "C" annexed hereto and made a part hereof (all of such property being hereinafter collectively referred to as the "Collateral" [PLEASE ADVISE AS TO NATURE OF COLLATERAL]), pursuant (i) to a Credit Agreement among, Lessee, certain subsidiaries of Lessee and Lenders, (ii) to various security agreements and pledge agreements such as the one contained in the Leasehold Mortgage, and (iii) to certain financing statements and other documents filed in connection therewith ((i), (ii), and (iii) collectively the "Loan Documents"). Lessor has also been informed that owners of a majority of the issued and outstanding stock of Lessee (the "Stock") intend to pledge such Stock as security for the above-referenced financings.

For Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lessor and Lessee hereby represent, warrant, and agree, for the benefit of Lenders, as follows:

1. Notwithstanding any provisions to the contrary in the Lease, Lessor hereby consents to the grant of the Leasehold Mortgage on Lessee's interest in the Lease to the Agent for the benefit of the Lenders (or to a trustee for the benefit of the Agent for the benefit of the Lenders), and to the grant of the Security Interest in the Collateral pursuant to the Loan Documents. Lessor hereby further consents to the (x) recording of the Leasehold Mortgage against the Real Estate and (y) filing of any and all financing statements or other documents executed by Lessee and required or permitted under the Uniform Commercial Code of the State in which the Real Estate is located in order to perfect the Leasehold Mortgage on Lessee's interest in the Lease and the Security Interest in the Collateral. In connection therewith, Lessor agrees to execute a memorandum or short form of the Lease in recordable form and in such form as is reasonably required by Lenders and is reasonably acceptable to Lessor, provided, however, Lessee shall be obligated to simultaneously execute a Termination of Memorandum which will be held by Lessor for recording upon expiration or termination of the Lease.

2. Lessor and Lessee hereby agree as follows:

(a) Promptly upon default by Lessee under the Lease, Lessor shall give to the Agent written notice of such default. Such notice shall be effective in accordance with the notice provision set forth in Article XXV of The Lease, at the following address (or at such alternative address as the Agent may have given Lessor by prior written notice):

Chase Bank of Texas, National Association
712 Main Street
Houston, Texas 77002
Attn: Mr. James R. Dolphin

(b) Agent shall have the rights of a "Leasehold Mortgagee" under Article XXVII of the Lease;

(c) Lessor shall accept performance by Lenders of any term, covenant, condition or agreement to be performed by Lessee under the Lease with the same force and effect as though performed by Lessee;

(d) Upon the occurrence of a non-monetary default under the Lease by Lessee, which default Lenders intend to cure but Lenders are prevented from curing such non-monetary default within the time period set forth in the Lease because such default is of a personal nature to Lessee (such as a bankruptcy) or any cure by Lenders first requires possession of the Premises by Lenders, so long as Lenders are proceeding diligently and in good faith to cure such non-monetary default, Lenders shall be entitled to such additional time as may be necessary to cure such non-monetary default provided however, under no circumstances, shall Lenders be entitled to more than seventy-five (75) days to cure such non-monetary default from the date of Lessor's original notice to Lessee and Lenders regarding such non-monetary default.

(e) Lenders or their trustee or designee shall have the right, without Lessor's consent, (i) to foreclose the Leasehold Mortgage or to accept assignment of Lessee's interest in the Lease in lieu of foreclosure of the Leasehold Mortgage; and (ii) to foreclosure on the Stock or to accept assignment or endorsement of the Stock, in lieu of foreclosure, or to otherwise realize on its Security Interest in some or all of the Collateral.

3. All of the Collateral shall be and remain subject to the Leasehold Mortgage and to the Security Interest until such time as the Leasehold Mortgage and the Security Interest shall be released by the Agent.

4. Lessor hereby agrees that any lien for rent or similar charges, whether arising by operation of law or otherwise, whether now existing or hereafter to arise, and each and every right which Lessor now has or hereafter may have, either to levy or distrain upon the Collateral or to claim or assert title to the Collateral, or make any other claim against the Collateral, whether under the Lease or the laws of the State in which the Real Estate is located, or under any other applicable Federal, State, municipal or local law, ordinance or otherwise, or under any mortgage now in effect or hereafter executed, whether by reason of a default under the Lease or otherwise, shall be subject and subordinate in every respect to all of the terms, provisions and conditions of the Leasehold Mortgage and the Loan Documents and to the Security Interest in the Collateral. Lenders and their agents and legal representatives, (i) may remove any or all of the Collateral located at the Real Estate from the Real Estate (a) whenever Lenders, in their sole discretion, believe such removal is necessary to protect the Security Interest in the Collateral; or (b) whenever Lenders seek to sell or foreclose upon the Collateral and (ii) subject to the terms and provisions of the Lease, shall have access to Real Estate, the Premises, and the Collateral at all times. Lenders shall be liable for any and all damages to the Demised Premises and Shopping Center related directly or indirectly to the removal by Lenders of the Collateral. Further, Lenders agree to indemnify and hold Lessor harmless from any and all claims, damages, causes of action, and costs and expenses incurred by Lessor as a result of Lender's access to the Real Estate, the Premises and the removal of the Collateral therefrom. Further, Lenders agree that in the event Lenders fail to remove the Collateral from the Demised Premises within twenty (20) days after receipt of notice therefrom Lessor to remove the Collateral, Lenders shall be deemed to have abandoned the Collateral whereupon Lessor shall be entitled to dispose of the Collateral as Lessor deems appropriate in its sole discretion without any obligation to account for the proceeds of such disposition to either Lessee or Lenders.

5. Lessor hereby recognizes and acknowledges that any claim that Lenders may now have or hereafter have against the Collateral is and at all times shall be and shall be deemed to be superior to any lien, security interest or claim of any kind or nature whatsoever which Lessor now has or hereafter may have against the Collateral, whether by statute, the Lease or otherwise.

6. Lenders may, without affecting the validity of this Agreement, increase the amount of, or extend the time of payment of, any indebtedness of Lessee to Lenders or alter the performance of any of the terms and conditions of any agreement between Lessee and Lenders, including, without limitation, the Leasehold Mortgage and the Loan Documents, without the consent of, or notice to, Lessor and without in any manner whatsoever impairing or affecting the Leasehold Mortgage or the Security Interest in the Collateral.

7. Lessor represents, warrants and agrees that, as of the date hereof (i) the Lease is unmodified and in full force and effect; (ii) no rent, additional rent or other amounts payable by Lessee are past due under the terms of the Lease, and (iii) no violations under the terms of the Lease are in existence.

8. The rights of Lenders and Lessor under this Agreement are in addition to, and cumulative of, any rights granted to, or for the benefit of, Lenders and Lessor under the terms of the Lease or this Agreement. This Agreement shall inure to the benefit of Lenders and Lessor and their respective successors and assigns and shall be binding upon the heirs, personal representatives, successors and assigns of Lenders, Lessor and Lessee, as applicable.

9. Upon payment in full of the loan evidenced by the Leasehold Mortgage, Lenders shall immediately record an appropriate release of its liens pursuant thereto in the appropriate real property records of Jefferson County, Texas, at Lessee's sole cost and expense.

IN WITNESS WHEREOF, Lessor, Lessee and Lenders have caused this Agreement to be duly executed as of this day ____ of _____, 20__.

Lessor: BEAUMONT DEVELOPMENT GROUP, L.P.

By Ashcroft Development Corporation,

Date: _____, 20__ By:/s/ Edwin Freedman

Edwin Freedman, President

Lessee: C.A.I., L.P., a Texas limited partnership

By: CONN APPLIANCES, INC.,
a Texas corporation,
its General Partner

Date: _____, 20__ By:/s/ Thomas J. Frank

Thomas J. Frank, Chairman\CEO

Lenders:

EXHIBIT C
TO LANDLORD'S AGREEMENT

Collateral

1. Stock of Lessee; and

2. All of Lessee's right, title and interest in all movable trade fixtures, equipment (specifically excluding, however, any equipment which is permanently attached to the Real Estate), inventory, contract rights, goods, condemnation proceeds, insurance policies and other general intangibles (including but not limited to trademarks, trade names, and symbols), deposits, instruments and documents, and all other personal property of every kind and character, now owned or hereafter acquired by Lessee, which are now or hereafter attached to, used in connection with, or situated in, on, or about the Premises or the improvements located on the Premises or related to Lessee's rights in and to the Lease, and all proceeds and products thereof.

EXHIBIT K

TAX ABATEMENT PROVISIONS

Tenant has notified Landlord that Tenant plans to pursue a tax abatement related to the continued location of its executive offices in Beaumont, Jefferson County, Texas, and to such end, Landlord agrees to cooperate with Tenant, at no cost to Landlord, to achieve the maximum benefit for the Shopping Center or any part thereof, and/or the Demised Premises. Such cooperation shall include, but not be limited to, Landlord's agreement to allow the Demised Premises to be treated as a separate tax parcel from the balance of the Shopping Center if necessary to accommodate Tenant's sought for tax abatement.

Any tax abatement actually obtained by Tenant as to all or part of the Shopping Center and/or the Demised Premises, shall attribute solely to Tenant, and not to Landlord or any other tenants of Landlord, and shall be reflected in a direct reduction in Tenant's Pro Rata Share of Taxes otherwise payable under any provisions of this Lease Agreement. As a condition to Tenant receiving credit for the entire tax abatement obtained by Tenant, Tenant shall be required to supply written confirmation to Landlord from the taxing authority granting such tax abatements specifying (a) the amount of taxes for the specified calendar year as a result of such tax abatement; and (b) the amount that such taxes would be absent such tax abatement.

Should Tenant default with respect to its obligations under this Lease which results in the early termination or expiration of the Lease attributable thereto, should the applicable taxing authorities retroactively adjust the taxes for such prior years as if no tax abatement was granted, Tenant shall be solely responsible for all such additional taxes as a result thereof and Tenant shall remit such payment to Landlord within thirty (30) days of being invoiced for such taxes.

Exhibit 10.5.1

FIRST AMENDMENT TO LEASE AGREEMENT

This First Amendment to Lease Agreement ("First Amendment") is made and entered into by and between Fiesta Mart, Inc. ("Landlord"), C.A.I., L.P. ("Tenant") and Conn Appliances, Inc. ("Guarantor").

W I T N E S S E T H:

WHEREAS, Landlord and Tenant entered into that certain Shopping Center Lease Agreement dated May 3, 2000 ("Lease") whereby Landlord leased to Tenant that certain demised premises located at 3295 College Avenue, Beaumont, Texas ("Demised Premises"), which Demised Premises is located in the Beaumont Shopping Center ("Shopping Center"); and

WHEREAS, Tenant desires to lease additional space in the Shopping Center, which space is currently occupied by Specialties Entertainment, Inc. d/b/a Golden Nugget Bingo ("Golden Nugget"), such space containing approximately 18,500 square feet ("Expansion Premises"); and

WHEREAS, Landlord is amenable to leasing Tenant the Expansion Premises on the terms and conditions set forth in this First Amendment.

NOW, THEREFORE, in consideration of the premises and mutual covenants and agreements contained herein, Landlord, Tenant and Guarantor hereby agree as follows:

1. All capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the Lease.

2. Landlord hereby leases the Expansion Premises to Tenant and Tenant hereby leases from Landlord the Expansion Premises commencing September 15, 2001 ("Effective Date") through the last day of the Lease Term. Tenant hereby accepts the Expansion Premises in it present "AS IS", "WHERE IS" condition, WITH ALL FAULTS, in accordance with the terms of Section 3.1 and 25.18 of the Lease.

3. The Minimum Guaranteed Rental payable by Tenant to Landlord for the Expansion Premises shall be an amount equal to the following:

(a) From the Effective Date through September 30, 2001 an amount equal to Two Thousand Two Hundred Sixty-One and 11/100 Dollars ($2.261.11);

(b) From October 1, 2001 through the sixtieth (60th) month of the initial Lease Term, an amount equal to Four Thousand Two Hundred Thirty-Nine and 58/100 Dollars ($4,239.58) per month; and

(c) For the period commencing on the first day of the sixty-first (61st) month of the Lease Term through the end of the Lease Term, an amount equal to Five Thousand Ten and 42/100 Dollars ($5,010.42) per month.

4. Tenant shall be obligated to pay Tenant's Pro Rata Share of Common Area Costs, Insurance Premiums and Taxes attributable to the Expansion Space in the same manner as set forth in the Lease pertaining to the Demised Premises.

5. Tenant hereby waives the right and option Tenant has to surrender the Surrender Space to Landlord pursuant to the provisions of Section 29.7 of the Lease and the Surrender Space shall remain part of the Demised Premises for the entire Lease Term and the renewal terms set forth in the Lease, if applicable.

6. The renewal options set forth in Exhibit "H" to the Lease shall be applicable to the Expansion Premises and the Minimum Guaranteed Rental for the renewal terms shall be the rates set forth therein multiplied by the total square footage of the Demised Premises and the Expansion Premises.

7. The last sentence of Section 1.1(y) of the original Lease is modified to change the fraction set forth therein from "88,283/137,514" to "106,783/124,783" as it relates to the aggregate square footage of both the Demised Premises and the Expansion Premises and the rentable space in all of the buildings in the Shopping Center.

8. All of the other terms and conditions of the Lease shall be applicable to the Expansion Premises had been part of the original Demised Premises.

9. As a condition to Landlord agreeing to enter into this First Amendment, Landlord shall require Guarantor to execute a Guaranty Agreement guaranteeing all of the obligations of Tenant pertaining to the Expansion Premises as set forth in this First Amendment and in the Lease. The form and substance of the Guaranty Agreement is attached hereto as Exhibit "A".

10. Except as otherwise modified by this First Amendment, the Lease and all of the terms, conditions, covenants and agreements contained therein remain unchanged and continue unabated in full force and effect as to both the Demised Premises and Expansion Premises.

EXECUTED in multiple originals as of the 11 of September, 2001.

LANDLORD:

FIESTA MART, INC.

By: /s/ Louis Katopodis

Louis Katopodis, President

TENANT:

C.A.I., L.P., a Texas limited partnership

By: CONN APPLIANCES, INC., a Texas corporation

By: /s/ C. W. Frank

C. W. Frank, Chief Financial Officer

GUARANTOR:

CONN APPLIANCES, INC., a Texas corporation

By: /s/ Thomas J. Frank

Thomas J. Frank, CEO

EXHIBIT "A"

GUARANTY

For Value Received, CONN APPLIANCES, INC., a Texas corporation, hereinafter called "Guarantor", in consideration of the premises and of the benefits that will accrue (whether directly or indirectly) to Tenant and Guarantor from that certain Shopping Center Lease Agreement, as amended, between Fiesta Mart, Inc. as "Landlord", and C.A.I., L.P. as "Tenant", covering approximately 88,293 square feet in the Beaumont Shopping Center ("Center"), 3295 College Street, Beaumont, Jefferson County, Texas, (the "Original Lease"), which consideration is acknowledged by Guarantor to be new, independent and sufficient, and as a material inducement to Landlord to enter that certain First Amendment to Lease Agreement ("First Amendment") pertaining to Tenant leasing an additional 18,500 square feet in the Center, Guarantor does hereby unconditionally, fully and absolutely guarantee without offset or deduction, the prompt payment when due of all sums payable by Tenant under the Original Lease and First Amendment (the Original Lease and First Amendment being hereafter collectively referred to as the "Lease"), and to do or cause to be done, or perform or cause to be performed, all duties, covenants and obligations of Tenant under the Lease, for the full Lease Term and any renewals thereof, this Guaranty constituting an absolute and unconditional guaranty (1) of full payment, and not of collection of all sums due under the Lease, and (2) that Tenant will perform punctually and faithfully under and in accordance with the terms of the Lease. Guarantor further agrees to indemnify and hold harmless Landlord from any and all losses, damages, costs, and expenses (including, without limitation, costs of court and attorney's fees incurred by Landlord) in the event of any default or breach by Guarantor of its obligations under this Guaranty.

Guarantor hereby agree that Guarantor, as principal obligor, will pay or otherwise provide for or bring about promptly when due all payments required of Tenant under the Lease and the timely and full performance of all duties, covenants and obligations of Tenant under the Lease, notwithstanding any fact or circumstance, including, but not limited to, (1) the liquidation, dissolution, receivership, insolvency or bankruptcy of Tenant, (2) the making by Tenant of an assignment for the benefit of its creditors, (3) the reorganization, arrangement, composition or readjustment of Tenant, or (4) any proceeding affecting the status, existence or assets of Tenant. Without limiting the foregoing, Guarantor expressly and specifically agrees that it will not be necessary or required, and Guarantor shall not be entitled to require, that Landlord shall file suit or proceed to or obtain a judgment against Tenant or any other party, or make any effort of collection from Tenant or any other party, or exercise any remedy or remedies provided in the Lease or by law before, or as a condition precedent to, enforcing the liability of Guarantor hereunder; and Guarantor, knowingly and with the express intention of extinguishing legal rights (if any may exist), hereby waives any and all rights, whether existing by rule, statute, general law, equity or otherwise, to assert or require that (1) Landlord previously seek or obtain judgment against Tenant or any other party prior to Landlord's suing Guarantor for the enforcement of this Guaranty, or (2) Landlord joins Tenant or any other party in any suit against Guarantor for the enforcement of this Guaranty.

Guarantor waives notice of the acceptance of this Guaranty (such acceptance being hereby conclusively presumed). The obligations of Guarantor shall be continuous from the date hereof until the payment and performance hereby guaranteed has been fully paid or performed, and Guarantor's obligations hereunder shall continue in full force and effect notwithstanding (1) any release of Tenant or any other party liable for payment or performance under the Lease, (2) any changes, modifications, amendments, assignments or extensions of the Lease, or (3) any waiver or forbearance on the part of Landlord in enforcing payment or performance by Tenant under the Lease.

Guarantor stipulates that in accordance with Article 1302-2.06, Vernon's Annotated Civil Statutes of Texas, the directors of Guarantor have determined that the action taken pursuant hereto may reasonably be expected to benefit the Guarantor, directly or indirectly.

This Guaranty (1) constitutes the entire agreement between Guarantor and Landlord and supersedes all prior agreements or understandings, both written and oral, regarding the subject matter hereof, (2) shall inure to the benefit of Landlord and Landlord's successors and assigns, and (3) may be modified or amended only by a written instrument signed by Guarantor and Landlord and dated subsequent to the date of this Guaranty.

Failure of Landlord to insist upon strict performance or observance of any of the terms, provisions or covenants of the Lease or to exercise any right therein contained shall not be construed as a waiver or relinquishment for the future of any such term, provision, covenant or right, but the same shall continue and remain in full force and effect. Receipt by Landlord of any monetary sum or acceptance of performance of any obligation of Tenant under the Lease with knowledge of the default or breach of any provision of the Lease shall not be deemed a waiver of such breach.

Guarantor further agrees that in any right of action which shall accrue to Landlord with respect to the Lease or under this Guaranty, Landlord may, at its option, proceed against Tenant alone (without having made any prior demand upon Guarantor or having commenced any action against Guarantor or having obtained or having attempted to satisfy any judgment against Guarantor) or may proceed against Guarantor and Tenant, jointly or severally, or may proceed against Guarantor alone (without having made any prior demand upon Tenant or having commenced any action against Tenant or having obtained or having attempted to satisfy any judgment against Tenant other than as may be required by the Lease). Under no circumstances shall the liability of Guarantor under this Guaranty be terminated either with respect to any period of time when the liability of Tenant under the Lease continues or with respect to any circumstances as to which the liability of Tenant has not been fully discharged by performance.

Guarantor agrees that in the event that Tenant shall become insolvent or shall be adjudicated a bankrupt, or shall file a petition for reorganization, arrangement or other relief under any present or future provisions of the National Bankruptcy Act, or if such a petition be filed by creditors of said Tenant, or if Tenant shall seek a judicial readjustment of the rights of its creditors under any present or future Federal or State law or if a receiver of all or part of its property and assets is appointed by any State or Federal court, no such proceeding or action taken therein shall modify, diminish or in any way affect the liability of Guarantor under this Guaranty and the liability of Guarantor with respect to such Lease shall be of the same scope as if Guarantor had itself executed said Lease as the named tenant thereunder and no "rejection" and/or "termination" of such Lease in any of the proceedings referred to in this paragraph shall be effective to release and/or terminate the continuing liability of Guarantor to Landlord under this Guaranty with respect to such Lease for the remainder of the lease term stated therein unaffected by any such "rejection" and/or "termination" in said proceedings; and if, in connection with any of the circumstances referred to in this paragraph, Landlord should request that Guarantor execute anew Lease for the balance of the tern of said Lease (unaffected by any such "rejection" and/or "termination" in any of said proceedings), but in all other respects identical with said Lease, Guarantor shall do so as the named "Tenant" under such new Lease (irrespective of the fact that the existing Lease may have been "rejected" or "terminated" in connection with any proceedings referred to in this paragraph). In the event of failure or refusal of Guarantor to execute such new Lease as herein provided, without limiting any of the legal or equitable remedies of Landlord on account of such failure or refusal, Guarantor agrees that Landlord shall have the right to obtain a decree of specific performance against Guarantor.

In the event of the dissolution of Guarantor while this Guaranty is in force, and without regard to whether Tenant shall be in default under the Lease, no distribution or disposition of the assets of Guarantor shall be made without first making provision acceptable to Landlord for the payment or satisfaction of Guarantor's obligations (and contingent obligations) hereunder.

Should any portion of this Guaranty ever be held legally invalid or unenforceable, the balance of this Guaranty shall not thereby be affected, but shall remain in full force and effect in accordance with its terms and provisions.

The stated rights and remedies of Landlord under this Guaranty against Guarantor with respect to the liability of Guarantor hereunder shall be understood as not excluding any other legal or equitable rights and remedies of Landlord against Guarantor not expressly set forth herein, but shall be understood as being cumulative of all such other legal and equitable rights and remedies of Landlord not expressly stated herein.

All terns and provisions hereof shall inure to the benefit of the successors and assigns of Landlord and shall be binding upon the heirs, legal representatives, administrators, successors and assigns of Guarantor.

EXECUTED by Guarantor on the day and year shown opposite Guarantor's signature below.

Date: ---------- , 2001

CONN APPLIANCES, INC.,
a Texas Corporation

By: ----------
Thomas J. Frank, CEO

GUARANTY

For Value Received, CONN APPLIANCES, INC., a Texas corporation, hereinafter called "Guarantor", in consideration of the premises and of the benefits that will accrue (whether directly or indirectly) to Tenant and Guarantor from that certain Shopping Center Lease Agreement, as amended, between Fiesta Mart, Inc. as "Landlord", and C.A.I., L.P. as "Tenant", covering approximately 88,293 square feet in the Beaumont Shopping Center ("Center"), 3295 College Street, Beaumont, Jefferson County, Texas, (the "Original Lease"), which consideration is acknowledged by Guarantor to be new, independent and sufficient, and as a material inducement to Landlord to enter that certain First Amendment to Lease Agreement ("First Amendment") pertaining to Tenant leasing an additional 18,500 square feet in the Center, Guarantor does hereby unconditionally, fully and absolutely guarantee without offset or deduction, the prompt payment when due of all sums payable by Tenant under the Original Lease and First Amendment (the Original Lease and First Amendment being hereafter collectively referred to as the "Lease"), and to do or cause to be done, or perform or cause to be performed, all duties, covenants and obligations of Tenant under the Lease, for the full Lease Tern and any renewals thereof, this Guaranty constituting an absolute and unconditional guaranty (1) of full payment, and not of collection of all sums due under the Lease, and (2) that Tenant will perform punctually and faithfully under and in accordance with the terns of the Lease. Guarantor further agrees to indemnify and hold harmless Landlord from any and all losses, damages, costs, and expenses (including, without limitation, costs of court and attorney's fees incurred by Landlord) in the event of any default or breach by Guarantor of its obligations under this Guaranty.

Guarantor hereby agree that Guarantor, as principal obligor, will pay or otherwise provide for or bring about promptly when due all payments required of Tenant under the Lease and the timely and full performance of all duties, covenants and obligations of Tenant under the Lease, notwithstanding any fact or circumstance, including, but not limited to, (1) the liquidation, dissolution, receivership, insolvency or bankruptcy of Tenant, (2) the making by Tenant of an assignment for the benefit of its creditors, (3) the reorganization, arrangement, composition or readjustment of Tenant, or (4) any proceeding affecting the status, existence or assets of Tenant. Without limiting the foregoing, Guarantor expressly and specifically agrees that it will not be necessary or required, and Guarantor shall not be entitled to require, that Landlord shall file suit or proceed to or obtain a judgment against Tenant or any other party, or make any effort of collection from Tenant or any other party, or exercise any remedy or remedies provided in the Lease or by law before, or as a condition precedent to, enforcing the liability of Guarantor hereunder; and Guarantor, knowingly and with the express intention of extinguishing legal rights (if any may exist), hereby waives any and all rights, whether existing by rule, statute, general law, equity or otherwise, to assert or require that (1) Landlord previously seek or obtain judgment against Tenant or any other party prior to Landlord's suing Guarantor for the enforcement of this Guaranty, or (2) Landlord joins Tenant or any other party in any suit against Guarantor for the enforcement of this Guaranty.

Guarantor waives notice of the acceptance of this Guaranty (such acceptance being hereby conclusively presumed). The obligations of Guarantor shall be continuous from the date hereof until the payment and performance hereby guaranteed has been fully paid or performed, and Guarantor's obligations hereunder shall continue in full force and effect notwithstanding (1) any release of Tenant or any other party liable for payment or performance under the Lease, (2) any changes, modifications, amendments, assignments or extensions of the Lease, or (3) any waiver or forbearance on the part of Landlord in enforcing payment or performance by Tenant under the Lease.

Guarantor stipulates that in accordance with Article 1302-2.06, Vernon's Annotated Civil Statutes of Texas, the directors of Guarantor have determined that the action taken pursuant hereto may reasonably be expected to benefit the Guarantor, directly or indirectly.

This Guaranty (1) constitutes the entire agreement between Guarantor and Landlord and supersedes all prior agreements or understandings, both written and oral, regarding the subject matter hereof, (2) shall inure to the benefit of Landlord and Landlord's successors and assigns, and (3) may be modified or amended only by a written instrument signed by Guarantor and Landlord and dated subsequent to the date of this Guaranty.

Failure of Landlord to insist upon strict performance or observance of any of the terms, provisions or covenants of the Lease or to exercise any right therein contained shall not be construed as a waiver or relinquishment for the future of any such term, provision, covenant or right, but the same shall continue and remain in full force and effect. Receipt by Landlord of any monetary sum or acceptance of performance of any obligation of Tenant under the Lease with knowledge of the default or breach of any provision of the Lease shall not be deemed a waiver of such breach.

Guarantor further agrees that in any right of action which shall accrue to Landlord with respect to the Lease or under this Guaranty, Landlord may, at its option, proceed against Tenant alone (without having made any prior demand upon Guarantor or having commenced any action against Guarantor or having obtained or having attempted to satisfy any judgment against Guarantor) or may proceed against Guarantor and Tenant, jointly or severally, or may proceed against Guarantor alone (without having made any prior demand upon Tenant or having commenced any action against Tenant or having obtained or having attempted to satisfy any judgment against Tenant other than as may be required by the Lease). Under no circumstances shall the liability of Guarantor under this Guaranty be terminated either with respect to any period of time when the liability of Tenant under the Lease continues or with respect to any circumstances as to which the liability of Tenant has not been fully discharged by performance.

Guarantor agrees that in the event that Tenant shall become insolvent or shall be adjudicated a bankrupt, or shall file a petition for reorganization, arrangement or other relief under any present or future provisions of the National Bankruptcy Act, or if such a petition be filed by creditors of said Tenant, or if Tenant shall seek a judicial readjustment of the rights of its creditors under any present or future Federal or State law or if a receiver of all or part of its property and assets is appointed by any State or Federal court, no such proceeding or action taken therein shall modify, diminish or in any way affect the liability of Guarantor under this Guaranty and the liability of Guarantor with respect to such Lease shall be of the same scope as if Guarantor had itself executed said Lease as the named tenant thereunder and no "rejection" and/or "termination" of such Lease in any of the proceedings referred to in this paragraph shall be effective to release and/or terminate the continuing liability of Guarantor to Landlord under this Guaranty with respect to such Lease for the remainder of the lease term stated therein unaffected by any such "rejection" and/or "termination" in said proceedings; and if, in connection with any of the circumstances referred to in this paragraph, Landlord should request that Guarantor execute a new Lease for the balance of the term of said Lease (unaffected by any such "rejection" and/or "termination" in any of said proceedings), but in all other respects identical with said Lease, Guarantor shall do so as the named "Tenant" under such new Lease (irrespective of the fact that the existing Lease may have been "rejected" or "terminated" in connection with any proceedings referred to in this paragraph). In the event of failure or refusal of Guarantor to execute such new Lease as herein provided, without limiting any of the legal or equitable remedies of Landlord on account of such failure or refusal, Guarantor agrees that Landlord shall have the right to obtain a decree of specific performance against Guarantor.

In the event of the dissolution of Guarantor while this Guaranty is in force, and without regard to whether Tenant shall be in default under the Lease, no distribution or disposition of the assets of Guarantor shall be made without first making provision acceptable to Landlord for the payment or satisfaction of Guarantor's obligations (and contingent obligations) hereunder.

Should any portion of this Guaranty ever be held legally invalid or unenforceable, the balance of this Guaranty shall not thereby be affected, but shall remain in full force and effect in accordance with its terms and provisions.

The stated rights and remedies of Landlord under this Guaranty against Guarantor with respect to the liability of Guarantor hereunder shall be understood as not excluding any other legal or equitable rights and remedies of Landlord against Guarantor not expressly set forth herein, but shall be understood as being cumulative of all such other legal and equitable rights and remedies of Landlord not expressly stated herein.

All terms and provisions hereof shall inure to the benefit of the successors and assigns of Landlord and shall be binding upon the heirs, legal representatives, administrators, successors and assigns of Guarantor.

EXECUTED by Guarantor on the day and year shown opposite Guarantor's signature below.

Date: Sept.11, 2001

CONN APPLIANCES, INC.,
a Texas Corporation

By: /s/ Thomas J. Frank

Thomas J. Frank, CEO

Exhibit 10.6

INDUSTRIAL REAL ESTATE LEASE (Multiple-Tenant Facility)

ARTICLE ONE: BASIC TERMS

This Article One contains the Basic Terms of this Lease between the Landlord and Tenant named below. Other Articles, Sections and Paragraphs of the Lease referred to in this Article One explain and define the Basic Terms and are to be read in conjunction with the Basic Terms.

Section 1.01. Date of Lease: June 16, 2000

Section 1.02. Landlord (include legal entity): American National Insurance Company Address of Landlord: One Moody Plaza, Galveston, Texas 77550 Attn: Mortgage and Real Estate Department

Section 1.03. Tenant (include legal entity): CAI, L.P., a Texas limited partnership Address of Tenant: 2755 Liberty, Beaumont, Texas 77702

Section 1.04.1. Premises: (include street address, approximate square footage and description of leased space) 8550-A Market Street, Houston, Texas 77029 --- approximately 229,500 square feet of space.

Section 1.04.2 Property: The land upon which the Premises are located: See legal description attached as Exhibit "A"

Section 1.05. Lease Term: 5 years 0 months beginning on September 1, 2000 and ending on August 31, 2005.

Section 1.06. Permitted Uses: (See Article Five) The Property shall be used and occupied by Tenant solely for the purpose of warehousing and storage of appliances and related inventory; provided, however, Hazardous Substances, as defined below, shall not be permitted to be stored, warehoused or enter onto the Property.

Section 1.07. Tenant's Guarantor: (If none, so state) Conn Appliances, Inc., a Texas corporation

Section 1.08. Tenant's Share: A fraction, the numerator of which is the square feet of the Premises (229,500) and the denominator of which is the square feet of leasable space in the building(s) on the Property (665,333).

Section 1.09. Intentionally Omitted.

Section 1.10. Initial Security Deposit: (See Section 3.03) $N/A

Section 1.11. Vehicle Parking Spaces Allocated to Tenant: None specifically allocated to Tenant. Tenant shall share on a non-exclusive basis all parking spaces with Landlord's other commercial warehouse tenants at the Property, utilizing warehouse space generally in the same manner as Tenant.

Section 1.12. Rent and Other Charges Payable by Tenant:

(a) BASE RENT: (i) Seventy-one Thousand One Hundred Forty-five and no/100 Dollars ($71,145.00) per month, as provided in Section 3.01, during the first three (3) calendar years; (ii) $73,400.00 per month during the fourth (4th) year of the Lease and beginning with the installment that is due September 1, 2003; and (iii) ($75,735.00 per month during the fifth (5th) year of the Lease beginning with the monthly installment that is due September 1, 2004.

(b) OTHER PERIODIC PAYMENTS: (i) Tenant's Share of Real Property Taxes above the "Base Real Property Taxes" (See Section 4.02); (ii) Utilities (See Section 4.03); (iii) Increased Insurance Premiums above "Base Premiums" (See Section 4.04); (iv) Impounds for Tenant's Share of Insurance Premiums and Property Taxes (See

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Section 4.07); (v) Tenant's Share of the Basic Operating Costs above the Base Year Operating Costs (see Section 4.08); and (vi) Maintenance, Repairs and Alterations (See Article Six).

Section 1.13. Costs and Charges Payable by Landlord: (a) Base Real Property Taxes (See Section 4.02); (b) Base Insurance Premiums (See Section 4.04(c)); (c) Base Year Operating Costs (See Section 4.08); (d) Maintenance and Repair (See Article Six).

Section 1.14. Intentionally Omitted.

Section 1.15. Riders: The following Riders are attached to and made a part of this Lease: (If none, so state) Legal Description, Exhibit "A": Guaranty Agreement, Exhibit "B": Landlord's Agreement, Exhibit "C" and Agreement Regarding Adjacent Property, Exhibit "D".

ARTICLE TWO: LEASE TERM

Section 2.01. Lease of Premises For Lease Term. Landlord leases the Premises to Tenant and Tenant leases the Premises from Landlord for the Lease Term. The Lease Term is for the period stated in Section 1.05 above and shall begin and end on the dates specified in Section 1.05 above, unless the beginning or end of the Lease Term is changed under any provision of this Lease. The "Commencement Date" shall be the date specified in Section 1.05 above for the beginning of the Lease Term, unless advanced or delayed under any provision of this Lease.

Section 2.02. Delay in Commencement. Landlord shall deliver possession of the Premises to Tenant on or before three (3) business days after full execution of this Lease by both parties. If Landlord does not deliver possession of the Premises to Tenant by such period, Tenant may elect to cancel this Lease by giving written notice to Landlord. If Tenant gives such notice, the Lease shall be canceled and neither Landlord nor Tenant shall have any further obligations to the other.

Section 2.03. Early Occupancy. If Tenant occupies the Premises prior to the Commencement Date, Tenant's occupancy of the Premises shall be subject to all of the provisions of this Lease, except for the obligations to pay Base Rent and Other Periodic Payments. Early occupancy of the Premises shall not advance the expiration date of this Lease.

Section 2.04. Holding Over. Tenant shall vacate the Premises upon the expiration or earlier termination of this Lease. Tenant shall reimburse Landlord for and indemnify Landlord against all damages which Landlord incurs from Tenant's delay in vacating the Premises. If Tenant does not vacate the Premises upon the expiration or earlier termination of the Lease and Landlord thereafter accepts rent from Tenant, Tenant's occupancy of the Premises shall be a "month-to-month" tenancy, subject to all of the terms of this Lease applicable to a month-to-month tenancy, except that the Base Rent then in effect shall be increased by fifty percent (50%).

Section 2.05. Option Period. Tenant shall have the right to extend the term of this Lease for one five-year period at a monthly base rental rate of EIGHTY THOUSAND THREE HUNDRED TWENTY-FIVE AND NO/100 DOLLARS ($80,325.00) by delivering written notice of the exercise of such option on or before December 31, 2004. Failure by Tenant to give such written notice to Landlord shall constitute a waiver of such right.

Section 2.06. Special One-Time Right to Cancel. Tenant shall have the one-time right to cancel and terminate this Lease, such, termination to be effective on August 31, 2003, by delivering written notice of such election of termination to Landlord on or before February 28, 2003 together with the following amounts to be retained by Landlord as consideration for such Tenant cancellation: (i) Three (3) months rent using the rent required during the fourth year of this Lease (i.e., $73,440.00) and (ii) forty percent (40%) of any leasing commission paid by Landlord to any broker in connection with the execution of this Lease.

Section 2.07. Termination Rights With Respect to Turning Basin Lease. Upon execution of this Lease by both of the parties hereto, and the payment of the first full month's rent by Tenant to Landlord, and for one hundred eighty (180) days thereafter, Tenant may freely (i) terminate that lease by C & D Warehouse, Inc., as lessee, and Landlord, as lessor, and dated September 12, 1997 affecting property at 2005 Turning Basin Drive, Houston, Texas 77029 (the "TB Lease"), or (ii) in one or more increments, reduce the square footage of the space leased by

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the tenant pursuant to the TB Lease to an area or areas which is or are wholly contained within a firewall so that each complete area within a firewall at such premises is either wholly occupied by the tenant of the TB Lease or not occupied at all by such tenant (the "Lease Reduction"). In the event Tenant timely elects to cause the Lease Reduction, Landlord shall and Tenant shall cause the tenant of the TB Lease to enter into a lease amendment amending the TB Lease in a manner reasonably satisfactory to Landlord and Tenant and reducing the rent and other charges payable by Tenant thereunder on a pro-rata basis based on the square footage released compared to Tenant's total square footage under the TB Lease. In such event, Landlord and Tenant agree to execute any documents reasonably required to effectuate such termination or reduction in space. Tenant's rights of termination or reduction shall terminate after such one hundred eighty (180) day period.

ARTICLE THREE: BASE RENT

Section 3.01. Time and Manner of Payment. Upon execution of this Lease, Tenant shall pay Landlord the Base Rent in the amount stated in Paragraph 1.12(a) above for the first month of the Lease Term. On the first day of the second month of the Lease Term and each month thereafter, Tenant shall pay Landlord the Base Rent, in advance, without offset, deduction or prior demand. The Base Rent shall be payable at Landlord's address or at such other place as Landlord may designate in writing.

Section 3.02. Intentionally Omitted.

Section 3.03. Intentionally Omitted.

Section 3.04. Termination; Advance Payments. Upon termination of this Lease under Article Seven (Damage or Destruction), Article Eight (Condemnation) or any other termination not resulting from Tenant's default, and after Tenant has vacated the Premises in the manner required by this Lease, Landlord shall refund or credit to Tenant (or Tenant's successor) the unused portion of the Security Deposit, any advance rent or other advance payments made by Tenant to Landlord, and any amounts paid for real property taxes and other reserves which apply to any time periods after termination of the Lease.

ARTICLE FOUR: OTHER CHARGES PAYABLE BY TENANT

Section 4.01. Additional Rent. All charges payable by Tenant other than Base Rent are called "Additional Rent." Unless this Lease provides otherwise, Tenant shall pay all Additional Rent then due with the next monthly installment of Base Rent. The term "rent" shall mean Base Rent and Additional Rent.

Section 4.02. Property Taxes.

(a) Real Property Taxes. Landlord shall pay the "Base Real Property Taxes" on the Property during the Lease Term. Base Real Property Taxes are real property taxes applicable to the Property as shown on the tax bill for calendar year 2001. Tenant shall pay Landlord Tenant's Share of the amount, if any, by which the real property taxes during the Lease Term exceed the Base Real Property Taxes. Subject to Paragraph 4.02(c), Tenant shall make such payments within fifteen (15) days after receipt of Landlord's statement showing the amount and computation of such increase.

(b) Definition of "Real Property Tax." "Real Property Tax" means: (i) any fee, license fee, license tax, business license fee, commercial rental tax, levy, charge, assessment, penalty or tax imposed by any taxing authority against the Property; (ii) any tax on the Landlord's right to receive, or the receipt of, rent or income from the Property or against Landlord's business of leasing the Property; (iii) any tax or charge for fire protection, streets, sidewalks, road maintenance, refuse or other services provided to the Property by any governmental agency; (iv) any tax imposed upon this transaction or based upon a reassessment of the Property due to a change of ownership, as defined by applicable law, or other transfer of all or part of Landlord's interest in the Property; and (v) any charge or fee replacing any tax previously included within the definition of real property tax. "Real property tax" does not, however, include Landlord's federal or state income, franchise, inheritance or estate taxes.

(c) Joint Assessment. If the Property is not separately assessed, Landlord shall reasonably determine Tenant's share of the real property tax payable by Tenant under Paragraph 4.02(a) from the assessor's worksheets

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or other reasonably available information. Tenant shall pay such share to Landlord within fifteen (15) days after receipt of Landlord's written statement

(d) Personal Property Taxes.

(i) Tenant shall pay all taxes charged against trade fixture, furnishings, equipment or any other personal property belonging to Tenant. Tenant shall try to have personal property taxed separately from the Property.

(ii) If any of Tenant's personal property is taxed with the Property, Tenant shall pay Landlord the taxes for the personal property within fifteen (15) days after Tenant receives a written statement from Landlord for such personal property taxes.

Section 4.03. Utilities. Tenant shall pay, directly to the appropriate supplier, the cost of all natural gas, heat, light, power, sewer service, telephone, water, refuse disposal and other utilities and services supplied to the Premises. However, if any services or utilities are jointly metered with other property, Landlord shall make a reasonable determination of Tenant's proportionate share of the cost of such utilities and services and Tenant shall pay such share to Landlord within fifteen (15) days after receipt of Landlord's written statement.

Section 4.04. Insurance Policies.

(a) Liability Insurance. During the Lease Term, Tenant shall maintain a policy of commercial general liability insurance (sometimes known as broad form comprehensive general liability insurance), insuring Tenant against liability for bodily injury, property damage (including loss of use of property) and personal injury arising out of the operation, use or occupancy of the Premises and the common areas of the Property. Tenant shall name Landlord as an additional insured under such policy. The initial amount of such insurance shall be Two Million Five Hundred Thousand Dollars ($2,500,000) per occurrence and shall be subject to periodic increase based upon inflation, increased liability awards, recommendation of Landlord's professional insurance advisers and other relevant factors. The liability insurance obtained by Tenant under this Paragraph 4.04(a) shall (i) be primary and non-contributing; (ii) contain cross-liability endorsements; and (iii) insure Landlord against Tenant's performance under Section 5.05, if the matters giving rise to the indemnity under Section 5.05 result from the negligence of Tenant. The amount and coverage of such insurance shall not limit Tenant's liability nor relieve Tenant of any other obligation under this Lease. Tenant shall provide Landlord with copies of such policies on an annual basis and upon written demand from Landlord. Landlord may also obtain comprehensive public liability insurance in an amount and with coverage determined by Landlord insuring Landlord against liability arising out of ownership, operation, use or occupancy of the Property. The policy obtained by Landlord shall not be contributory and shall not provide primary insurance. Should Landlord reasonably require additional insurance or increased coverage, Tenant shall use its best efforts to secure such additional insurance.

(b) Property and Rental Income Insurance. During the Lease Term, Landlord shall maintain policies of insurance covering loss of or damage to the Property in the full amount of its replacement value. Such policy shall contain an Inflation Guard Endorsement and shall provide protection against all perils included within the classification of fire, extended coverage, vandalism, malicious mischief, special extended perils (all risk), sprinkler leakage and any other perils which Landlord deems reasonably necessary. Landlord shall have the right to obtain flood and earthquake insurance. Landlord shall not obtain insurance for Tenant's fixtures or equipment or building improvements installed by Tenant on the Property. During the Lease Term, Landlord shall also maintain a rental income insurance policy, with loss payable to Landlord, in an amount equal to one year's Base Rent, plus estimated real property taxes and insurance premiums. Tenant shall be liable for the payment of any deductible amount under Landlord's or Tenant's insurance policies maintained pursuant to this Section 4.04 in an amount not to exceed Ten Thousand Dollars ($10,000.00). Tenant shall not do or permit anything to be done which invalidates any such insurance policies.

(c) Payment of Premiums.

(i) Landlord shall pay the "Base Premiums" for the insurance policies maintained by Landlord under Paragraph 4.04(b). The "Base Premiums" are the insurance premiums paid by Landlord during the calendar year 2001.

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(ii) Tenant shall pay Landlord Tenant's Share of the amount, if any, by which the insurance premiums for all policies maintained by Landlord under Paragraph 4.04(b) have increased over the Base Premiums, whether such increases result from the nature of Tenant's occupancy, any act or omission of Tenant, the requirement of any lender referred to in Article Eleven (Protection of Lenders), the increased value of the Property or general rate increases. Tenant shall pay Landlord the increases over the Base Premiums within fifteen (15) days after receipt by Tenant of a copy of the premium statement or other evidence of the amount due. If the insurance policies maintained by Landlord cover improvements or real property other than the Property, Landlord shall also deliver to Tenant a statement of the amount of the premiums applicable to the Property showing, in reasonable detail, how such amount was computed. If the Lease Term expires before the expiration of the insurance period, Tenant's liability shall be pro rated on an annual basis.

(d) General Insurance Provisions.

(i) Any insurance which Tenant is required to maintain under this Lease shall include a provision which requires the insurance carrier to give Landlord not less than thirty (30) days' written notice prior to any cancellation or modification of such coverage.

(ii) If Tenant fails to deliver any policy, certificate or renewal to Landlord required under this Lease within the prescribed time period or if any such policy is canceled or modified during the Lease Term without Landlord's consent, Landlord may obtain such insurance, in which case Tenant shall reimburse Landlord for the cost of such insurance within fifteen (15) days after receipt of a statement that indicates the cost of such insurance.

(iii) Tenant shall maintain all insurance required under this Lease with companies holding a "General Policy Rating" of A+ or better, as set forth in the most current issue of "Best Key Rating Guide". Landlord and Tenant acknowledge the insurance markets are rapidly changing and that insurance in the form and amounts described in this Section 4.04 may not be available in the future. Tenant acknowledges that the insurance described in this Section 4.04 is for the primary benefit of Landlord. If at any time during the Lease Term, Tenant is unable to maintain the insurance required under the Lease, Tenant shall nevertheless maintain insurance coverage which is customary and commercially reasonable in the insurance industry for Tenant's type of business, as that coverage may change from time to time. Landlord makes no representation as to the adequacy of such insurance to protect Landlord's or Tenant's interests. Therefore, Tenant shall obtain any such additional property or liability insurance which Tenant deems necessary to protect Landlord and Tenant.

(iv) Unless prohibited under any applicable insurance policies maintained, Landlord and Tenant each hereby waive any and all rights of recovery against the other, or against the officers, employees, agents or representatives of the other, for loss of or damage to its property or the property of others under its control, if such loss or damage is covered by any insurance policy in force (whether or not described in this Lease) at the time of such loss or damage. Upon obtaining the required policies of insurance, Landlord and Tenant shall give notice to the insurance carriers of this mutual waiver of subrogation.

Section 4.05. Late Charges. Tenant's failure to pay rent promptly may cause Landlord to incur unanticipated costs. The exact amount of such costs are impractical or extremely difficult to ascertain. Such costs may include, but are not limited to, processing and accounting charges and late charges which may be imposed on Landlord by any ground lease, mortgage or trust deed encumbering the Property. Therefore, if Landlord does not receive any rent payment within ten (10) days after it becomes due, Tenant shall pay Landlord a late charge equal to ten percent (10%) of the overdue amount. The parties agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of such late payment.

Section 4.06. Interest on Past Due Obligations. Any amount owed by Tenant to Landlord which is not paid when due shall bear interest at the rate of fifteen percent (15%) per annum from the due date of such amount. However, interest shall not be payable on late charges to be paid by Tenant under this Lease. The payment of interest on such amounts shall not excuse or cure any default by Tenant under this Lease. If the interest rate specified in this Lease is higher than the rate permitted by law, the interest rate is hereby decreased to the maximum legal interest rate permitted by law.

Section 4.07. Impounds for Insurance Premiums and Real Property Taxes. If requested by any ground lessor or lender to whom Landlord has granted a security interest in the Property, or if Tenant is more than ten (10) days late in the payment of rent more than once in any consecutive twelve (12) month period, Tenant shall pay

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Landlord a sum equal to one-twelfth (1/12) of the annual real property taxes, insurance premiums and common area charges payable by Tenant under this Lease, together with each payment of Base Rent. Landlord shall hold such payments in a non-interest bearing impound account. If unknown, Landlord shall reasonably estimate the amount of real property taxes and insurance premiums when due. Tenant shall pay any deficiency of funds in the impound account to Landlord upon written request. If Tenant defaults under this Lease, Landlord may apply any funds in the impound account to any obligation then due under this Lease.

Section 4.08. Common Area Maintenance and Base Operating Costs.

(a) The term "Common Areas" as used in this Lease shall mean all areas and facilities around the Premises and within the exterior boundaries of the Property which are provided and designated from time to time by Landlord for the general use and convenience of Tenant and other tenants of the building or buildings located on the Property and their respective employees and invitees. Common Areas include, without limitation, any lobby areas, walkways, parking facilities, arcades, landscaped areas, sidewalks, service quarters, hallways, restrooms (if not part of the Premises), stairways, elevators, walls, fire stairs, electronic closets, aisles, truck docks, plazas, service areas, and all other common and service areas of the Property or any area intended for such use.

(b) Landlord shall maintain the Common Areas in the same general condition and state of repair as existing on the Commencement Date.

(c) Tenant shall have the non-exclusive right to use the Common Areas along with other tenants entitled to use the same, subject to Landlord's absolute right to adopt rules with respect to the Common Areas and modify, alter, diminish or eliminate any of the Common Areas.

(d) Landlord shall have the right to do the following, all without consent or liability to Tenant: (i) establish and enforce rules and regulations concerning the maintenance, management, use and operation of the Common Areas; (ii) temporarily close any of the Common Areas for maintenance, alteration or improvement purposes; (iii) select, appoint and/contract with any person for the purpose of operating or maintaining the Common Areas; (iv) change the size, use, shape or nature of any of the Common Areas. Landlord shall use reasonable efforts to minimize any interference with Tenant's use of and access to the Premises resulting from Landlord's exercise of such rights.

(e) Landlord shall pay the "Base Year Operating Costs" for the cost of reasonably maintaining the Common Areas as described more fully below.

(f) Tenant shall also pay Tenant's Share of any increases in the Basic Operating Costs (hereinafter defined) for the Property and any improvements located thereon (collectively, the "Facility") over and above the Base Year Operating Costs.

(g) The "Base Year Operating Costs" shall mean the Basic Operating Costs of the Facility for the calendar year 2001. Within one hundred twenty (120) days, or as soon thereafter as possible upon conclusion of each calendar year of the Term, Landlord shall furnish to Tenant a statement of actual Basic Operating Costs for such year and, within ten (10) days thereafter, Tenant shall pay Tenant's Share of such increase.

(h) "Basic Operating Costs" shall mean the operating expenses of the Facility and all expenditures by Landlord to maintain the Facility, including, without limitation, parking and related facilities and such additional facilities in subsequent years as may be determined by Landlord to be necessary in accordance with sound and reasonable practices for facilities of like kind and character, together with a management fee of four percent (4%) of such costs. All operating expenses shall be determined on an accrual basis in accordance with generally accepted accounting principles which shall be consistently applied. Such operating expenses shall include all expenses, costs, and disbursements of every kind and nature which Landlord shall pay, or become ultimately to pay, in connection with the ownership, operation and maintenance of the Facility.

(i) Basic Operating Costs shall exclude the cost of any maintenance performable by Landlord or Tenant on the Premises and required pursuant to the terms of Article 6 of this Lease.

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ARTICLE FIVE: USE OF PROPERTY

Section 5.01. Permitted Uses. Tenant may use the Premises only for the Permitted Uses set forth in Section 1.06 above.

Section 5.02. Manner of Use. Tenant shall not cause or permit the Premises to be used in any way which constitutes a violation of any Governmental Requirements, defined below, which annoys or interferes with the rights of other tenants of Landlord, or which constitutes a nuisance or waste. Tenant shall obtain and pay for all permits, including a Certificate of Occupancy, required for Tenant's occupancy of the Premises and shall promptly take all actions necessary to comply with all applicable Laws regulating the use by Tenant of the Premises, including the Occupational Safety and Health Act. "Governmental Requirements" includes all current and future federal, state and local laws, rules, orders, ordinances, regulations, requirements and directives including those of any governmental agencies and commissions having jurisdiction.

Section 5.03. Hazardous Substances and Indemnity. (a) Tenant shall not cause or permit any Hazardous Substance (as hereinafter defined) to be used, stored, deposited, generated or disposed of on or in the Property by Tenant, its agents, contractors, (including, without limitation, tenant's depositors) invitees (collectively the "Tenant Parties" and individually a "Tenant Party"). TENANT SHALL INDEMNIFY, DEFEND AND HOLD HARMLESS LANDLORD, ITS AGENTS, CONTRACTORS (INCLUDING, WITHOUT LIMITATION, ANY PROPERTY MANAGER) AND INVITEES (COLLECTIVELY THE "LANDLORD PARTIES" AND INDIVIDUALLY A "LANDLORD PARTY") FROM AND AGAINST ANY AND ALL SUITS, ACTIONS, CLAIMS, DEMANDS, DAMAGES, FINES, JUDGMENTS, SETTLEMENTS, PENALTIES, LIABILITIES, LOSSES, COSTS AND EXPENSES (INCLUDING, WITHOUT LIMITATION, A DECREASE IN VALUE OF THE PROPERTY, DAMAGES CAUSED BY LOSS OR RESTRICTION OF RENTABLE OR USABLE SPACE OR ANY DAMAGES CAUSED BY ADVERSE IMPACT ON MARKETING OF THE SPACE, AND ANY AND ALL SUMS PAID FOR SETTLEMENT OF CLAIMS AND REASONABLE ATTORNEYS' AND CONSULTANTS FEES ARISING DURING OR AFTER THE LEASE TERM) ARISING OUT OF, AS A RESULT OF OR CAUSED BY THE USE, GENERATION, STORAGE, DEPOSIT OR DISPOSAL OF ANY HAZARDOUS SUBSTANCE ON OR IN THE PROPERTY BY ANY TENANT PARTY OR OTHER CONTAMINATION OF THE PROPERTY FOR WHICH ANY TENANT PARTY IS LEGALLY LIABLE (COLLECTIVELY, "ENVIRONMENTAL CLAIMS"), EVEN IF SUCH ENVIRONMENTAL CLAIMS ARE ATTRIBUTABLE IN PART TO THE NEGLIGENCE, GROSS NEGLIGENCE OR STRICT LIABILITY OF ANY LANDLORD PARTIES, BUT TENANT'S OBLIGATION TO INDEMNIFY THE LANDLORD PARTIES SHALL NOT EXTEND TO THE PERCENTAGE OF RESPONSIBILITY OF THE LANDLORD PARTIES IN CONTRIBUTING TO SUCH ENVIRONMENTAL CLAIMS. THIS INDEMNIFICATION INCLUDES, WITHOUT LIMITATION, EXCEPT AS PROVIDED IN THE IMMEDIATELY PRECEDING SENTENCE, ANY AND ALL COSTS INCURRED BECAUSE OF ANY INVESTIGATION, CLEANUP, REMOVAL, MONITORING, REMEDIATION AND RESTORATION, WHETHER VOLUNTARY OR REQUIRED BY ANY APPLICABLE LAWS. WITHOUT LIMITING THE FOREGOING, IF THE TENANT CAUSES OR PERMITS THE PRESENCE OF ANY HAZARDOUS SUBSTANCE ON THE PROPERTY WHICH RESULTS IN CONTAMINATION, TENANT SHALL PROMPTLY, AT ITS SOLE EXPENSE, TAKE ANY AND ALL NECESSARY ACTIONS TO RETURN THE PROPERTY TO THE CONDITION EXISTING PRIOR TO THE PRESENCE OF ANY SUCH HAZARDOUS SUBSTANCE ON THE PROPERTY. TENANT SHALL IMMEDIATELY NOTIFY LANDLORD OF ANY SUCH REMEDIAL ACTION.

Tenant shall take all reasonable actions necessary to verify and confirm that no Hazardous Substances are being stored or deposited in or on the Premises pursuant to a Depository Contract, as defined below, or otherwise. Tenant shall undertake all tests, inspections, surveillance, and observations as reasonably necessary to confirm that no items being stored in or at the Premises are or contain Hazardous Substances. Tenant shall include in its depository agreement and on its warehouse receipts language by which the Depositors unconditionally affirm that no Hazardous Substances are or will be, or permitted to be, stored or brought onto the Premises, and shall use its best efforts to obtain a signed depository agreement containing such language from each and every Depositor that places goods in or at the Property.

(b) Definition. As used herein, "Hazardous Substance" means any substance that is regulated or hereafter is regulated by the State of Texas or the United States government, including, without limitation, (a) any "hazardous waste" as defined by the Resource Conservation and Recovery Act of 1976, as amended from time to time, and

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regulations promulgated thereunder, and (b) any "hazardous substance" as defined by the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended from time to time, and regulations promulgated thereunder. The term "Hazardous Substance" includes any and all material or substances that are defined as "hazardous waste," "extremely hazardous waste" or a "hazardous substance" pursuant to Governmental Requirements. The term "Hazardous Substance" includes but is not restricted to, asbestos, polychlorobiphenyls ("PCBs") and petroleum products (to the extent such petroleum products are being stored by depository or for others for compensation in the Premises, or are in amounts exceeding what is reasonably necessary to fuel, lubricate or otherwise run and maintain reasonable equipment and machinery at the Property in a warehouse capacity), lead, cyanide, or DDT.

(c) Tenant's Liability. WITHOUT IN ANY WAY NEGATING THE ABSOLUTE PROHIBITION AGAINST THE USE, STORAGE, GENERATION, DEPOSIT OR DISPOSAL OF ANY HAZARDOUS SUBSTANCE ON THE PROPERTY OR WITHOUT LIMITING THE GENERALITY OF THE INDEMNITY AND DEFINITION OF ENVIRONMENTAL CLAIMS IN SECTION 5.03(a), TENANT HEREBY AGREES THAT IT SHALL BE FULLY LIABLE FOR ALL SUITS, ACTIONS, CLAIMS, DEMANDS, DAMAGES, FINES, JUDGMENTS, SETTLEMENTS, PENALTIES, LIABILITIES, LOSS, COSTS AND EXPENSES (INCLUDING COURT COSTS AND REASONABLE ATTORNEYS AND CONSULTANT'S FEES AND REASONABLE LITIGATION EXPENSE) (INDIVIDUALLY A "CLAIM" AND COLLECTIVELY THE "CLAIMS") ARISING OUT OF, AS A RESULT OF OR CAUSED BY THE USE, STORAGE, GENERATION, DEPOSIT OR DISPOSAL OF ANY HAZARDOUS SUBSTANCE KEPT ON THE PROPERTY, AND TENANT SHALL GIVE IMMEDIATE NOTICE TO LANDLORD OF ANY VIOLATION OR POTENTIAL VIOLATION OF THE PROVISIONS OF SECTION 5.03. TENANT SHALL INDEMNIFY, DEFEND AND HOLD HARMLESS THE LANDLORD PARTIES FROM AND AGAINST ANY AND ALL CLAIMS OF WHATEVER KIND OR NATURE, KNOWN OR UNKNOWN, CONTINGENT OR OTHERWISE, ARISING OUT OF, AS A RESULT OF OR CAUSED BY: (A) THE PRESENCE, DISPOSAL, RELEASE OR THREATENED RELEASE OF ANY SUCH HAZARDOUS SUBSTANCE THAT IS ON, FROM OR AFFECTING THE SOIL, WATER, VEGETATION, BUILDINGS, PERSONAL PROPERTY, PERSONS, ANIMALS OR OTHERWISE LOCATED ON OR AROUND THE PROPERTY; (B) ANY PERSONAL INJURY (INCLUDING DEATH) OR PROPERTY DAMAGE (REAL OR PERSONAL) ARISING OUT, AS A RESULT OF OR CAUSED BY SUCH HAZARDOUS SUBSTANCE; (C) ANY LAWSUIT BROUGHT OR THREATENED, SETTLEMENT REACHED OR GOVERNMENT ORDER RELATING TO SUCH HAZARDOUS SUBSTANCE; OR (D) ANY VIOLATION OF ANY GOVERNMENTAL REQUIREMENTS EVEN IF ANY OF THE CLAIMS REFERRED TO IN THIS SUBPARAGRAPH 5.03(C) ARE ATTRIBUTABLE IN PART TO THE NEGLIGENCE, GROSS NEGLIGENCE OR STRICT LIABILITY OF ANY LANDLORD PARTIES, BUT TENANT'S OBLIGATIONS TO INDEMNIFY THE LANDLORD PARTIES SHALL NOT EXTEND TO THE PERCENTAGE OF RESPONSIBILITY OF THE LANDLORD PARTIES IN CONTRIBUTING TO SUCH CLAIMS. THE PROVISIONS OF THIS SECTIONS 5 SHALL BE IN ADDITION TO ANY OTHER OBLIGATIONS AND LIABILITIES TENANT MAY HAVE TO LANDLORD AT LAW OR IN EQUITY AND SHALL SURVIVE THE TRANSACTIONS CONTEMPLATED HEREIN AND SHALL SURVIVE THE TERMINATION OF THIS LEASE. THE LIABILITY OF TENANT PARTIES AND THE INDEMNITIES PROVIDED BY TENANT SHALL NOT IN ANY EVENT EXTEND TO THE PRESENCE OF ANY HAZARDOUS SUBSTANCE ON THE PROPERTY ON THE COMMENCEMENT DATE OF THIS LEASE, NOR TO THE PRESENCE OF ANY HAZARDOUS SUBSTANCE INTRODUCED ONTO THE PROPERTY BY ANY OTHER TENANT OF LANDLORD OR PARTIES UNDER SUCH OTHER TENANTS WHICH COULD NOT HAVE BEEN REASONABLY PREVENTED BY TENANT.

Section 5.04. Signs and Auctions. Tenant shall not place any signs on the Property without Landlord's prior written consent. Tenant shall not conduct or permit any auctions or sheriff's sales at the Property.

Section 5.05. General Indemnity and Waiver. Tenant shall INDEMNIFY, DEFEND and HOLD HARMLESS Landlord Parties from and against any and all Claims arising out of, as a result of or caused by any of the following: (a) Tenant's use or occupancy of the Property; (b) the conduct of Tenant's business or anything else done or permitted by any Tenant Party to be done in or about the Property, or its use of the Property (including, without limitation, use by any depositor or other Tenant Party); (c) any breach or default in the performance of Tenant's obligations under this lease; (d) any misrepresentation or breach of warranty by Tenant under this Lease; or (e) other acts, omissions or strict liability of any Tenant Party including, without limitation, any depositor. Tenant shall DEFEND Landlord Parties against any such Claims at Tenant's expense with counsel reasonably acceptable

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to Landlord Parties, or, at Landlord's election, Tenant shall reimburse Landlord for any reasonable attorneys fees or costs incurred by Landlord in connection with any such Claim. As a material part of the consideration to Landlord, Tenant assumes all risk of damage to property or injury to persons (including death) in or about the Property at the instance of or request of or attendant to the business or pleasure of Tenant to the extent arising out of as a result of or caused by any cause, and Tenant hereby WAIVES all such Claims in respect thereof against the Landlord Parties, EVEN IF ANY SUCH CLAIMS ARE ATTRIBUTABLE IN PART TO THE NEGLIGENCE, GROSS NEGLIGENCE OR STRICT LIABILITY OF ANY LANDLORD PARTIES.

Section 5.06. Landlord's Access. Landlord or its agents may enter the Property at all reasonable times to show the Premises to potential buyers, investors or tenants or other parties; to do any other act; or for any other purpose Landlord deems necessary. Landlord shall give Tenant twenty-four (24) hours prior notice of such entry, except in the case of an emergency. Landlord may place customary "For Sale" or "For Lease" signs on the Property.

Section 5.07. Quiet Possession. If Tenant pays the rent and complies with all other terms of this Lease, Tenant may occupy and enjoy the Premises for the full Lease Term, subject to the provisions of this Lease. Landlord represents that it has no current, actual knowledge that the building in which the Premises are located is in violation of any ordinance, building code or regulation of the City of Houston or any other governmental entity having jurisdiction over the Premises, including, but not limited to, the Americans With Disabilities Act.

Section 5.08. Depository Contracts. Tenant hereby assigns and grants a security interest to Landlord in and to all indemnities and rights to reimbursements and contributions contained in any Depository Contract, as defined below, or arising at law or in equity (including, without limitation, the Resource Conservation and Recovery Act of 1976 (commonly referred to as the Solid Waste Disposal Act), 42 U.S.C. 6901 et seq., the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 42 U.S.C. 9601 et seq., and the Texas Solid Waste Disposal Act, Texas Health and Safety Code Annotated, Sections 361-001-361-510 (Vernon Supp. 1992)), to secure Tenant's performance and payment obligations with respect to Sections 5.03 and 5.05 of this Lease and with respect to the payment and performance of any other obligation required of Tenant pursuant to this Lease, including, without limitation, the payment of base rent and other sums required to be paid hereunder, and any other of Tenant's indemnification obligations. Tenant agrees to take all such further actions as necessary or required to perfect Landlord's security interest described in this Section 5.08. This Lease or a copy of this Lease may be filed at any time by Landlord, and Tenant hereby authorizes such filing, as a UCC Financing Statement. A "Depository Contract" includes, without limitation, any contract or arrangement, whether written or otherwise, in which Tenant accepts, transfers, stores or warehouses raw materials, finished goods or other personal property of any kind or character owned by persons or entities other than Tenant or any of its Affiliated Entities ("Depositors"). Should Landlord so elect, in its sole discretion, Tenant agrees to modify its standard form of Depository Contract to provide for a direct indemnity from Depositors to Landlord, in form and substance satisfactory to Landlord, in its sole and absolute discretion. Thereafter, Tenant shall enter into new Depository Contracts using the form of Depository Contract as so modified.

ARTICLE SIX: CONDITION OF PROPERTY; MAINTENANCE, REPAIRS AND ALTERATIONS

Section 6.01. Existing Conditions. Tenant accepts the Premises on an "as-is" basis, in its condition as of the execution of the Lease, subject to all recorded matters, laws, ordinances, and governmental regulations and orders. Tenant acknowledges that neither Landlord nor any agent of Landlord has made any representation as to the condition of the Premises or the suitability of the Premises for Tenant's intended use. Tenant represents and warrants that Tenant has made its own inspection of and inquiry regarding the condition of the Premises and is not relying on any representations of Landlord or any Broker with respect thereto. Landlord shall not be required to undertake any "tenant finish" or tenant improvements whatsoever, nor shall Landlord reimburse Tenant with respect to any such costs.

Section 6.02. Landlord's Obligations. Subject to the provisions of Article Seven (Damage or Destruction) and Article Eight (Condemnation), and except for damage caused by any act or omission of Tenant, or Tenant's employees, agents, contractors or invitees, Landlord shall keep the foundation, roof and structural portions of exterior walls of the improvements on the Premises in good order, condition and repair. However, Landlord shall not be obligated to maintain or repair windows, doors, plate glass or the surfaces of walls. Landlord shall not be obligated to make any repairs under this Section 6.02 until a reasonable time after receipt of a written notice from Tenant of the need for such repairs. Tenant waives the benefit of any present or future law which might give Tenant the right to repair the Premises at Landlord's expense or to terminate the Lease because of the condition of the

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Property. Except as set forth in this Section 6.02 or as specifically set forth elsewhere in this Lease, Landlord shall have no other maintenance obligations with respect to the Premises. As of the Commencement Date, Landlord represents and warrants that the improvements located on the Premises are in compliance with the applicable governmental statutes and regulations, including, without limitation, applicable fire codes and the ADA. In the event such improvements are, in fact, in violation of any such laws, statutes, regulations or ordinance, Landlord, at its own cost, shall immediately cause the Premises to become in compliance with such matters. Landlord shall not be responsible for the compliance with such codes, statutes or regulations with respect to any improvements, modifications, alterations or additions made by Tenant.

In no event shall Landlord have any obligation or responsibility for providing any police or security service for the Property. Tenant shall be solely responsible for, and shall assume all risk to, persons and property while in, on or about the Property.

Section 6.03. Exemption of Landlord from Liability. LANDLORD SHALL NOT BE LIABLE FOR ANY DAMAGE OR INJURY TO THE PERSON, BUSINESS (OR ANY LOSS OF INCOME THEREFROM), GOODS, WARES, MERCHANDISE OR OTHER PROPERTY OF TENANT, TENANT'S EMPLOYEES, INVITEES, CUSTOMERS OR ANY OTHER PERSON IN OR ABOUT THE PREMISES, INCLUDING, WITHOUT LIMITATION, SUCH DAMAGE OR INJURY CAUSED BY OR RESULTING FROM: (A) FIRE, STEAM, ELECTRICITY, WATER, GAS OR RAIN; (B) THE BREAKAGE, LEAKAGE, OBSTRUCTION OR OTHER DEFECTS OF PIPES, SPRINKLERS, WIRES, APPLIANCES, PLUMBING, AIR CONDITIONING OR LIGHTING FIXTURES OR ANY OTHER CAUSE; (C) CONDITIONS ARISING IN OR ABOUT THE PREMISES OR FROM OTHER SOURCES OR PLACES; OR (D) ANY ACT OR OMISSION OF ANY OTHER TENANT OF LANDLORD OR THIRD PARTY, INCLUDING, WITHOUT LIMITATION, CRIMINAL ACTS. LANDLORD SHALL NOT BE LIABLE FOR ANY SUCH DAMAGE OR INJURY EVEN THOUGH THE CAUSE OF OR THE MEANS OF REPAIRING SUCH DAMAGE OR INJURY ARE NOT ACCESSIBLE TO TENANT; AND EVEN IF SUCH DAMAGE OR INJURY IS ATTRIBUTABLE IN PART TO THE NEGLIGENCE, GROSS NEGLIGENCE OR STRICT LIABILITY OF LANDLORD, OR ANY PROPERTY MANAGER.

Section 6.04. Tenant's Obligations.

(a) Except as provided in Section 6.02, Article Seven (Damage or Destruction) and Article Eight (Condemnation), Tenant shall keep all portions of the Premises (including structural, nonstructural, interior, exterior, and landscaped areas, portions, systems and equipment) in good order, condition and repair (including interior repainting and refinishing, as needed). If any portion of the Premises or any system or equipment in the Premises which Tenant is obligated to repair cannot be fully repaired or restored, Tenant shall promptly replace such portion of the Premises or system or equipment in the Premises, regardless of whether the benefit of such replacement extends beyond the Lease Term. Tenant shall maintain any heating and air conditioning systems at the Premises. Without limiting any of the foregoing, it is agreed and acknowledged that Tenant shall be responsible for the maintenance of all existing fire prevention systems including, without limitation, sprinklers, hoses, fire detectors and sensors, alarms and fire extinguishers, and Landlord shall have no responsibility in connection with any such matters. Landlord shall have the right, upon written notice to Tenant, to undertake the responsibility for preventive maintenance of the heating and air conditioning system at Tenant's expense. In addition, Tenant shall, at Tenant's expense, repair any damage to the roof, foundation or structural portions of walls caused by Tenant's acts or omissions. It is the intention of Landlord and Tenant that, at all times during the Lease Term, Tenant shall maintain the Premises in an attractive, first-class and fully operative condition.

(b) Tenant shall fulfill all of Tenant's obligations under this Section 6.04 at Tenant's sole expense. If Tenant fails to maintain, repair or replace the Premises as required by this Section 6.04, Landlord may, upon ten (10) days' prior notice to Tenant (except that no notice shall be required in the case of an emergency), enter the Premises and perform such maintenance or repair (including replacement, as needed) on behalf of Tenant. In such case, Tenant shall reimburse Landlord for all costs incurred in performing such maintenance or repair immediately upon demand. Landlord's reservation of rights under this Lease, such as the right to enter upon or maintain the improvements, shall not be deemed to create any duty on the part of Landlord to exercise any such right, and Landlord expressly advises Tenant that Landlord's intention is that Tenant shall have full responsibility for all such matters.

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Section 6.05. Alterations, Additions, and Improvements.

(a) Tenant shall not make any alterations, additions or improvements to the Premises without Landlord's prior written consent, except for non-structural alterations which do not exceed Twenty-five Thousand Dollars ($25,000.00) in cost cumulatively over the Lease Term and which are not visible from the outside of any building of which the Property is part. Landlord may require Tenant to provide demolition and/or lien and completion bonds in form and amount satisfactory to Landlord. Tenant shall promptly remove any alterations, additions or improvements constructed in violation of this Paragraph 6.05(a) upon Landlord's written request. All alterations, additions and improvements shall be done in a good and workmanlike manner, in conformity with all applicable laws and regulations, and by a contractor approved by Landlord. Upon completion of any such work, Tenant shall provide Landlord with "as built" plans, copies of all construction contracts, and proof of payment for all labor and materials.

(b) Tenant shall pay when due all claims for labor and material furnished to the Premises. Tenant shall give Landlord at least twenty (20) days' prior written notice of the commencement of any work on the Property, regardless of whether Landlord's consent to such work is required. Landlord may elect to record and post notices of non-responsibility on the Property or Premises.

Section 6.06. Condition upon Termination. Upon the termination of the Lease, Tenant shall surrender the Premises to Landlord, broom clean and in the same condition as received except for ordinary wear and tear which Tenant was not otherwise obligated to remedy under any provision of this Lease. However, Tenant shall not be obligated to repair any damage which Landlord is required to repair under Article Seven (Damage or Destruction). In addition, Landlord may require Tenant to remove any alterations, additions or improvements (whether or not made with Landlord's consent) prior to the expiration of the Lease and to restore the Premises to its prior condition, all at Tenant's expense. All alterations, additions and improvements which Landlord has not required Tenant to remove shall become Landlord's property and shall be surrendered to Landlord upon the expiration or earlier termination of the Lease, except that Tenant may remove any of Tenant's machinery or equipment which can be removed without material damage to the Premises. Tenant shall repair, at Tenant's expense, any damage to the Premises caused by the removal of any such machinery or equipment. In no event, however, shall Tenant remove any of the following materials or equipment (which shall be deemed Landlord's property) without Landlord's prior written consent: any power wiring or power panels; lighting or lighting fixtures; wall coverings; drapes, blinds or other window coverings; carpets or other floor coverings; heaters, air conditioners or any other heating or air conditioning equipment; fencing or security gates; or other similar building operating equipment and decorations.

ARTICLE SEVEN: DAMAGE OR DESTRUCTION

Section 7.01. Partial Damage to Premises.

(a) Tenant shall notify Landlord in writing immediately upon the occurrence of any damage to the Premises. If the Premises is only partially damaged (i.e., less than fifty percent (50%) of the Premises is untenantable as a result of such damage or less than fifty percent (50%) of Tenant's operations are materially impaired) and if the proceeds received by Landlord from the insurance policies described in Paragraph 4.04(b) are sufficient to pay for the necessary repairs, this Lease shall remain in effect and Landlord shall repair the damage as soon as reasonably possible. Landlord may elect (but is not required) to repair any damage to Tenant's fixtures, equipment, or improvements.

(b) If the insurance proceeds received by Landlord are not sufficient to pay the entire cost of repair, or if the cause of the damage is not covered by the insurance policies which Landlord maintains under Paragraph 4.04(b), Landlord may elect either to (i) repair the damage as soon as reasonably possible, in which case this Lease shall remain in full force and effect, or (ii) terminate this Lease as of the date the damage occurred. Landlord shall notify Tenant within thirty (30) days after receipt of notice of the occurrence of the damage whether Landlord elects to repair the damage or terminate the Lease. If Landlord elects to repair the damage, Tenant shall pay Landlord the "deductible amount" (if any) under Landlord's insurance policies and if the damage was due to an act or omission of Tenant, or Tenant's employees, agents, contractors or invitees, the difference between the actual cost of repair and any insurance proceeds received by Landlord. If Landlord elects to terminate the Lease, Tenant may elect to continue this Lease in full force and effect, in which case Tenant shall repair any damage to the Premises and any building in which the Premises is located. Tenant shall pay the cost of such repairs, except that upon satisfactory

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completion of such repairs, Landlord shall deliver to Tenant any insurance proceeds received by Landlord for the damage repaired by Tenant. Tenant shall give Landlord written notice of such election within ten (10) days after receiving Landlord's termination notice.

(c) If the damage to the Premises occurs during the last six (6) months of the Lease Term and such damage will require more than thirty (30) days to repair, either Landlord or Tenant may elect to terminate this Lease as of the date the damage occurred, regardless of the sufficiency of any insurance proceeds. The party electing to terminate this Lease shall give written notification to the other party of such election within thirty (30) days after Tenant's notice to Landlord of the occurrence of the damage.

Section 7.02. Substantial or Total Destruction. If the Premises is substantially or totally destroyed by any cause whatsoever (i.e., the damage to the Premises is greater than partial damage as described in Section 7.01), and regardless of whether Landlord receives any insurance proceeds, this Lease shall terminate as of the date the destruction occurred. Notwithstanding the preceding sentence, if the Premises can be rebuilt within six (6) months after the date of destruction, Landlord may elect to rebuild the Premises at Landlord's own expense, in which case this Lease shall remain in full force and effect. Landlord shall notify Tenant of such election within thirty (30) days after Tenant's notice of the occurrence of total or substantial destruction. If Landlord so elects, Landlord shall rebuild the Premises at Landlord's sole expense, except that if the destruction was caused by an act or omission of Tenant, Tenant shall pay Landlord the difference between the actual cost of rebuilding and any insurance proceeds received by Landlord.

Section 7.03. Temporary Reduction of Rent. If the Premises is destroyed or damaged and Landlord or Tenant repairs or restores the Premises pursuant to the provisions of this Article Seven, any Base Rent or Other Periodic Payments payable during the period of such damage, repair and/or restoration shall be reduced according to the degree, if any, to which Tenant's use of the Premises is impaired. Except for possible reduction in Base Rent and Other Periodic Payments, Tenant shall not be entitled to any compensation; reduction or reimbursement from Landlord as a result of any damage, destruction, repair, or restoration of or to the Premises.

Section 7.04. Waiver. Tenant waives the protection of any statute, code or judicial decision which grants a tenant the right to terminate a lease in the event of the substantial or total destruction of the leased Premises. Tenant agrees that the provisions of Section 7.02 above shall govern the rights and obligations of Landlord and Tenant in the event of any substantial or total destruction to the Premises.

ARTICLE EIGHT: CONDEMNATION

If all or any portion of the Premises is taken under the power of eminent domain or sold under the threat of that power (all of which are called "Condemnation"), this Lease shall terminate as to the part taken or sold on the date the condemning authority takes title or possession, whichever occurs first. If more than twenty percent (20%) of the floor area of the building in which the Premises is located, or which is located on the Premises, is taken, either Landlord or Tenant may terminate this Lease as of the date the condemning authority takes title or possession, by delivering written notice to the other within ten (10) days after receipt of written notice of such taking (or in the absence of such notice, within ten (10) days after the condemning authority takes title or possession). If neither Landlord nor Tenant terminates this Lease, this Lease shall remain in effect as to the portion of the Premises not taken, except that the Base Rent and Additional Rent shall be reduced in proportion to the reduction in the floor area of the building on the Premises. Any Condemnation award or payment shall be distributed in the following order: (a) first, to any ground lessor, mortgagee or beneficiary under a deed of trust encumbering the Premises, the amount of its interest in the Premises; and (b) second, to Landlord. Tenant may, however, seek to recover from the condemning authority an independent award, so long as such award does not decrease the amount of Landlord's recovery. If this Lease is not terminated, Landlord shall repair any damage to the Premises caused by the Condemnation, except that Landlord shall not be obligated to repair any damage for which Tenant has been reimbursed by the condemning authority. If the severance damages received by Landlord are not sufficient to pay for such repair, Landlord shall have the right to either terminate this Lease or make such repair at Landlord's expense.

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ARTICLE NINE: ASSIGNMENT AND SUBLETTING

Section 9.01. Landlord's Consent Required. No portion of the Premises or of Tenant's interest in this Lease may be acquired by any other person or entity, whether by sale, assignment, mortgage, sublease, transfer, operation of law, or act of Tenant, without Landlord's prior written consent, except as provided in Section 9.02 below. Landlord's consent to the sub-letting of all or any portion shall not be unreasonably withheld, delayed or conditioned. In the event that Landlord fails to disapprove the proposed assignment, subletting or licensing of the Premises (in whole or in part) within twenty (20) business days from and after the date that Landlord receives Tenant's request to assign, sublet or license the Premises, and provided the request for approval is given in compliance with the notice provisions of this Lease and such request notifies Landlord that Landlord's failure to respond within such twenty (20) business day period is deemed an acceptance of such request, then such assignment, subletting or licensing of the Premises shall be deemed to have been approved by Landlord without condition. If Tenant requests Landlord's consent to a specific assignment or sublease, Tenant will give Landlord (i) the name and address of the proposed assignee or subtenant, (ii) the basic terms of the proposed assignment or sublease, and (iii) reasonably satisfactory information to establish the financial responsibility, financial condition, business and business history of the proposed assignee or subtenant, and its proposed initial use of the Premises, accompanied by evidence that the assignment or sublease requires Tenant's sub-tenant to comply with Section 5.03 to the extent that it prevents the use, storage, depositing, generation or disposal of on or in the Property of Hazardous Substances and not otherwise operate the Property in conflict with any terms of this Lease. Conditioned that the foregoing information is furnished and is reasonably credible, reliable, and true, and the prospective assignee or sub-lessee assumes Tenant's obligations pursuant to this Lease and agrees to abide by all restrictions herein, Landlord's failure to consent shall be deemed "unreasonable" and the requirement for Landlord's consent will be waived.

Section 9.02. Tenant Affiliate. Notwithstanding the foregoing, Tenant may, without the approval of Landlord, assign this sublease, or any part thereof, or sub-sublease the Premises in whole or in part, to: (a) any corporation or other legal entity which has the power to direct Tenant's management and operation, or any corporation whose management and operation is controlled by Tenant; or (b) any corporation a majority of whose voting stock is owned by Tenant; or (c) any corporation or other entity in which or with which Tenant is merged or consolidated, in accordance with applicable statutory provisions for merger or consolidation of corporations or other entities, so long as the liabilities of the corporations or other entities participating in such merger or consolidation are assumed by the corporation or other entity surviving such merger or created by such consolidation; or (d) any corporation or other entity acquiring this lease and substantially all of Tenant's assets; or (e) any corporate or other successor to a successor corporation or entity becoming such by either of the methods described in subsections (c) or (d); or (f) any entity (or member of a group of affiliated entities) which is acquiring the majority of Tenant's retail stores located in the Houston, Texas, "Area of Dominant Influence for Media Coverage" (as such term is commonly defined in the advertising industry), or (g) as permitted in Exhibit "C" attached hereto. Tenant must deliver written notice of any such assignment to Landlord.

Section 9.03. No Release of Tenant. No transfer permitted by this Article Nine, whether with or without Landlord's consent, shall release Tenant or change Tenant's primary liability to pay the rent and to perform all other obligations of Tenant under this Lease. Landlord's acceptance of rent from any other person is not a waiver of any provision of this Article Nine. Consent to one transfer is not a consent to any subsequent transfer. If Tenant's transferee defaults under this Lease, Landlord may proceed directly against Tenant without pursuing remedies against the transferee. Landlord may consent to subsequent assignments or modifications of this Lease by Tenant's transferee, without notifying Tenant or obtaining its consent. Such action shall not relieve Tenant's liability under this Lease.

Section 9.04. Intentionally Omitted.

Section 9.05. Landlord's Consent.

Tenant's request for consent to any transfer described in Section 9.01 shall set forth in writing the details of the proposed transfer, including the name, business and financial condition of the prospective transferee, financial details of the proposed transfer (e.g., the term of and the rent and security deposit payable under any proposed assignment or sublease), and any other information Landlord deems relevant. Landlord shall have the right to withhold consent, in its sole and absolute discretion.

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Section 9.06. No Merger. No merger shall result from Tenant's sublease of the Premises under this Article Nine, Tenant's surrender of this Lease or the termination of this Lease in any other manner. In any such event, Landlord may terminate any or all subtenancies or succeed to the interest of Tenant as sublandlord under any or all subtenancies.

ARTICLE TEN: DEFAULTS; REMEDIES

Section 10.01. Covenants and Conditions. Tenant's performance of each of Tenant's obligations under this Lease is a condition as well as a covenant. Tenant's right to continue in possession of the Premises is conditioned upon such performance. Time is of the essence in the performance of all covenants and conditions.

Section 10.02. Defaults. Tenant shall be in material default under this Lease:

(a) If Tenant abandons the Premises or if Tenant's vacation of the Premises results in the cancellation of any insurance described in Section 4.04;

(b) If Tenant fails to pay rent or any other charges when due, following Tenant's receipt of five (5) days' written notice that any such payment has not been received by Landlord; provided, however, no such notice shall be required to be made by Landlord and such default shall be automatic without further action by or notice from Landlord on Tenant's third (3rd) failure to timely pay rent during any twelve (12) month period;

(c) If Tenant fails to perform any of Tenant's non-monetary obligations under this Lease for a period of thirty (30) days after written notice from Landlord; provided that if more than thirty (30) days are required to complete such performance, Tenant shall not be in default if Tenant commences such performance within the thirty (30)-day period and thereafter diligently pursues its completion. However, Landlord shall not be required to give such notice if Tenant's failure to perform constitutes a non-curable breach of this Lease. The Notice required by this Paragraph is intended to satisfy any and all notice requirements imposed by law on Landlord and is not in addition to any such requirement.

(d) (i) If Tenant makes a general assignment or general arrangement for the benefit of creditors; (ii) if a petition for adjudication of bankruptcy or for reorganization or rearrangement is filed by or against Tenant and is not dismissed within thirty (30) days; (iii) if a trustee or receiver is appointed to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease and possession is not restored to Tenant within thirty (30) days; or (iv) if substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease is subjected to attachment, execution or other judicial seizure which is not discharged within thirty (30) days. If a court of competent jurisdiction determines that any of the acts described in this subparagraph (d) is not a default under this Lease, and a trustee is appointed to take possession (or if Tenant remains a debtor in possession) and such trustee or Tenant transfers Tenant's interest hereunder, then Landlord shall receive, as Additional Rent, the excess, if any, of the rent (or any other consideration) paid in connection with such assignment or sublease over the rent payable by Tenant under this Lease.

(e) If any guarantor of the Lease revokes or otherwise terminates, or purports to revoke or otherwise terminate, any guaranty of all or any portion of Tenant's obligations under the Lease. Unless otherwise expressly provided, no guaranty of the Lease is revocable.

Section 10.03. Remedies. On the occurrence of any material default by Tenant, Landlord may, at any time thereafter with or without notice or demand and without limiting Landlord in the exercise of any right or remedy which Landlord may have:

(a) Terminate Tenant's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Tenant shall immediately surrender possession of the Premises to Landlord. In such event, Landlord shall be entitled to recover from Tenant all damages incurred by Landlord by reason of Tenant's default, including (i) the worth at the time of the award of the unpaid Base Rent, Additional Rent and other charges which Landlord had earned at the time of the termination; (ii) the worth at the time of the award of the amount by which the unpaid Base Rent, Additional Rent and other charges which Landlord would have earned after termination until the time of the award exceeds the amount of such rental loss that Tenant proves Landlord could have reasonably avoided; (iii) the worth at the time of the award of the amount by which the unpaid Base Rent, Additional Rent and

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other charges which Tenant would have paid for the balance of the Lease Term after the time of award exceeds the amount of such rental loss that Tenant proves Landlord could have reasonably avoided; and (iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under the Lease or which in the ordinary course of things would be likely to result therefrom, including, but not limited to, any costs or expenses Landlord incurs in maintaining or preserving the Premises after such default, the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation or alteration of the Premises, Landlord's reasonable attorneys' fees incurred in connection therewith, and any real estate commission paid or payable, and any costs described in Section 10.05. As used in subparts (i) and (ii) above, the "worth at the time of the award" is computed by allowing interest on unpaid amounts at the rate of fifteen percent (15%) per annum, or such lesser amount as may then be the maximum lawful rate. As used in subpart (iii) above, the "worth at the time of the award" is computed by discounting such amount at the discount rate of the Federal Reserve Bank of Dallas (or if no longer in existence, the Federal Reserve Bank closest to the Premises) at the time of the award, plus one percent (1%). If Tenant has abandoned the Premises, Landlord shall have the option of (i) retaking possession of the Premises and recovering from Tenant the amount specified in this Paragraph 10.03(a), or (ii) proceeding under Paragraph 10.03(b);

(b) Maintain Tenant's right to possession, in which case this Lease shall continue in effect whether or not Tenant has abandoned the Premises. In such event, Landlord shall be entitled to enforce all of Landlord's rights and remedies under this Lease, including the right to recover the rent as it becomes due;

(c) Pursue any other remedy now or hereafter available to landlord under the laws or judicial decisions of the state in which the Premises is located.

Section 10.04. Intentionally Omitted.

Section 10.05. Additional Damages. Landlord's damages shall include all costs and fees, including reasonable attorneys' fees that Landlord incurs in connection with the filing, commencement, pursuing and/or defending of any action in any bankruptcy court or other court with respect to the Lease; the obtaining of relief from any stay in bankruptcy restraining any action to evict Tenant; or the pursuing of any action with respect to Landlord's right to possession of the Premises.

Section 10.06. Cumulative Remedies. Landlord's exercise of any right or remedy shall not prevent it from exercising any other right or remedy.

ARTICLE ELEVEN: PROTECTION OF LENDERS

Section 11.01. Subordination. Landlord shall have the right to subordinate this Lease to any ground lease, deed of trust or mortgage encumbering the Premises, any advances made on the security thereof and any renewals, modifications, consolidations, replacements or extensions thereof, whenever made or recorded. Tenant shall cooperate with Landlord and any lender which is acquiring a security interest in the Premises or the Lease. Tenant shall execute such further documents and assurances as such lender may reasonably require, provided that Tenant's obligations under this Lease shall not be increased in any material way (the performance of ministerial acts shall not be deemed material), and Tenant shall not be deprived of its rights under this Lease. Tenant's right to quiet possession of the Premises during the Lease Term shall not be disturbed if Tenant pays the rent and performs all of Tenant's obligations under this Lease and is not otherwise in default. If any ground lessor, beneficiary or mortgagee elects to have this Lease prior to the lien of its ground lease, deed of trust or mortgage and gives written notice thereof to Tenant, this Lease shall be deemed prior to such ground lease, deed of trust or mortgage whether this Lease is dated prior or subsequent to the date of said ground lease, deed of trust or mortgage or the date of recording thereof.

Section 11.02. Attornment. If Landlord's interest in the Premises is acquired by any ground lessor, beneficiary under a deed of trust, mortgagee, or purchaser at a foreclosure sale, Tenant shall attorn to the transferee of or successor to Landlord's interest in the Premises and recognize such transferee or successor as Landlord under this Lease. Tenant waives the protection of any statute or rule of law which gives or purports to give Tenant any right to terminate this Lease or surrender possession of the Premises upon the transfer of Landlord's interest.

Section 11.03. Signing of Documents. Tenant shall sign and deliver any instrument or documents necessary or appropriate to evidence any such attornment or subordination or agreement to do so. If Tenant fails to do so

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within ten (10) days after written request, Tenant hereby makes, constitutes and irrevocably appoints Landlord, or any transferee or successor of Landlord, the attorney-in-fact of Tenant to execute and deliver any such instrument or document.

Section 11.04. Estoppel Certificates.

(a) Upon Landlord's written request, Tenant shall execute, acknowledge and deliver to Landlord a written statement certifying: (i) that none of the terms or provisions of this Lease have been changed (or if they have been changed, stating how they have been changed; (ii) that this Lease has not been cancelled or terminated; (iii) the last date of payment of the Base Rent and other charges and the time period covered by such payment; (iv) that Landlord is not in default under this Lease (or, if Landlord is claimed to be in default, stating why); and (v) such other representations or information with respect to Tenant or the Lease as Landlord may reasonably request or which any prospective purchaser or encumbrancer of the Premises may require. Tenant shall deliver such statement to Landlord within ten (10) days after Landlord's request. Landlord may give any such statement by Tenant to any prospective purchaser or encumbrancer of the Premises. Such purchaser or encumbrancer may rely conclusively upon such statement as true and correct.

(b) If Tenant does not deliver such statement to Landlord within such ten (10)-day period, Landlord, and any prospective purchaser or encumbrancer, may conclusively presume and rely upon the following facts: (i) that the terms and provisions of this Lease have not been changed except as otherwise represented by Landlord; (ii) that this Lease has not been cancelled or terminated except as otherwise represented by Landlord; (iii) that not more than one month's Base Rent or other charges have been paid in advance; and (iv) that Landlord is not in default under the Lease. In such event, Tenant shall be estopped from denying the truth of such facts.

Section 11.05. Tenant's Financial Condition. Upon Landlord's written request, which may be made from time to time but no more frequently than once in any calendar year, Tenant shall furnish to Landlord, within twenty (20) days of Tenant's receipt of the request therefor, copies of Tenant's most recent financial statement. All financial statements provided by Tenant will be confidential and shall be used only by Landlord to verify the net worth of Tenant.

ARTICLE TWELVE: LEGAL COSTS

Section 12.01. Legal Proceedings. If Tenant or Landlord shall be in breach or default under this Lease, such party (the "Defaulting Party") shall reimburse the other party (the "Nondefaulting Party") upon demand for any costs or expenses that the Nondefaulting Party incurs in connection with any breach or default of the Defaulting Party under this Lease, whether or not suit is commenced or judgment entered. Such costs shall include legal fees and costs incurred for the negotiation of a settlement, enforcement of rights or otherwise. Furthermore, if any action for breach of or to enforce the provisions of this Lease is commenced, the court in such action shall award to the party in whose favor a judgment is entered, a reasonable sum as attorneys' fees and costs. The losing party in such action shall pay such attorneys' fees and costs. Tenant shall also indemnify Landlord against and hold Landlord harmless from all costs, expenses, demands and liability Landlord may incur if Landlord becomes or is made a party to any claim or action (a) instituted by Tenant against any third party, or by any third party against Tenant, or by or against any person holding any interest under or using the Premises by license of or agreement with Tenant; (b) for foreclosure of any lien for labor or material furnished to or for Tenant or such other person; (c) otherwise arising out of or resulting from any act or transaction of Tenant or such other person; or (d) necessary to protect Landlord's interest under this Lease in a bankruptcy proceeding, or other proceeding under Title 11 of the United States Code, as amended. Tenant shall defend Landlord against any such claim or action at Tenant's expense with counsel reasonably acceptable to Landlord, or, at Landlord's election, Tenant shall reimburse Landlord for any legal fees or costs Landlord incurs in any such claim or action.

Section 12.02. Landlord's Consent. Tenant shall pay Landlord's reasonable attorneys' fees incurred in connection with Tenant's request for Landlord's consent under Article Nine (Assignment and Subletting), or in connection with any other act which Tenant proposes to do and which requires Landlord's consent.

ARTICLE THIRTEEN: MISCELLANEOUS PROVISIONS

Section 13.01. Non-Discrimination. Tenant promises, and it is a condition to the continuance of this Lease, that there will be no discrimination against, or segregation of, any person or group of persons on the basis of race,

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color, sex, creed, national origin or ancestry in the leasing, subleasing, transferring, occupancy, tenure or use of the Premises or any portion thereof.

Section 13.02. Landlord's Liability; Certain Duties.

(a) As used in this Lease, the term "Landlord" means only the current owner or owners of the fee title to the Premises or the leasehold estate under a ground lease of the Premises at the time in question. Each Landlord is obligated to perform the obligations of Landlord under this Lease only during the time such Landlord owns such interest or title. Any Landlord who transfers its title or interest is relieved of all liability with respect to the obligations of Landlord under this Lease to be performed on or after the date of transfer. However, each Landlord shall deliver to its transferee all funds that Tenant previously paid if such funds have not yet been applied under the terms of this Lease.

(b) Tenant shall give written notice of any failure by Landlord to perform any of its obligations under this Lease to Landlord and to any ground lessor, mortgagee or beneficiary under any deed of trust encumbering the Premises whose name and address have been furnished to Tenant in writing. Landlord shall not be in default under this Lease unless Landlord (or such ground lessor, mortgagee or beneficiary) fails to cure such non-performance within thirty (30) days after receipt of Tenant's notice. However, if such non-performance reasonably requires more than thirty (30) days to cure, Landlord shall not be in default if such cure is commenced within such thirty (30)-day period and thereafter diligently pursued to completion.

(c) Notwithstanding any term or provision herein to the contrary, the liability of Landlord for the performance of its duties and obligations under this Lease is limited to Landlord's interest in the Premises; and further provided, none of Landlord's partners, shareholders, officers or other principals shall have any personal liability under this Lease.

Section 13.03. Severability. A determination by a court of competent jurisdiction that any provision of this Lease or any part thereof is illegal or unenforceable shall not cancel or invalidate the remainder of such provision or this Lease, which shall remain in full force and effect.

Section 13.04. Interpretation. The captions of the Articles or Sections of this Lease are to assist the parties in reading this Lease and are not a part of the terms or provisions of this Lease. Whenever required by the context of this Lease, the singular shall include the plural and the plural shall include the singular. The masculine, feminine and neuter genders shall each include the other. In any provision relating to the conduct, acts or omissions of Tenant, the term "Tenant" shall include Tenant's agents, employees, contractors, invitees, successors or others using the Premises with Tenant's expressed or implied permission.

Section 13.05. Incorporation of Prior Agreements; Modifications. This Lease is the only agreement between the parties pertaining to the lease of the Premises and no other agreements are effective. All amendments to this Lease shall be in writing and signed by all parties. Any other attempted amendment shall be void.

Section 13.06. Notices. All notices required or permitted under this Lease shall be in writing and shall be personally delivered or sent by certified mail, return receipt requested, postage prepaid. Notices to Tenant shall be delivered to the address specified in Section 1.03 above, except that upon Tenant's taking possession of the Premises, the Premises shall be Tenant's address for notice purposes. Notices to Landlord shall be delivered to the address specified in Section 1.02 above. All notices shall be effective upon delivery. Either party may change its notice address upon written notice to the other party.

Section 13.07. Waivers. All waivers must be in writing and signed by the waiving party. Landlord's failure to enforce any provision of this Lease or its acceptance of rent shall not be a waiver and shall not prevent Landlord from enforcing that provision or any other provision of this Lease in the future. No statement on a payment check from Tenant or in a letter accompanying a payment check shall be binding on Landlord. Landlord may, with or without notice to Tenant, negotiate such check without being bound to the conditions of such statement.

Section 13.08. No Recordation. Tenant shall not record this Lease without prior written consent from Landlord. However, either Landlord or Tenant may require that a "Short Form" memorandum of this Lease executed by both parties be recorded. The party requiring such recording shall pay all transfer taxes and recording fees.

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Section 13.09. Binding Effect; Choice of Law. This Lease binds any party who legally acquires any rights or interest in this Lease from Landlord or Tenant. However, Landlord shall have no obligation to Tenant's successor unless the rights or interests of Tenant's successor are acquired in accordance with the terms of this Lease. The laws of the state in which the Premises is located shall govern this Lease.

Section 13.10. Corporate Authority; Partnership Authority. If Tenant is a corporation, each person signing this Lease on behalf of Tenant represents and warrants that he has full authority to do so and that this Lease binds the corporation. If Tenant is a partnership, each person or entity signing this Lease for Tenant represents and warrants that he or it is a general partner of the partnership, that he or it has full authority to sign for the partnership and that this Lease binds the partnership and all general partners of the partnership. Tenant shall give written notice to Landlord of any general partner's withdrawal or addition.

Section 13.11. Joint and Several Liability. All parties signing this Lease as Tenant shall be jointly and severally liable for all obligations of Tenant.

Section 13.12. Force Majeure. If Landlord cannot perform any of its obligations due to events beyond Landlord's control, the time provided for performing such obligations shall be extended by a period of time equal to the duration of such events. Events beyond Landlord's control include, but are not limited to, acts of God, war, civil commotion, labor disputes, strikes, fire, flood or other casualty, shortages of labor or material, government regulation or restriction and weather conditions.

Section 13.13. Execution of Lease. This Lease may be executed in counterparts and, when all counterpart documents are executed, the counterparts shall constitute a single binding instrument. Landlord's delivery of this Lease to Tenant shall not be deemed to be an offer to lease and shall not be binding upon either party until executed and delivered by both parties.

Section 13.14. Survival. All representations and warranties of Landlord and Tenant shall survive the termination of this Lease.

ADDITIONAL PROVISIONS MAY BE SET FORTH IN A RIDER OR RIDERS ATTACHED HERETO OR IN THE BLANK SPACE BELOW. IF NO ADDITIONAL PROVISIONS ARE INSERTED, PLEASE DRAW A LINE THROUGH THE SPACE BELOW.

SEE EXHIBIT "A", EXHIBIT "B", EXHIBIT "C" AND EXHIBIT "D" ATTACHED HERETO AND INCORPORATED HEREIN BY THIS REFERENCE.

Landlord and Tenant have signed this Lease at the place and on the dates specified adjacent to their signatures below and have initialed all Riders which are attached to or incorporated by reference in this Lease.

NOTICE OF INDEMNIFICATION

TENANT HEREBY ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT CONTAINS CERTAIN INDEMNIFICATION PROVISIONS PURSUANT TO SECTIONS 5.03 AND 5.05.

LANDLORD

AMERICAN NATIONAL INSURANCE COMPANY

Signed on 6/16/00

By: /s/ SCOTT F. BRAST

Name: SCOTT F. BRAST
Its: Vice President

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/s/ Illegible

TENANT

CAI, L.P., a Texas limited partnership

By: CONN APPLIANCES, INC., a Texas corporation,
Its General Partner

Signed on 6-15-2000

By: /s/ Thomas J. Frank

Thomas J. Frank, CEO

IN ANY REAL ESTATE TRANSACTION, IT IS RECOMMENDED THAT YOU CONSULT WITH A PROFESSIONAL, SUCH AS A CIVIL ENGINEER, INDUSTRIAL HYGIENIST OR OTHER PERSON WITH EXPERIENCE IN EVALUATING THE CONDITION OF THE PROPERTY, INCLUDING THE POSSIBLE PRESENCE OF ASBESTOS, HAZARDOUS MATERIALS AND UNDERGROUND STORAGE TANKS.

LANDLORD AND TENANT SHOULD ALSO RETAIN LEGAL COUNSEL TO ADVISE THEM ON THE MATTERS CONTAINED IN THIS LEASE, AND SHOULD RELY UPON THE ADVICE OF SUCH LEGAL COUNSEL.

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EXHIBIT "A"

TRACT I:

All that certain 12.8608 acres of land out of the John Brown Survey, Abstract 8, in Harris County, Texas, and being more particularly described by metes and bounds as follows:

BEGINNING at a 5/8 inch iron rod marking the northwest corner of that certain 15.2305 acres of land described as "Tract Two" in a deed dated March 15, 1976, from BMA Properties, Inc. to Magnum Land Corporation, recorded in the Official Public Records of Real Property of Harris County, Texas, under film code number ###-##-####;

THENCE South 79DEG. 00' 06" East, 584.14 feet along the south right-of-way line of Market Street (120 feet wide), to a 1/2 inch iron rod for corner;

THENCE South 00DEG. 01' 43" East, 428.60 feet to a 1/2 inch iron rod for corner;

THENCE North 89DEG. 52' 11" East, 254.59 feet to a 1/2 inch iron rod for corner located in the east line of said 15.2305 acre tract;

THENCE South 00DEG. 08' 07" West, 342.91 feet along the west line of that certain 8.02 acres of land described in a deed dated September 18, 1959, from Ben Robinson, et ux, to Ben Robinson Land Company, recorded in Volume 3810, Page 315, of the Deed Records of Harris County, Texas, to a 5/8 inch iron rod for corner marking the southeast corner of said 15.2305 acre tract;

THENCE North 89DEG. 48' 57" West, 827.63 feet along the north line of the Houston North Shore Railroad Company (80 feet wide), to a 5/8 inch iron rod for corner marking the southwest corner of said 15.2305 acre tract;

THENCE North 00DEG. 00' 53" East, 879.72 feet along the east line of that certain 11.6193 acres of land described in a deed dated March 15, 1976, from BMA Real Estate Corporation to Magnum Land Corporation, recorded in the Official Public Records of Real Property of Harris County, Texas, under film code number ###-##-####, to the POINT OF BEGINNING and containing 12.8608 acres (560,216 square feet) of land.

TRACT II:

All that certain 2.3634 acres of land out of the John Brown Survey, Abstract 8, in Harris County, Texas, and being more particularly described by metes and bounds as follows:

COMMENCING at a 5/8 inch iron rod marking the Northwest corner of that certain 15.2305 acres of land described as "Tract Two" in a deed dated March 15, 1976, from BMA Properties, Inc. to Magnum Land Corporation, recorded in the Official Public Records of Real Property of Harris County, Texas under film code number ###-##-####; THENCE South 79DEG. 00' 06" East, 584.14 feet along the south right-of-way line of Market Street (120 feet wide) to the POINT OF BEGINNING of the herein described parcel;

THENCE South 00DEG. O1' 43" East, 428.60 feet to a 1/2 inch iron rod for corner;

THENCE North 89DEG. 52' 11" East, 254.59 feet to a 1/2 inch iron rod for corner located in the east line of said 15.2305 acre tract;

THENCE North 00DEG. 08' 07" East, 378.33 feet along the west line of that certain 8.02 acres of land described in a deed dated September 18, 1959, from Ben Robinson, et ux, to Ben Robinson Land Company, recorded in Volume 3810, Page 315, of the Deed Records of Harris County, Texas, to a 5/8 inch iron rod for corner marking the northeast corner of said 15.2305 acre tract;

THENCE North 79DEG. 00' 06" West, 260.48 feet along the south line of said Market Street to the POINT OF BEGINNING and containing 2.3634 acres (102,948 square feet) of land.

TRACT III:

All that certain 11.6133 acres of land out of the John Brown Survey, Abstract 8, in Harris County, Texas, and being more particularly described by metes and bounds as follows:

BEGINNING at a 5/8 inch iron rod marking the northwest corner of that certain 15.2305 acres of land described as "Tract Two" in a deed dated March 15, 1976, from BMA Properties, Inc. to Magnum Land Corporation, recorded in the Official Public Records of Real Property of Harris County, Texas, under film code number ###-##-####;

THENCE South 00DEG. 00' 53" West, 879.72 feet along the east line of that certain 11.6193 acres of land described in a deed dated March 15, 1976, from BMA Real Estate Corporation to Magnum Land Corporation, recorded in the Official Public Records of Real Property of Harris County, Texas, under film code number ###-##-####, to a 5/8 inch iron rod for corner;

THENCE North 89DEG. 50' 31" West, 125.92 feet along the north line of the Houston North Shore Railroad Company (80 feet wide), to a 5/8 inch iron rod for angle point;

THENCE North 89DEG. 46' 18" West, 417.07 feet along said railroad north line, to a 5/8 inch iron rod for corner;

THENCE North 00DEG. 00' 31" East, 973.45 feet along the east line of that certain 10 foot wide strip of land for road right-of-way described in a deed dated February 21, 1973, from O'Meara Chandler to City of Houston, recorded in the Official Public Records of Real Property of Harris County, Texas, under film code number ###-##-####,. to a 5/8 inch iron rod for corner;

THENCE North 50DEG. 12' 42" East, 12.73 feet to a 5/8 inch iron rod for corner;

THENCE South 78DEG. 58' 37" East, 543.31 feet, along the south right-of-way line of Market Street (120 feet wide) to the POINT OF BEGINNING, and containing 11.6133 acres of land, and being the same property described in deed dated March 15, 1976, from BMA Properties, Inc. to Magnum Land Corporation, recorded in the Official Public Records of Real Property of Harris County, Texas, under film code number ###-##-####.

EXHIBIT "B"

GUARANTY

For Value Received, CONN APPLIANCES, INC., a Texas corporation, hereinafter called Guarantor, in consideration of the premises and of the benefits that will accrue (whether directly or indirectly) to Tenant and Guarantor from that certain Lease between American National Insurance Company as Landlord, and CAI, L.P. as Tenant, covering approximately 229,500 square feet in the building located at 8550-A Market Street, Houston, Texas 77029 (the "Lease"), which consideration is acknowledged by Guarantor to be new, independent and sufficient, and as a material inducement to Landlord to enter the Lease, Guarantor does hereby unconditionally, fully and absolutely guarantee without offset or deduction, the prompt payment when due of all sums payable by Tenant under the Lease, and to do or cause to be done, or perform or cause to be performed, all duties, covenants and obligations of Tenant under the Lease, for the full Term of the Lease and any renewals thereof, this Guaranty constituting an absolute and unconditional guaranty of (1) full payment, and not of collection, and (2) that Tenant will perform punctually and faithfully under and in accordance with the terms of the Lease. Guarantor further agrees to indemnify and hold harmless Landlord from any and all losses, damages, costs, and expenses (including, without limitation, costs of court and attorney's fees incurred by Landlord) in the event of any default or breach by Guarantor of its obligations under this Guaranty.

Guarantor hereby agree that Guarantor, as principal obligor, will pay or otherwise provide for or bring about promptly when due all payments required of Tenant under the Lease and the timely and full performance of all duties, covenants and obligations of Tenant under the Lease, notwithstanding any fact or circumstance, including, but not limited to, (1) the liquidation, dissolution, receivership, insolvency or bankruptcy of Tenant, including the discharge of any of Tenant's debts or obligations in such proceedings, (2) the making by Tenant of an assignment for the benefit of its creditors, (3) the reorganization, arrangement, composition or readjustment of Tenant, or (4) any proceeding affecting the status, existence or assets of Tenant. Without limiting the foregoing, Guarantor expressly and specifically agrees that it will not be necessary or required, and Guarantor shall not be entitled to require, that Landlord shall file suit or proceed to or obtain a judgment against Tenant or any other party, or make any effort of collection from Tenant or any other party, or exercise any remedy or remedies provided in the Lease or by law before, or as a condition precedent to, enforcing the liability of Guarantor hereunder; and Guarantor, knowingly and with the express intention of extinguishing legal rights (if any may exist), hereby waives any and all rights, whether existing by rule, statute, general law, equity or otherwise, to assert or require that (1) Landlord previously seek or obtain judgment against Tenant or any other party prior to Landlord's suing Guarantor for the enforcement of this Guaranty, or (2) Landlord joins Tenant or any other party in any suit against Guarantor for the enforcement of this Guaranty.

Guarantor waives notice of the acceptance of this Guaranty (such acceptance being hereby conclusively presumed). The obligations of Guarantor shall be continuous from the date hereof until the payment and performance hereby guaranteed has been fully paid or performed, and Guarantor's obligations hereunder shall continue in full force and effect notwithstanding (1) any release of Tenant or any other party liable for payment or performance under the Lease, (2) any changes, modifications, amendments, assignments or extensions of the Lease, or (3) any waiver or forbearance on the part of Landlord in enforcing payment or performance by Tenant under the Lease.

Guarantor stipulates that in accordance with Article 1302-2.06, Vernon's Annotated Civil Statutes of Texas, the directors of Guarantor have determined that the action taken pursuant hereto may reasonably be expected to benefit the Guarantor, directly or indirectly.

This Guaranty (1) constitutes the entire agreement between Guarantor and Landlord and supersedes all prior agreements or understandings, both written and oral, regarding the subject matter hereof, (2) shall inure to the benefit of Landlord and Landlord's successors and assigns, and (3) may be modified or amended only by a written instrument signed by Guarantor and Landlord and dated subsequent to the date of this Guaranty.

Failure of Landlord to insist upon strict performance or observance of any of the terms, provisions or covenants of the Lease or to exercise any right therein contained shall not be construed

as a waiver or relinquishment for the future of any such term, provision, covenant or right, but the same shall continue and remain in full force and effect. Receipt by Landlord of any monetary sum or acceptance of performance of any obligation of Tenant under the Lease with knowledge of the default or breach of any provision of the Lease shall not be deemed a waiver of such breach.

Guarantor further agrees that in any right of action which shall accrue to Landlord with respect to the Lease or under this Guaranty, Landlord may, at its option, proceed against Tenant alone (without having made any prior demand upon Guarantor or having commenced any action against Guarantor or having obtained or having attempted to satisfy any judgment against Guarantor) or may proceed against Guarantor and Tenant, jointly or severally, or may proceed against Guarantor alone (without having made any prior demand upon Tenant or having commenced any action against Tenant or having obtained or having attempted to satisfy any judgment against Tenant other than as may be required by the Lease). Under no circumstances shall the liability of Guarantor under this Guaranty be terminated either with respect to any period of time when the liability of Tenant under the Lease continues or with respect to any circumstances as to which the liability of Tenant has not been fully discharged by performance.

The stated rights and remedies of Landlord under this Guaranty against Guarantor with respect to the liability of Guarantor hereunder shall be understood as not excluding any other legal or equitable rights and remedies of Landlord against Guarantor not expressly set forth herein, but shall be understood as being cumulative of all such other legal and equitable rights and remedies of Landlord not expressly stated herein.

All terms and provisions hereof shall inure to the benefit of the successors and assigns of Landlord and shall be binding upon the heirs, legal representatives, administrators and successors of Guarantor.

EXECUTED by Guarantor on the day and year shown opposite Guarantor's signature below.

Date: June 15, 2000

CONN APPLIANCES, INC.
A Texas Corporation

By: /s/ Thomas J. Frank, CEO

Thomas J. Frank, CEO

EXHIBIT "C"

LANDLORD'S AGREEMENT

The undersigned, as Lessor ("Lessor"), has entered into a lease (such lease, including all amendments, modifications, renewals, and extensions thereto, being hereinafter referred to as the "Lease"), with CAI, L.P., a Texas limited partnership, as lessee ("Lessee"), with respect to a portion of the real property more particularly described on Exhibit "A" attached hereto and made a part hereof (the "Real Estate"). Conn Appliances, Inc. (the "General Partner") is sole general partner of Lessee. A true and complete copy of the Lease is attached hereto as Exhibit "B". The premises leased to Lessee by the Lease are a part of the Real Estate and are more particularly described in the Lease (the "Premises").

Lessor has been informed that Chase Bank of Texas, National Association, individually and as Administrative Agent, the ("Lender") is providing loans to Lessee, the General Partner of Lessee and certain of its subsidiaries to be used by Lessee, the General Partner and those subsidiaries for various purposes. In connection with such financing, Lessee and the General Partner intend to grant to Lender (i) a first leasehold deed of trust or mortgage (the "Leasehold Mortgage") on Lessee's interest in the Lease and (ii) a security interest and first lien (the "Security Interest") in and to Lessee's and General Partner's interest in the personal property more particularly described in Exhibit "C" attached hereto and made a part hereof (all of such personal property being hereinafter collectively referred to as the "Collateral"), pursuant (i) to a Credit Agreement among, Lessee, the General Partner, certain subsidiaries of the General Partner and Lender, (ii) to various security agreements and pledge agreements such as the one contained in the Leasehold Mortgage, and (iii) to certain financing statements and other documents filed in connection therewith ((i), (ii), and (iii) collectively the "Loan Documents"). Lessor has also been informed that owners of a majority of the issued and outstanding stock of the General Partner (the "Stock") intend to pledge such Stock as security for the above-referenced financings.

For Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lessor and Lessee hereby represent, warrant, and agree, for the benefit of Lender, as follows:

1. Notwithstanding any provisions to the contrary in the Lease, Lessor hereby consents to the grant of the Leasehold Mortgage on Lessee's interest in the Lease to the Agent for the benefit of the Lender (or to a trustee for the benefit of the Agent for the benefit of the Lender), and to the grant of the Security Interest in the Collateral pursuant to the Loan Documents. Lessor hereby further consents to the (x) recording of the Leasehold Mortgage against the Premises, and (y) filing of any and all financing statements or other documents executed by Lessee and required under the Uniform Commercial Code of the State in which the Premises is located in order to perfect the Leasehold Mortgage on Lessee's interest in the Lease and the Security Interest in the Collateral. In connection therewith, Lessor agrees to execute a memorandum of Lease in recordable form and in such form as is reasonably required by Lender and is reasonably acceptable to Lessor, provided, however, Lessee shall be obligated to simultaneously execute a Termination of Memorandum which will be held by Lessor for recording upon expiration or termination of the Lease.

2. Lessor and Lessee hereby agree as follows:

(a) Promptly upon default by Lessee under the Lease, Lessor shall give to the Lender written notice of such default. Such notice shall be effective in accordance with the notice provision set forth in Article 26 of the Lease, at the following address (or at such alternative address as the Lender may have given Lessor by prior written notice):

Chase Bank of Texas, National Association
712 Main Street
Houston, Texas 77002
Attn: Mr. James R. Dolphin

(b) Lessor shall accept performance by Lender or its designee of any term,

covenant, condition or agreement to be performed by Lessee under the Lease with the same force and effect as though performed by Lessee;

(c) Upon the occurrence of a non-monetary default under the Lease by Lessee, which default Lender intends to cure but Lender is prevented from curing such non-monetary default within the time period set forth in the Lease because such default is of a personal nature to Lessee (such as a bankruptcy) or any cure by Lender first requires possession of the Premises by Lender, so long as Lender is proceeding diligently and in good faith to cure such non-monetary default, Lender shall be entitled to such additional time as may be necessary to cure such non-monetary default provided, however, under no circumstances, shall Lender be entitled to more than seventy-five (75) days to cure such non-monetary default from the date of Lessor's original notice to Lessee and Lender regarding such non-monetary default.

(d) Lender or its trustee or designee shall have the right, without Lessor's consent, (i) to foreclose the Leasehold Mortgage or to accept assignment of Lessee's interest in the Lease in lieu of foreclosure of the Leasehold Mortgage; and (ii) to foreclosure on the Stock or to accept assignment or endorsement of the Stock, in lieu of foreclosure, or to otherwise realize on its Security Interest in some or all of the Collateral.

3. All of the Collateral shall be and remain subject to the Leasehold Mortgage and to the Security Interest until such time as the Leasehold Mortgage and the Security Interest shall be released by the Lender.

4. Lessor hereby agrees that any lien for rent or similar charges, whether arising by operation of law or otherwise, whether now existing or hereafter to arise, and each and every right which Lessor now has or hereafter may have, either to levy or distrain upon the Collateral or to claim or assert title to the Collateral, or make any other claim against the Collateral, whether under the Lease or the laws of the State in which the Premises are located, or under any other applicable Federal, State, municipal or local law, ordinance or otherwise, or under any mortgage now in effect or hereafter executed, whether by reason of a default under the Lease or otherwise, shall be subject and subordinate in every respect to all of the terms, provisions and conditions of the Leasehold Mortgage and the Loan Documents and to the Security Interest in the Collateral. Lender and its agents and legal representatives, (i) may remove any or all of the Collateral located at the Premises from the Premises (a) whenever Lender, in its sole discretion, believes such removal is necessary to protect the Security Interest in the Collateral; or (b) whenever Lender seeks to sell or foreclose upon the Collateral and (ii) subject to the terms and provisions of the Lease, and upon one (1) business day's written notice to Lessor shall have access to the Premises and the Collateral at all times. Lender shall be liable for any and all damages to the Premises related directly or indirectly to the removal by Lender of the Collateral and shall restore the Premises to their condition prior to such removal. Further, Lender agrees to indemnify and hold Lessor harmless from any and all claims, damages, causes of action, and costs and expenses incurred by Lessor as a result of Lender's access to the Premises and the removal of the Collateral therefrom. Further, Lender agrees that in the event Lender fails to remove the Collateral from the Premises within twenty (20) days after receipt of notice from Lessor to remove the Collateral, Lender shall be deemed to have abandoned the Collateral, whereupon Lessor shall be entitled to dispose of the Collateral as Lessor deems appropriate in its sole discretion without any obligation to account for the proceeds of such disposition to either Lessee or Lender.

5. Lessor hereby recognizes and acknowledges that any claim that Lender may now have or hereafter have against the Collateral is and at all times shall be and shall be deemed to be superior to any lien, security interest or claim of any kind or nature whatsoever which Lessor now has or hereafter may have against the Collateral, whether by statute, the Lease or otherwise.

6. Lender may, without affecting the validity of this Agreement, increase the amount of, or extend the time of payment of, any indebtedness of Lessee to Lender or alter the performance of any of the terms and conditions of any agreement between Lessee and Lender, including, without limitation, the Leasehold Mortgage and the Loan Documents, without the consent of, or notice to, Lessor and without in any manner whatsoever impairing or affecting the Leasehold Mortgage or the Security Interest in the Collateral.

7. The rights of Lender and Lessor under this Agreement are in addition to, and cumulative of, any rights granted to, or for the benefit of, Lender and Lessor under the terms of the Lease or this Agreement. This Agreement shall inure to the benefit of Lender and Lessor and their respective successors and assigns and shall be binding upon the heirs, personal representatives, successors and assigns of Lender, Lessor, Lessee, and General Partner, as applicable.

8. Upon payment in full of the loan evidenced by the Leasehold Mortgage, Lender shall immediately record an appropriate release of its liens pursuant thereto in the appropriate real property records of Harris County, Texas. Lessee shall reimburse Lender for the cost of any such recordation.

9. Lender may assign all or any portion of its interest in the loan evidenced by the Loan Documents to other parties and act as agent for such participating lenders with respect to this Landlord's Agreement.

IN WITNESS WHEREOF, Lessor, Lessee and Lender have caused this Agreement to be duly executed as of this ---------- day of ----------, 2000.

Lessor: AMERICAN NATIONAL INSURANCE COMPANY

Date: ----------,2000 By: ----------

Name: ----------

Its: ----------

Lessee: C.A.I., L.P., a Texas limited partnership

By: CONN APPLIANCES, INC., a Texas corporation, its General Partner

Date: ----------,2000 By: ----------

Thomas J. Frank, Chairman\CEO

Lender: CHASE BANK OF TEXAS, NATIONAL ASSOCIATION, Agent

Date: ----------,2000 By: ----------

Name: ----------

Its: ----------

Attach:

Exhibit "A" - Attach Real Property Description
Exhibit "B" - Attach Full Copy of Lease
Exhibit "C" - Attach Copy of Collateral Description
Exhibit " -- " - Attach Memorandum of Lease

EXHIBIT "D"

AGREEMENT REGARDING ADJACENT PROPERTY

1. Landlord is the owner of property adjacent to the Property with an address of 8550-B Market Street, Houston, Texas 77029 on which there exists an additional 48,960 square foot warehouse or warehouse space (the "Additional Space".).

2. For a period of up to six (6) months, from the Commence Date, on a monthly basis, at Tenant's option, Tenant may reserve the Additional Space by paying to Landlord, on the same dates and pursuant to the same terms as rentals are payable under the lease, the monthly sum of $7,588.80, being one-half (1/2) of the agreed Base Rent for such 48,960 square foot space.

3. During the time that Tenant shall reserve such Additional Space, Tenant shall have the right, with five (5) business days written notice to Landlord, to incorporate the Additional Space into the provisions of the Lease on the same terms and conditions as provided therein as to the original space under the Lease, except that from and after the fifth business day after Tenant's election to incorporate the Additional Space, Tenant will be authorized to store merchandise in the Additional Space; at and after which time 100 % of the Base Rental stated above (instead of one-half as theretofore payable) will become due and payable and Tenant will also thereafter be required to pay Other Period Payments attributable to the Additional Space in the same manner as payable under the Lease for the original space thereunder. Tenant has no right of entry or to store inventory at the Additional Space until five (5) business days after proper exercise of its rights to such space as described above.

4. At any time during the six (6) month period that Tenant shall maintain the reservation of space, Tenant may cease paying the monthly sum stated in Paragraph 2. above, in which event Tenant's reservation will terminate on the 1st day of the calendar month for which the monthly sum is not paid.

5. This Agreement shall terminate one hundred eighty (180) days after the date described in Section 1.01 of the Lease.

Standard Industrial Lease Agreement
NML 98

Approximately 118,080 square feet
4810 EISENHAUER ROAD, SUITE 240
San Antonio, Texas 78218

Lease Agreement

THIS LEASE AGREEMENT, made and entered into by and between THE NORTHWESTERN MUTUAL LIFE INSURANCE COMPANY, a Wisconsin corporation, hereinafter referred to as "Landlord", and CAI, L.P., a Texas limited partnership, hereinafter referred to as "Tenant";

WITNESSETH:

1. Premises and Term.

A. In consideration of the mutual obligations of Landlord and Tenant set forth herein, Landlord leases to Tenant, and Tenant hereby takes from Landlord the approximately 118,080 square feet more particularly outlined on the floor plan attached as Exhibit "A-1" (the "Premises"), which Premises are part of that approximately 295,200 square foot building(s) ("the Building") located on the real property situated with the County of Bexar, State of Texas, which real property is more particularly described on Exhibit "A" attached hereto and incorporated herein by reference (the "Land"), together with all rights, privileges, easements, appurtenances, and amenities belonging to or in any way pertaining to the Premises, to have and to hold, subject to the terms, covenants and conditions in this Lease.

B. The Term of this Lease shall commence on the Commencement Date as defined in the following Paragraph C (the "Commencement Date"). The term of this Lease shall end on the last day of the calendar month that is ONE HUNDRED TWENTY-ONE (121) full calendar months after the Commencement Date.

C. The Commencement Date shall be deemed February 1, 2001, Tenant shall be allowed early occupancy on December 1, 2000 or as soon as practicable for the purposes of storage of merchandise, installing equipment and set up provided that Tenant does not interfere with Landlord's construction and otherwise complies with the provisions of this Lease.

2. Base Rent, Security Deposit and Escrow Payments.

A. Tenant agrees to pay to Landlord Base Rent for the Premises in advance, without demand, deduction or set off, at the monthly rate as follows:

Month 1	$38,966.00
Months 2	-0-;
Month 3-36	$38,966.00
Months 37-60	$40,147.00;
Months 61-96	$41,328.00; and
Months 97-121	$42,509.00.

The monthly installment for Month 1 ($38,966.00), plus one (1) month's portion ($9,946.00) of the other monthly charges set forth in Paragraph 2C below shall be due and payable in advance on the date hereof. Subsequent monthly installments shall be due and payable in advance on or before the first day of each calendar month succeeding the Commencement Date, except that the Base Rent and other monthly charges set forth in Paragraph 2C below shall be abated in Month 2.

B. Intentionally deleted.

C. Tenant agrees to pay as additional rent, its Proportionate Share (as defined in Paragraph 22B below) of (1) Taxes (hereinafter defined) payable by Landlord pursuant to Paragraph 3A below, (2) the cost of any jointly metered utilities payable pursuant to Paragraph 8, below, (3) the cost of maintaining insurance, and (4) the cost of repairs, replacement (excluding the replacement of Capital Items which are defined as improvements or replacements which, under generally accepted accounting principles are amortized for five (5) years or more), and other operating expenses required by this Lease. During each month of the term of this Lease, on the same day that Base Rent is due hereunder, Tenant shall escrow with Landlord an amount equal to 1/12 of the estimated annual cost of its Proportionate Share of such items. Tenant authorizes Landlord to use the funds deposited with Landlord under this Paragraph 2C to pay such costs, subject to accounting to Tenant for such use annually. The initial monthly escrow payments are based upon the estimated amounts for the year in question, and shall be increased or decreased annually to reflect the projected actual cost of all such items. If Tenant's total escrow payments are less than Tenant's actual Proportionate Share of all such items, Tenant shall pay the difference to Landlord within ten (10) days after written demand. If the total escrow payments of Tenant are more than Tenant's actual Proportionate Share of all such items, Landlord shall retain such excess and credit it against Tenant's next annual escrow payments, except during the final year of the Lease, for which Landlord will promptly refund any excess to Tenant. The amount of the monthly rental and the initial monthly escrow payments are as follows:

(1)	Base Rent as set forth in Paragraph 2.A	$38,966.00
(2)	Taxes as set forth in Paragraph 2C(1)	$ 5,117.00
(3)	Insurance as set forth in Paragraph 2C(3)	$ 401.00
(4)	Operating Expenses as set forth in Paragraphs 2C(2) and (4)	$ 4428.00
	Monthly Payment Total	$48,912.00

3. Taxes.

A. Landlord agrees to pay all taxes, assessments and/or governmental charges of any kind and nature (collectively referred to herein as "Taxes") that accrue against the Premises, the Land and/or the Building. If at any time during the term of this Lease, there shall be levied, assessed or imposed on Landlord a capital levy or other tax directly on the rents received therefrom and/or a franchise tax, assessment, levy or charge measured by or based, in whole or in part upon such rents from the Premises, the Land and/or the Building, then all such taxes, assessments, levies or charges, or the part, thereof so measured or based, shall be deemed to be included within the term "Taxes" for the purposes hereof. The Landlord shall have the right to employ a tax consulting firm to attempt to assure a fair tax burden on the building and grounds within the applicable taxing jurisdiction. Tenant agrees to pay its Proportionate Share of the cost of such consultant.

B. Tenant shall be liable for all taxes levied or assessed against any personal property or fixtures placed in the Premises. If any such taxes are levied or assessed against Landlord or Landlord's property and (i) Landlord pays the same or (ii) the assessed value of Landlord's property is increased by inclusion of such personal property and fixtures and Landlord pays the increased taxes, then, upon demand Tenant shall pay to Landlord such taxes. In addition, if the Building is a multiple occupancy Building and the cost of any improvements constructed to the Tenant's Premises is disproportionately higher than the cost of improvements constructed to the Premises of other tenants of the Building, then upon written demand Tenant shall pay the amount of Taxes attributable to such disproportionately more

expensive improvements in addition to its Proportionate Share of Taxes.

4. Landlord's Repairs.

A. Tenant understands and agrees that this Lease is intended to be a "net" lease, and as such, Landlord's maintenance, repair and replacement obligations are limited to those set forth in this Paragraph 4A. Landlord, at its own cost and expense, shall be responsible only for roof repair (except for preventative maintenance), roof replacement and for repair and replacement of only the foundation and the structural members of the exterior walls of the Building and for replacement of Capital Items as above defined. The terms "roof' and "walls" as used herein shall not include skylights, windows, glass or plate glass, doors, special storefronts or office entries. Tenant shall immediately give Landlord written notice of defect or need for repairs, after which Landlord shall have reasonable opportunity to repair same or cure such defect. Landlord's liability with respect to any defects, repairs, replacement or maintenance for which Landlord is responsible hereunder shall be limited to the cost of such repairs or maintenance or the curing of such defect.

5. Tenant's Maintenance and Repair Obligations.

A. Tenant, at its own cost and expense, shall maintain all parts of the Premises (except those for which Landlord is expressly responsible hereunder) in good condition, ordinary wear and tear excepted, and promptly make all necessary repairs and replacements to the Premises.

B. Landlord shall be responsible for causing the parking areas, driveways, alleys and grounds surrounding the Premises to be maintained in a good, neat, clean and sanitary condition, consistent with the operation of a first class office/warehouse building, which includes without limitation, prompt maintenance, repairs and replacements (1) intentionally deleted, (2) of the parking area associated with the Building, (3) of all grass, shrubbery and other landscape treatments surrounding the Building, (4) of the exterior of the Building (including painting), (5) of sprinkler systems, sewage lines, and (6) of any other maintenance, repair or replacement items normally associated with the foregoing. However, Tenant shall repair and pay for any damage caused by the negligence of Tenant, or Tenant's employees, agents or invitees, or caused by Tenant's default hereunder.

C. Tenant shall be liable for its Proportionate Share (as defined in Paragraph 22B below) of the cost and expense of such repair, replacement, maintenance and other such items defined in the foregoing Paragraph 2B. The amount of Tenant's rental obligation set forth in Paragraph 2A above does not include the cost of such items, and Landlord's performance of repair, replacement, maintenance and other items, is not a condition to payment of such rental obligations.

D. Tenant agrees to pay its Proportionate Share of the cost of (1) operation, maintenance and/or landscaping of any property or facility that is operated, maintained or landscaped by any property owner or community owner association that is named in any restrictive covenants or deed restrictions to which the Premises are subject and which are actually billed to the Building, and (2) operating and maintaining any property, facilities or services provided for the common use of Tenant and other tenants of the Building, which costs shall include, without limitation, reasonable and customary management fees, maintenance and repair costs, sewer, landscaping, trash and security (if furnished by Landlord), wages and employee benefits payable to employees of Landlord whose duties are directly connected with the operation and maintenance of the Building (but not such costs resulting from Landlord's make-ready work for other tenants), amounts paid to contractors or subcontractors for work or services performed in connection with the operation and maintenance of the Building, all service, supplies, repairs, replacements (excluding Capital Items as defined above) or other

expenses for maintaining and operating the Building, and any other facilities or services provided for the common use of Tenant and other tenants of the Building.

E. Tenant shall, at its sole cost and expense, during the term of this Lease maintain a regularly scheduled preventative maintenance/service contract with a maintenance contractor for the servicing of all hot water, heating and air-conditioning systems and equipment within the leased premises. The maintenance contractor and contract must be approved by Landlord and must include all services suggested by the equipment manufacturer. Tenant shall at all times conduct maintenance on the heating, ventilation and air-conditioning ("HVAC") equipment within the leased premises in accordance with all Federal, state or local laws. In the event that a leak occurs in any portion of the HVAC equipment on the premises, Tenant shall promptly repair such leak in accordance with such Federal, state or local laws and shall, in any event, repair such leaks within the deadline imposed by such Federal, state or local laws. Tenant hereby agrees to indemnify, defend and hold Landlord harmless against any and all damages, liabilities, losses, costs and expenses, including reasonable attorneys' fees, incurred by Landlord as a result of Tenant's failure to conduct maintenance on the HVAC equipment at the Property in accordance with Federal, state or local laws. In lieu of providing the specified maintenance/service contract, Tenant may utilize its employees to service the hot water, heating and air-conditioning systems and equipment provided that Landlord is provided with acceptable evidence that said employees are qualified and licensed to perform such service.

F. Intentionally deleted.

6. Alterations. Tenant shall not make any alterations, additions or improvements to the Premises without the prior written consent of Landlord which consent shall not be unreasonably withheld or delayed provided that said alterations, additions or improvements shall not involve the exterior, structural components or roof of the Premises or Building. Tenant, at its own cost and expense, may, without the prior consent of Landlord, erect such shelves, bins, machinery and trade fixtures as it desires provided that (a) such items do not alter the basic character of the Premises or the Building; (b) such items do not overload or damage the same; (c) such items may be removed without injury to the Premises; and (d) the construction, erection or installation thereof complies with all applicable governmental laws, ordinances, regulations and with Landlord's specifications and requirements. All shelves, bins, machinery and trade fixtures installed by Tenant shall be removed on or before the earlier to occur of the date of termination of this Lease or vacating the Premises, at which time Tenant shall restore the Premises to their original condition. All installations, removals and restorations shall be performed in a good and workmanlike manner so as not to damage or after the primary structure or structural qualities of the Building or the Premises. If Tenant is not in default, upon expiration or earlier termination of this Lease, all trade fixtures which constitute the personal property of Tenant may be removed by Tenant at Tenant's sole expense.

7. Signs. Any signage, decorations, advertising media, blinds, draperies, window treatments, bars, and security installations Tenant desires for the Premises shall be subject to Landlord's prior written approval and shall be submitted to Landlord prior to the Commencement Date. Tenant shall repair, paint, and/or replace the building facia surface to which its signs are attached upon vacation of the Premises, or the removal or alteration of its signage, all of which shall be accomplished at Tenant's sole cost and expense. Tenant shall not, (i) make any changes to the exterior of the Premises, (ii) install any exterior lights, decorations, balloons, flags, pennants, banners or painting, or (iii) erect or install any signs, windows or door lettering, decals, window and storefront stickers, placards, decorations or advertising media of any type that can be viewed from the exterior of the Premises, without Landlord's prior written consent.

8. Utilities. Tenant shall obtain and pay for all water, gas, heat, light, power, telephone, sewer, sprinkler charges and other utilities and services used on or at the Premises, together with any taxes,

penalties, surcharges or the like pertaining to the Tenant's use of the Premises, and any maintenance charges for utilities. Landlord shall have the right to cause any of said services to be separately metered to Tenant, at Tenant's expense. Tenant shall pay its pro rata share as reasonably determined by Landlord, of all charges for jointly metered utilities. Landlord shall not be liable for any interruption or failure of utility service on the Premises.

9. Insurance.

A. Landlord's Insurance. At all times during the Term, Landlord shall procure and keep in force and effect the following insurance:

(1) All-Risk property insurance insuring the Building, its equipment, and common area furnishings, all in such amounts and with such deductibles as Landlord considers appropriate;

(2) Commercial General Liability insurance insuring its interests in the Project; and

(3) Intentionally deleted.

B. Tenant's Insurance. Tenant shall at its sole cost and expense, keep in full force and effect the following insurance:

(1) All-Risk property insurance on "Tenant's Property" for the full replacement value. Such policy shall contain an agreed amount endorsement in lieu of a coinsurance clause. "Tenant's Property" is defined to be all improvements and betterments of Tenant located in or on the Premises, Common Areas or Building, excluding that which may be insured by Landlord's All-Risk property insurance as set forth in Paragraph 9.A.(1) above;

(2) Commercial General Liability insurance insuring Tenant against any liability arising out of its use, occupancy or maintenance of the Premises or the business operated by Tenant pursuant to the Lease. Such insurance shall be in the amount of at least $2,000,000 per occurrence. Such policy shall name Landlord, Landlord's wholly owned subsidiaries and agents and any mortgagees of Landlord as additional insureds; and

(3) Worker's Compensation insurance as required by state law, unless Tenant shall elect, on a company-wide basis, to become self-insured therefor; and

(4) Any other form or forms of insurance or increased amounts of then reasonable and customary insurance as Landlord or any mortgagees of Landlord may reasonably require from time to time.

All such policies shall be written in a form reasonably satisfactory to Landlord and any mortgagees of Landlord, and shall provide that Landlord, and any mortgagees of Landlord, shall receive not less than thirty (30) days' prior written notice of any cancellation. Policies will be written by insurance companies authorized to transact business in the State of Texas with a Best's Rating of "A" or higher. Prior to or at the time that Tenant takes possession of the Premises, Tenant shall deliver to Landlord copies of policies or certificates evidencing the existence of the amounts and forms of coverage satisfactory to Landlord. Tenant shall, within thirty (30) days prior to the expiration of such policies, furnish Landlord with renewals or "binders" thereof, or Landlord may order such insurance and charge the cost thereof to Tenant as Additional Rent.

C. Forms of Policies. All policies maintained by Tenant will provide that they may not be terminated nor may coverage be reduced except after thirty (30) days' prior written notice to Landlord. All Commercial General Liability and All-Risk property policies maintained by Tenant shall be written as primary policies, not contributing with and not supplemental to the coverage that Landlord may carry.

D. Waiver of Subrogation. Notwithstanding that any loss or damage may de due to or result from the negligence of either of the parties hereto, Landlord and Tenant, for themselves and their respective insurers, each waive any and all rights to recover against the other; against any subsidiary or joint venture of such other party; against any other tenant or occupant of the Project; or against the officers, directors, shareholders, partners, employees, agents, customers, invitees, or business visitors of such other party, of such other tenant or occupant of the Project, of any subsidiary or joint venture of such other party, for any loss or damage to the property of such waiving party arising from any cause.

E. Adequacy of Coverage. Landlord, its agent and employees make no representation that the limits of liability specified to be carried by Tenant pursuant to this Paragraph 9, are adequate to protect Tenant. If Tenant believes that any of such insurance coverage is inadequate, Tenant will obtain such additional insurance coverage as Tenant deems adequate, at Tenant's sole expense.

F. Certain Insurance Risks. Except to the extent that Tenant shall be expressly authorized in writing by Landlord to perform certain acts and to bring certain substances onto the Premises, Tenant shall not otherwise do or permit to be done any act or thing upon the Premises or the Project which would (a) jeopardize or be in conflict with fire insurance policies covering the Project or fixtures and property in the Project; (b) increase the rate of fire insurance applicable to the Project to an amount higher than it otherwise would be for normal warehouse or distribution use; or (c) subject Landlord to any liability or responsibility for injury to any person or persons or to property by reason of any business or operation being carried on upon the Premises.

10. Fire and Casualty Damage.

A. Tenant immediately shall give written notice to Landlord if the Premises or the Building are damaged or destroyed. If the Premises or Building should be totally destroyed or so damaged by an insured peril and in Landlord's estimation, rebuilding or repairs cannot be completed within one hundred eighty (180) days after the date of Landlord's actual knowledge of such damage, this Lease shall terminate and the rent shall be abated during the unexpired portion of this Lease, effective upon the date of the occurrence of such damage.

B. If the Building or the Premises should be damaged by any insured peril, and in Landlord's estimation rebuilding or repairs can be substantially completed within one hundred eighty (180) days after the date of Landlord's actual knowledge of such damage, this Lease shall not terminate, and Landlord shall restore the Premises to substantially its previous condition, except that Landlord shall not be required to rebuild, repair or replace any part of the partitions, fixtures, additions and other improvements required to be covered by Tenant's insurance pursuant to Paragraph 9B above. Effective upon the date of the occurrence of such damage and ending upon substantial completion (as defined in Paragraph 1. above), if the Premises are untenantable in whole or part during such period, the rent shall be reduced to such extent as may be fair and reasonable under all of the circumstances. If such repairs and rebuilding have not been substantially completed within one hundred eighty (180) days after the date of such damage, Tenant, as Tenant's exclusive remedy, may terminate this Lease by delivering thirty (30) days prior written notice of termination to Landlord in which

event the rights and obligations hereunder shall cease and terminate thirty (30) days after receipt of such written notice by Landlord.

C. In connection with any repair or reconstruction to the Premises arising from or necessitated by fire or other casualty which is covered by the insurance provided pursuant to Paragraph 9A above, Tenant shall pay Landlord the amount of the deductible of such insurance if the cost of such repair or reconstruction is necessitated by the negligent act of the Tenant.

D. Notwithstanding anything herein to the contrary, in the event the holder of any indebtedness secured by a mortgage or deed of trust covering the Premises requires that the insurance proceeds be applied to such indebtedness, then Landlord shall have the right to terminate this Lease by delivering written notice of termination to Tenant within fifteen (15) days after such requirement is made known by any such holder, whereupon all rights and obligations hereunder shall cease and terminate. During the first five (5) years of this Lease, Landlord agrees to use its reasonable best efforts to cause any such holder of any indebtedness to allow the use of insurance proceeds for the repair and rebuilding of the Premises.

E. Anything in this Lease to the contrary notwithstanding except as set forth in Paragraph 10C above, to the extent of a recovery of loss proceeds under the policies of insurance described in this Lease, Landlord and Tenant hereby waive and release each other and any related parties and affiliates of and from any and all rights of recovery, claim action or cause of action, against each other, their agents, officers and employees, for any loss or damage that may occur to the Premises, the Building, or personal property within the Building and/or Premises arising from or caused by fire or other casualty or hazard covered or required to be covered by hazard insurance under this Lease. Upon execution of this Lease, Landlord and Tenant shall notify their respective insurance companies of the mutual waivers contained herein and, if available, shall cause each policy described in this Lease to be so endorsed.

11. Liability and Indemnification.

A. Landlord's Indemnification. Landlord shall hold Tenant harmless and defend Tenant against any and all claims, actions, damages or liability (including without limitation, all costs, attorneys fees and expenses incurred in connection therewith) in connection with any loss, injury or damage to any person or property occurring in, on or about or arising out of all or part of the Premises and/or the Building or the use or occupancy thereof, or the conduct or operation of Landlord's business, when such injury or damage shall be caused by the act, neglect, fault of, or omission of, any duty with respect to the same by Landlord, its agents, servants and employees (unless the indemnified loss is caused wholly or in part by Tenant's negligence, in which event this indemnity shall not apply to the allocable share of such loss resulting from Tenant's negligence).

B. Tenant's Indemnification. Except for any injury to persons or damage to property that is caused by or results from the negligence or deliberate act of Landlord, its employees, or agents, and subject to the provisions of Paragraph 9D above, Tenant shall indemnify and hold Landlord, Landlord's wholly owned subsidiaries and the employees and agents of Landlord and Landlord's wholly owned subsidiaries, (hereinafter collectively referred to as the "Indemnified Parties" and individually as an "Indemnified Party") harmless from and against, any and all demands, claims, causes of action, fines, penalties, damages, liabilities, judgments, and expenses (including, without limitation, reasonable attorneys' fees) incurred in connection with or arising from:

(1) the use or occupancy or manner of use or occupancy of the Premises by Tenant or any person claiming under Tenant;

(2) any activity, work, or thing done or permitted by Tenant in or about the premises, the Building, or the Project;

(3) any breach by Tenant or its employees, agents, contractors, or invitees of this Lease;

(4) any injury or damage to the person, property, or business of Tenant, its employees, agents, contractors, or invitees entering upon the Premises under the express or implied invitation of Tenant; and:

(5) any alleged violation by Tenant of the ADA and/or any other law, rule, code, or regulation. Landlord, at Landlord's expense, shall insure that the exterior of the Building complies with applicable accessibility standards imposed by the State of Texas as of the Commencement Date. However, Tenant shall be responsible for the cost of any future accessibility compliance as it relates directly to the Premises or its Proportionate Share of the cost of any future accessibility compliance as it relates to the Building or Common Areas.

If any action or proceeding is brought against an Indemnified Party by reason of the foregoing Tenant, upon written notice from such Indemnified Party, shall defend the same at Tenant's expense, with counsel reasonably satisfactory to Landlord.

C. Waiver and Release. Tenant and Landlord, as a material part of the consideration passing to the other, by this Paragraph 11C, respectively waive and release all claims against the other, the other's wholly owned subsidiaries, and all of the other's or the other's wholly owned subsidiaries' employees and agents with respect to all matters for which the respective parties have disclaimed liability pursuant to the provisions of this Lease.

D. The provisions of this Paragraph shall survive the expiration or termination of this Lease with respect to any claims or liability occurring prior to such expiration or termination. The indemnification provided by this Paragraph 11 is subject to Tenant's and Landlord's waiver of recovery in the preceding Paragraph 10 to the extent of either Tenant's or Landlord's recovery of loss proceeds under policies of insurance described in Paragraph 10.

12. Use.

A. The Premises shall be used only for the purpose of receiving, storing, servicing, repairing, shipping and selling (other than retail) products, materials and merchandise made and/or distributed by Tenant and for such other lawful purposes as may be incidental thereto provided that Tenant shall not use the Premises for the receipt, storage or handling of any product, material or merchandise that is explosive or highly inflammable or hazardous or make any use of the Premises which would make void or voidable any policy of fire or extended coverage insurance covering any of the Building or property of Landlord. Outside storage, including without limitation, storage of trucks and other vehicles (except trucks and other vehicles used in Tenant's ordinary course of business at the Premises, which trucks and other vehicles may be parked on the Premises as needed by Tenant during business hours, and stored thereon by Tenant during non-business hours), is prohibited without Landlord's prior written consent. Tenant shall comply with all governmental laws, ordinances and regulations applicable to the use of the Premises, and promptly shall comply with all governmental orders and directives for the correction, prevention and abatement of nuisances in or upon, or connected with, the Premises, all at Tenant's sole expense. Tenant shall not permit any objectionable or unpleasant odors, smoke, dust, gas noise, or vibrations to emanate from the Premises, nor take any other action that would constitute a nuisance or would disturb, unreasonably interfere with, or endanger Landlord or any other tenants of the Building. Landlord warrants that the current zoning of the Premises is "BPD-Business Park

District".

B. Tenant and its employees, customers and licensees shall have the non-exclusive rights to use any parking areas associated with the Premises that have been designated for such use by Landlord, subject to (1) all reasonable rules and regulations promulgated by Landlord and (2) rights of ingress and egress of other tenants. Landlord shall not be responsible for enforcing Tenant's parking rights against any third parties. Tenant shall not sublease any parking spaces without Landlord's written consent.

13. Inspection. Landlord and Landlord's agents and representatives shall have the right to enter the Premises at any reasonable time during business hours, to inspect the Premises and to make such repairs as may be required or permitted pursuant to this Lease. During the period that is twelve (12) months prior to the end of the Lease term, Landlord and Landlord's representatives may enter the Premises during business hours for the purpose of showing the Premises. In addition, Landlord shall have the right to erect a suitable sign on the Premises stating the Premises are available. Tenant shall notify Landlord in writing at least thirty (30) days prior to vacating the Premises and shall arrange to meet with Landlord for a joint inspection of the Premises prior to vacating. If Tenant fails to give such notice or to arrange for such inspection, then Landlord's inspection shall be deemed correct for the purpose of determining Tenant's responsibility for repairs and restoration of the Premises.

14. Assignment and Subletting.

A. Tenant shall not have the right to sublet all or part of the Premises or to assign, transfer or encumber this Lease, or any interest therein, without the prior written consent of Landlord. Any attempted assignment, subletting, transfer or encumbrance by Tenant in violation of the terms and covenants of this Paragraph shall be void. No assignment, subletting or other transfer, whether consented to by Landlord or not, or permitted hereunder, shall relieve Tenant of its liability hereunder. If an event of default occurs while the Premises or any part thereof are assigned or sublet, then Landlord, in addition to any other remedies herein provided, or provided by law, may collect directly from such assignee, subtenant or transferee all rents payable to the Tenant and apply such rent against any sums due Landlord hereunder. No such collection shall be construed to constitute a novation or a release of Tenant from the further performance of Tenant's obligations hereunder.

B. Upon the occurrence of an assignment or subletting, whether consented to by Landlord, or mandated by judicial intervention, Tenant hereby assigns, transfers and conveys all rents or other sums received by Tenant under any such assignment or sublease, which are in excess of the rents and other sums payable by Tenant under this Lease, and agrees to pay such amounts within ten (10) days after receipt.

C. If this Lease is assigned to any person or entity pursuant to the provisions of the Bankruptcy Code, 11 U.S.C. (S) 101 et. seq., (the "Bankruptcy Code"), any and all monies or other consideration payable or otherwise to be delivered in connection with such assignment shall be paid or delivered to Landlord, shall be and remain the exclusive property of Landlord and shall not constitute property of Tenant or of the estate of Tenant within the meaning of the Bankruptcy Code. Any and all monies or other considerations constituting Landlord's property under the preceding sentence not paid or delivered to Landlord shall be held in trust for the benefit of Landlord and be promptly paid or delivered to Landlord.

D. Any person or entity to which this Lease is assigned pursuant to the provisions of the Bankruptcy Code, shall be deemed, without further act or deed, to have assumed all of the obligations arising under this Lease on and after the date of such assignment. Any such assignee shall upon demand execute and deliver to Landlord an instrument confirming such assumption.

E. Notwithstanding the provisions of Paragraph 14A, Tenant may, after prior written notice to Landlord, assign the Lease or any part thereof, or sublease the Premises, in whole or in part without Landlord's prior consent to:

(1) any corporation or other legal entity which has the power to direct Tenant's management and operation, or any corporation whose management and operation is controlled by Tenant; or

(2) any corporation a majority of whose voting stock is owned by Tenant; or

(3) any corporation or other entity in which or with which Tenant is merged or consolidated, in accordance with applicable statutory provisions for merger or consolidation of corporations or other entities, so long as the liabilities of the corporations or other entities participating in such merger or consolidation are assumed by the corporation or other entity surviving such merger or created by such consolidation; or

(4) any corporation or other entity acquiring this Lease and a substantial portion of Tenant's assets; or

(5) any corporate or other successor to a successor corporation or entity becoming such by either of the methods described in subsections (4); or

(6) any entity (or member of a group of affiliated entities) which is acquiring the majority of Tenant's business located and operated in the San Antonio, Texas, "Area of Dominant Influence for Media Coverage" (as such term is commonly defined in the advertising industry);

F. Tenant's right to assignment or sublet under Paragraph 14E above is conditioned upon the following:

(1) that the proposed subtenant or assignee is engaged in the substantially the same business activities as Tenant,

(2) that no more than two (2) subtenants or assignees may occupy the Premises; and

(3) that Tenant and Guarantor remain fully liable under this Lease.

15. Condemnation. If ten percent (10%) or more of the Premises are taken for any public or quasi-public use under governmental law, ordinance or regulation, or by right of eminent domain, or by private purchase in lieu thereof and, in the reasonable opinion of Tenant, the taking prevents or materially interferes with the use of the Premises for the purpose for which they were leased to Tenant, then Tenant, at its election, may terminate this Lease by giving written notice to Landlord of such election and the rent shall be abated during the unexpired portion of this Lease, effective on the date of such taking. If less than ten percent (10%) of the Premises are taken for any public or quasi-public use under any governmental law, ordinance or regulation, or by right of eminent domain, or by private purchase in lieu thereof, this Lease shall not terminate, but the rent payable hereunder during the unexpired portion of this Lease shall be reduced to such extent as may be fair and reasonable under all of the circumstances. All compensation awarded in connection with or as a result of any of the foregoing proceedings shall be the property of Landlord and Tenant hereby assigns any interest in any such award to Landlord; provided, however, Landlord shall have no interest in any award made to Tenant for loss of business or goodwill or for the taking of Tenant's fixtures and improvements, if a separate award for such items is made to Tenant.

16. Holding Over. At the termination of this Lease by its expiration or otherwise, Tenant immediately shall deliver possession to Landlord with all repairs and maintenance required herein to be performed by Tenant completed. If, for any reason, Tenant retains possession of the Premises after the expiration or termination of this Lease or fails to complete any repairs required hereby, unless the parties hereto otherwise agree in writing, such possession shall be subject to termination by either Landlord or Tenant at any time upon not less than ten (10) days advance written notice, and provided all of the other terms and provisions of this Lease shall be applicable during such period, except that Tenant shall pay Landlord from time to time, upon demand, as rental for the period of such possession, an amount equal to one hundred fifty percent (150%) of the rent in effect on the termination date, computed on a daily basis for any day of each calendar month of such period. No holding over by Tenant, whether with or without consent of Landlord, shall operate to extend this Lease except as otherwise expressly provided. The preceding provisions of this Paragraph 16 shall not be construed as consent for Tenant to retain possession of the Premises in the absence of written consent thereto by Landlord.

17. Quiet Enjoyment. Landlord covenants that on or before the Commencement Date it will have good title to the Premises, free and clear of all liens and encumbrances, excepting only the lien for current taxes not yet due, such mortgage or mortgages as are permitted by the terms of this Lease, zoning ordinances and other building and fire ordinances and governmental regulations relating to the use of such property, and easements, restrictions and other conditions of record. Landlord represents that it has the authority to enter into this Lease and that so long as Tenant pays all amounts due hereunder and performs all other covenants and agreements herein set forth, Tenant shall peaceably and quietly have, hold and enjoy the Premises for the term hereof without hindrance or molestation from Landlord, subject to the terms and provisions of this Lease.

18. Events of Default. The following events (herein individually referred to as an "event of default") each shall be deemed to be events of nonperformance by Tenant under this Lease:

    A. Tenant shall fail to pay any installment of the rent herein reserved when due, or any other payment or reimbursement to Landlord required herein when due or any payment or reimbursement required under any other lease with Landlord, and such failure shall continue for a period of five (5) days from the date such payment was due. Landlord shall provide written notice of Tenant's failure no more than two (2) times per lease year whereupon Tenant shall have five (5) days from the date of receipt of said notice to cure.

    B. Tenant shall fail to pay any amounts owed to contractors or subcontractors for work or services performed, or bond-around any such disputed claim in a manner to free the Premises from any lien claim arising therefrom, in connection with the operation, construction, management or maintenance of the Building as provided herein, and such failure shall continue for a period of five (5) business days from the date Tenant is notified in writing that such payment was due.

    C. The Tenant or any guarantor of the Tenant's obligations hereunder shall (i) become insolvent; (ii) admit in writing its inability to pay its debts; (iii) make a general assignment for the benefit of creditors; (iv) commence any case, proceeding or other action seeking to have an order for relief entered on its behalf as a debtor or to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or of any substantial part of its property; or (v) take any action to authorize or in contemplation of any of the actions set forth above in this Paragraph 18.

    D. Any case, proceeding or other action against the Tenant or any guarantor of the Tenant's

obligations hereunder shall be commenced seeking (i) to have an order for relief entered against it as debtor or to adjudicate it a bankrupt or insolvent; (ii) reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors; (iii) appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its property, and such case, proceeding or other action (a) results in the entry of an order for relief against it which is not fully stayed within seven (7) business days after the entry thereof or (b) shall remain undismissed for a period of forty-five (45) days.

E. Tenant shall for a period of more than thirty (30) days (i) vacate all or a substantial portion of the Premises or (ii) fail to continuously operate its business at the Premises for the permitted use set forth herein, whether or not Tenant is in default of the rental payments due under this Lease.

F. Tenant shall fail to discharge or effectively bond-around any lien placed upon the Premises in violation of Paragraph 21, hereof within twenty (20) days after any such lien or encumbrance is filed against the Premises.

G. Tenant shall fail to comply with any term, provision or covenant of this Lease (other than those listed in this Paragraph 18), and shall not cure such failure within twenty (20) days after written notice thereof to Tenant.

19. Remedies.

A. Upon each occurrence of an event of default, Landlord shall have the option to pursue any one or more of the following remedies without any notice or demand:

(1) Terminate this Lease; and/or

(2) Enter upon and take possession of the Premises without terminating this Lease; and/or

(3) Alter all locks and other security devices at the Premises with or without terminating this Lease, deny access to Tenant, and pursue, at Landlord's option, one or more remedies pursuant to this Lease, Tenant hereby specifically waiving any state or federal law to the contrary. This provision shall control over any conflicting provisions of the Texas Property Code or any successor statute governing the right of landlords to change the door locks of commercial tenants.

B. Upon the occurrence of any event of default Tenant immediately shall surrender the Premises to Landlord, and if Tenant fails so to do, Landlord, without waiving any other remedy it may have, may enter upon and take possession of the Premises and expel or remove Tenant and any other person who may be occupying such Premises or any part thereof, without being liable for prosecution or any claim of damages therefor.

C. If Landlord repossesses the Premises with or without terminating the Lease, Tenant, at Landlord's option, shall be liable for and shall pay Landlord on demand all rental and other payments owed to Landlord hereunder, accrued to the date of such repossession, plus all amounts required to be paid by Tenant to Landlord until the date of expiration of the term as stated in Paragraph 1. Actions to collect amounts due by Tenant to Landlord under this subparagraph may be brought from time to time, on one or more occasions, without the necessity of Landlord's waiting until expiration of the Lease term. In the event of any damages provable by Landlord, Tenant shall be liable and responsible to Landlord and termination shall not relieve Tenant from such liability.

D. Upon an event of default, in addition to any sum provided to be paid herein, Tenant also shall be liable for and shall pay to Landlord (1) any reasonable brokerage fees incurred by Landlord in connection with the execution of this Lease; (2) reasonable brokers' fees incurred by Landlord in connection with any reletting of the whole or any part of the Premises; (3) the costs of removing and storing Tenant's or other occupant's property; (4) the costs of repairing, altering, remodeling or otherwise putting the Premises into condition acceptable to a new tenant or tenants; and (5) all reasonable expenses incurred by Landlord in enforcing or defending Landlord's rights and/or remedies. If either party hereto institutes any action or proceeding to enforce any provision hereof by reason of any alleged breach of any provision of this Lease, the prevailing party shall be entitled to receive from the losing party all reasonable attorney's fees and all court costs in connection with such proceeding.

E. In the event Tenant fails to make any payment due hereunder when payment is due, to help defray the additional cost to Landlord for processing of such late payments, Tenant shall pay to Landlord on demand a late charge in an amount equal to five percent (5%) of such installment; and the failure to pay such amount within ten (10) days after demand therefore shall be an additional event of default hereunder. The provision for such late charges shall be in addition to all of Landlord's other rights and remedies hereunder or at law and shall not be construed as liquidated damages or as limiting Landlord's remedies in any manner.

F. Exercise by Landlord of any one or more remedies hereunder granted or otherwise is available, including without limitation, the institution by Landlord, its agents or attorney of a forcible detainer or ejectment action to re-enter the Premises shall not be construed to be an election to terminate this Lease or relieve Tenant of its obligation to pay rent hereunder and shall not be deemed to be an acceptance of surrender of the Premises by Landlord, whether by agreement or by operation of law, it being understood that such surrender can be effected only by the written agreement of Landlord and Tenant. Tenant and Landlord further agree that forbearance by Landlord to enforce its rights pursuant to the Lease at law or in equity, shall not be a waiver of Landlord's right to enforce one or more of its rights in connection with any subsequent default.

G. In the event of termination and/or repossession of the Premises for an event of default, Landlord shall use reasonable efforts to relet the Premises; provided, that, Tenant shall not be entitled to credit or reimbursement of any proceeds in excess of the rental owed hereunder. Landlord may relet the whole or any portion of the Premises for any period, to any tenant and for any use and purpose.

H. If Landlord fails to commence to perform any of its obligations hereunder within thirty (30) days after receipt of written notice from Tenant specifying such failure, Tenant's exclusive remedy shall be an action for damages, however, if the nature of Landlord's obligation is such that more than thirty (30) calendar days are required for its performance, then Landlord shall not be deemed in default if it is diligently pursuing the same to completion. Unless and until Landlord fails to so cure said default after such notice, Tenant shall not have any remedy or cause of action by reason thereof. All obligations of Landlord hereunder will be binding upon Landlord only during the period of its possession of the Premises and not thereafter. The term "Landlord" shall mean only the owner, for the time being of the Premises, and in the event of the transfer by such owner of its interest in the Premises, such owner shall thereupon be released and discharged from all covenants and obligations of the Landlord thereafter accruing, but such covenants and obligations shall be binding during the Lease term upon each new owner for the duration of such owner's ownership. Notwithstanding any other provision hereof, Landlord shall not have any personal liability hereunder. In the event of any breach or default by Landlord in any term or provision of this Lease, and, as a consequence, if Tenant shall recover a money judgment against Landlord, such judgment

shall be satisfied only out of the proceeds received at a judicial sale upon execution and levy against the right, title and interest of Landlord in the Building, and in the rents or other income from the Building receivable by Landlord, and neither Landlord nor Landlord's owners, partners or venturers shall have any personal, partnership, corporate or other liability hereunder.

I. If Landlord repossesses the Premises pursuant to the authority herein granted, then Landlord shall have the right to (i) keep in place and use or (ii) remove and store all of the furniture, fixtures and equipment at the Premises at Tenant's sole expense, including that which is owned by or leased to Tenant at all times prior to any foreclosure thereon by Landlord or repossession thereof by any Landlord thereof or third party having a lien thereon. Landlord also shall have the right to relinquish possession of all or any portion of such furniture, fixtures and equipment and other property to any person ("Claimant") who represents to Landlord a copy of any instrument represented by Claimant to have been executed by Tenant (or any predecessor of Tenant) granting Claimant the right under various circumstances to take possession of such furniture, fixtures, equipment or other property, without the necessity on the part of Landlord to inquire into the authenticity or legality of said instrument, Landlord may, at its sole option and without prejudice to, or waiver of any right it may have i) escort Tenant to the Premises to retrieve any personal belongings of Tenant and/or its employees, or ii) obtain a list from Tenant of the personal property of Tenant and/or its employees, and make such property available to Tenant and or Tenant's employees; provided, however, Tenant first shall pay in cash all reasonable costs and estimated expenses to be incurred in connection with the removal of such property and making it available. The rights of Landlord herein stated shall be in addition to any and all other rights that Landlord has or may hereafter have at law or in equity, and Tenant stipulates and agrees that the rights herein granted Landlord are commercially reasonable.

J. Notwithstanding anything in this Lease to the contrary, all amounts payable by Tenant to or on behalf of Landlord under this Lease, whether or not expressly denominated as rent, shall constitute rent.

K. This is a contract under which applicable law excuses Landlord from accepting performance from (or rendering performance to) any person or entity other than Tenant.

20. Mortgages. Tenant accepts this Lease subject and subordinate to any mortgages and/or deeds of trust now or at any time hereafter constituting a lien or charge upon the Premises or the improvements situated thereon or the Building, provided, however, that if the mortgagee, trustee, or holder of any such mortgage or deed of trust elects to have Tenant's interest in this Lease superior to any such instrument, then by notice to Tenant from such mortgagee, trustee or holder, this Lease shall be deemed superior to such lien, whether this Lease was executed before or after said mortgage or deed of trust. Tenant agrees to attorn to any mortgagee, trustee under a deed of trust or purchaser at a foreclosure sale or trustee's sale as Landlord under this Lease. Tenant, at any time hereafter, within ten (10) days after demand, shall execute any instruments, releases or other documents that may be required by any mortgagee for the purpose of subjecting and subordinating this Lease to the lien of any such mortgage provided that mortgagee assures the right of possession of the Premises to Tenant under the terms of this Lease. Landlord represents that, as of the date hereof, there exists no mortgage or deed of trust affecting the Premises.

21. Mechanic's Liens. Tenant has no authority, express or implied, to create or place any lien or encumbrance of any kind or nature whatsoever upon, or in any manner to bind the interest of Landlord or Tenant in the Premises or to charge the rentals payable hereunder for any claim in favor of any person dealing with Tenant, including those who may furnish materials or perform labor for any construction or repairs. Tenant covenants and agrees that it will pay or cause to be paid all sums legally due and payable by it on account of any labor performed or materials furnished in connection

with any work performed on the Premises, or will duly and timely bond around 150% of any disputed claim and that it will save and hold Landlord harmless from any and all loss, cost or expense based on or arising out of asserted claims or liens against the leasehold estate or against the right, title and interest of the Landlord in the Premises or under the terms of this Lease. Tenant agrees to give Landlord immediate written notice of the placing of any lien or encumbrance against the Premises.

22. Miscellaneous.

A. Words of any gender used in this Lease shall be held and construed to include any other gender, and words in the singular number shall be held to include the plural, unless the context otherwise requires. The captions inserted in this Lease are for convenience only and in no way define, limit or otherwise describe the scope or intent of this Lease, or any provision hereof, or in any way affect the interpretation of this Lease.

B. In the event the Premises constitute a portion of a multiple occupancy building, Tenant's Proportionate Share, as used in this Lease, shall mean a fraction, the numerator of which is the space contained in the Premises and the denominator of which is the entire rentable space contained in the Building.

C. The terms, provisions and covenants and conditions contained in this Lease shall run with the land and shall apply to, inure to the benefit of, and be binding upon, the parties hereto and upon their respective heirs, executors, personal representatives, legal representatives, successors and assigns, except as otherwise herein expressly provided. Landlord shall have the right to transfer and assign, in whole or in part, its rights and obligations in the Building and property that are the subject of this Lease. Each party agrees to furnish to the other, promptly upon demand, a corporate resolution, proof of due authorization by partners, or other appropriate documentation evidencing the due authorization of such party to enter this Lease.

D. Landlord and Tenant shall not be held responsible for delays in the performance of its non-monetary obligations hereunder when caused by material shortages, acts of God or labor disputes.

E. Tenant agrees, from time to time, within ten (10) days after request of Landlord, to deliver to Landlord, or Landlord's designee, a Certificate of Occupancy, financial statements and an estoppel certificate stating that this Lease is in full force and effect, the date to which rent has been paid, the unexpired term of this Lease and such other factual matters pertaining to this Lease as may be requested by Landlord. It is understood and agreed that Tenant's obligation to furnish such estoppel certificates in a timely fashion is a material inducement for Landlord's execution of this Lease. If Tenant fails to execute the same within such ten (10) day period, Landlord is hereby authorized to execute the same as attorney-in-fact for Tenant.

F. This Lease constitutes the entire understanding and agreement of the Landlord and Tenant with respect to the subject matter of this Lease, and contains all of the covenants and agreements of Landlord and Tenant with respect thereto. Landlord and Tenant each acknowledge that no representations, inducements, promises or agreements, oral or written, have been made by Landlord or Tenant, or anyone acting on behalf of Landlord or Tenant, which are not contained herein, and any prior agreements, promises, negotiations, or representations not expressly set forth in this Lease are of no force or effect. This Lease may not be altered, changed or amended except by an instrument in writing signed by both parties hereto.

G. All obligations of Tenant hereunder not fully performed as of the expiration or earlier termination of the term of this Lease shall survive the expiration or earlier termination of the

term hereof, including without limitation, all payment obligations with respect to taxes and insurance and all obligations concerning the condition and repair of the Premises. Upon the expiration or earlier termination of the term hereof, and prior to Tenant vacating the Premises, Tenant shall pay to Landlord any amount reasonably estimated by Landlord as necessary to put the Premises, including without limitation, all heating and air conditioning systems and equipment therein, in good condition and repair, reasonable wear and tear excluded. Tenant shall also, prior to vacating the Premises, pay to Landlord the amount, as estimated by Landlord, of Tenant's obligation hereunder for real estate taxes and insurance premiums for the year in which the Lease expires or terminates. All such amounts shall be used and held by Landlord for payment of such obligations of Tenant hereunder, with Tenant being liable for any additional costs therefor upon demand by Landlord, or with any excess to be returned to Tenant after all such obligations have been determined and satisfied as the case may be. Any security deposit held by Landlord shall be credited against the amount due for Tenant under this Paragraph 22G.

H. Landlord expressly reserves the right, at Landlord's sole cost and expense, to remove Tenant from the Premises and to relocate Tenant in some other space (the "New Premises") of Landlord's choosing of approximately the same dimensions and size within the Building or any other building owned or managed by Landlord in the vicinity of the Building, which other space shall be improved in such a manner so that the New Premises shall be comparable in its interior design and decoration to the Premises; provided, however, that if Landlord exercises Landlord's election to remove and relocate Tenant in the New Premises, which is at that time leasing for a higher rate of Base Rent, then Tenant shall not be required to pay the difference between the Base Rent of the Premises and the higher Base Rent of the New Premises, provided further, that if Tenant is removed and relocated to the New Premises which is then leasing at a Base Rent less than the Base Rent of the Premises at that time, Tenant's Base Rent shall be reduced to the Base Rent then being charged for the New Premises. Nothing herein contained shall be construed to relieve Tenant, or imply that Tenant is relieved, of the liability for or obligation to pay any additional rental due by reason of any of other provisions of this Lease, which provisions shall be applied to the New Premises. Tenant agrees that Landlord's exercise of Landlord's election to remove and relocate Tenant shall not terminate this Lease or release Tenant, in whole or in part, from Tenant's obligation to pay the rental and perform the covenants and agreements hereunder for the full term of this Lease. In the event of any such relocation, this Lease shall continue in full force and effect with no change in the terms, covenants or conditions hereof other than (i) the substitution of the New Premises for the Premises specified in Paragraph 1, hereof, and (ii) the reduction of Base Rent from the amount specified in Paragraph 2A hereof, as provided above, in the event that the New Premises is leasing at a Base Rent less than the Base Rent for the Premises at the time of such relocation. Upon request from Landlord, Tenant shall execute an amendment to this Lease reflecting the aforesaid changes. Notwithstanding the above, should Landlord elect to relocate Tenant to the New Premises, Landlord shall be required to fixture and finish the interior comparable to the Premises and Tenant shall not be required to move to the New Premises until the New Premises is complete, ready for occupancy, with fixtures and finish in place, all at Landlord's expense.

I. If any clause or provision of this Lease is illegal, invalid or unenforceable under present or future laws effective during the term of this Lease, then and in that event, it is the intention of the parties hereto that the remainder of this Lease shall not be affected thereby, and it is also the intention of the parties to this Lease that in lieu of each clause or provision of this Lease that is illegal, invalid or unenforceable, there be added, as a part of this Lease, a clause or provision as similar in terms to such illegal, invalid or unenforceable clause or provision as may be possible and be legal, valid and enforceable.

J. All references in this Lease to "the date hereof" or similar references shall be deemed to refer

to the last date, in point of time, on which all parties hereto have executed this Lease.

K. Tenant represents and warrants that it has dealt with no broker, agent or other person in connection with this transaction or that no broker, agent or other person brought about this transaction, other than CAVENDER & HILL PROPERTIES, INC. and OSBORN PROPERTIES, and Tenant agrees to indemnify and hold Landlord harmless from and against any claims by any other broker, agent or other persons claiming a commission or other form of compensation by virtue of having dealt with Tenant with regard to this leasing transaction.

L. If and when included within the term "Landlord", as used in this instrument, there is more than one person, firm or corporation, all shall jointly arrange among themselves for their joint execution of a notice specifying some individual at some specific address for the receipt of notices and payments to Landlord. If and when included within the term "Tenant", as used in this instrument, there is more than one person, firm or corporation, all shall jointly arrange among themselves for their joint execution of a notice specifying some individual at some specific address within the continental United States for the receipt of notices and payments to Tenant. All parties included within the terms "Landlord" and "Tenant", respectively, shall be bound by notices given in accordance with the provisions of Paragraph 23, hereof to the same effect as if each had received such notice.

M. Tenant acknowledges that (1) it has inspected and accepts the Premises in an "As Is, Where Is" condition, (2) the buildings and improvements comprising the same are suitable for the purpose for which the Premises are leased and Landlord has made no warranty, representation, covenant, or agreement with respect to the merchantability or fitness for any particular purpose of the Premises, (3) the Premises are in good and satisfactory condition, (4) no representations as to the repair of the Premises, nor promises to alter, remodel or improve the Premises have been made by Landlord (unless and except as may be set forth in Exhibit "B" attached to this Lease, if one shall be attached, or as is otherwise expressly set forth in this Lease), and (5) there are no representations or warranties, expressed, implied or statutory, that extend beyond the description of the Premises.

23. Notices. Each provision of this instrument or of any applicable governmental laws, ordinances, regulations and other requirements with reference to the sending, mailing or delivering of notice or the making of any payment by Landlord to Tenant or with reference to the sending, mailing or delivering of any notice or the making of any payment by Tenant to Landlord shall be deemed to be complied with when and if the following steps are taken:

A. All rent and other payments required to be made by Tenant to Landlord hereunder shall be payable to Landlord at the address for Landlord set forth below or at such other address as Landlord may specify from time to time by written notice delivered in accordance herewith. Tenant's obligation to pay rent and any other amounts to Landlord under the terms of this Lease shall not be deemed satisfied until such rent an and other amounts have been actually received by Landlord. In addition to Base Rent due hereunder, all sums due Landlord hereunder shall be deemed to be additional rental owed to Landlord.

B. All payments required to be made by Landlord to Tenant hereunder shall be payable to Tenant at the address set forth below, or at such other address within the continental United States as Tenant may specify from time to time by written notice delivered in accordance herewith.

C. Any written notice or document required or permitted to be delivered hereunder shall be deemed to be delivered upon the earlier to occur of (1) tender of delivery (in the case of a hand-delivered notice, courier or overnight delivery for which a receipt is given) or (2) upon

receipt or refusal of U.S. Certified Mail, Return Receipt Requested, addressed to the parties hereto at the respective addresses set out below, or at such other address as they have theretofore specified by written notice delivered in accordance herewith.

24. Hazardous Waste.

A. The term "hazardous substance(s)" as used in the Lease, is defined as follows:

Any element, compound, mixture, solution, particle or substance, which presents danger or potential danger for damage or injury to health, welfare or to the environment including, but not limited to: (i) those substances which are inherently or potentially radioactive, explosive ignitable, corrosive, reactive, carcinogenic or toxic and (ii) those substances which have been recognized as dangerous or potentially dangerous to health, welfare or to the environment by any federal, municipal, state, county or other governmental or quasi-governmental authority and/or any department or agency thereof.

B. Tenant represents and warrants to Landlord that at all times during the term of this Lease and any extensions or renewals thereof, Tenant shall:

(i) obtain Landlord's prior written consent, which consent shall be granted or withheld in Landlord's sole discretion, to the manufacturing, processing, distributing, using, producing, treating, storing (above or below ground level), disposing of, or allowing to be present (the "Presence") of any hazardous substance in or about the Premises. In connection with each such consent requested by Tenant, Tenant shall submit to Landlord a description, including the composition, quantity and all other information requested by Landlord concerning the proposed Presence of any hazardous substance. Landlord's consent to the Presence of any hazardous substance may be deemed given only by inclusion of a description of the composition and quantity of the proposed hazardous substance on Exhibit "C" to this Lease. Any hazardous substance, which Landlord has agreed to the Presence thereof, shall be deemed to be an Allowed Substance for purposes of this Article. Landlord's consent to the Presence of any hazardous substance at any time during the lease term or renewal thereof shall not waive the requirement of obtaining Landlord's consent to the subsequent Presence of any other, or increased quantities of, hazardous substance in or about the Premises. If Landlord subsequently consents to the Presence of any other hazardous substance, or to increased quantities of any hazardous substance, such consent shall be deemed given only by amendment of Exhibit "C" to this Lease. Notwithstanding the foregoing, Tenant acknowledges that, unless specifically approved by Landlord in writing, chlorinated solvents including, but not limited to, Trichloroethene(TCE), 1,1,1 Trichloroethene (TCE), 1,1 Dichloroethane (DCA), 1,2, Dichloroethane (DCA), and 1,1 Dichlorethene (DCE), ("Chlorinated Solvents") shall be deemed not to be Allowed Substances, and the Presence, manufacture, processing, distribution, production, treatment, storage below ground level, or disposal of Chlorinated Solvents on the demised premises or the Project is strictly prohibited.

(ii) refrain from (and prohibit others from) allowing the Presence of any hazardous substance in or about the Premises which is not an Allowed Substance;

(iii) promptly comply at Tenant's own cost and expense, with all laws, orders, rules, regulations, certificates of occupancy, or other requirements, as the same now exist or may hereafter be enacted, amended or promulgated, of any federal, municipal, state, county or other governmental or quasi-governmental authorities and/or any department or agency thereof relating to the Presence of hazardous substances in or about the Premises which were created or allowed to be present by Tenant, its

employees, contractors, agents or invitees, whether or not such substances are Allowed Substances.

(iv) indemnify and hold Landlord, its agents and employees, harmless from any and all demands, claims, causes of action, penalties, liabilities, judgments, damages (including consequential damages) and expenses including, without limitation, court costs and reasonable attorneys fees incurred by Landlord as a result of (a) Tenant's failure or delay in complying, to Landlord's satisfaction, with the provisions of sections (B)(i) or (ii) above; (b) Tenant's failure or delay in properly complying with such law, order, rule, regulation, certificate of occupancy or other requirement referred to in section (B) (iii), above or (c) any adverse effect which results from the Presence of any hazardous substance in or about the Premises which were created or allowed to be present by Tenant, its employees, contractors, agents or invitees, whether or not such hazardous substance is an Allowed Substance. If any action or proceeding is brought against Landlord, its agents or employees by reason of any such claim, Tenant, upon notice from Landlord, will defend such claim at Tenant's expense with counsel reasonably satisfactory to Landlord. This indemnification by Tenant of Landlord shall survive the termination of the Lease.

(v) promptly disclose to Landlord by delivering, in the manner prescribed for delivery of notice in the Lease, a copy of any forms, submissions, notices, reports, or other written documentation (Communications) relating to the Presence of any hazardous substance in or about the Premises, whether or not such hazardous substance is an Allowed Substance, and whether such Communications are delivered to Tenant or are requested of Tenant by any federal, municipal, state, county or other government or quasi-governmental authority and/or any department or agency thereof.

(vi) notwithstanding any other provisions of this Lease, allow Landlord, any authorized representative of Landlord, access and the right to enter and inspect the Premises for the Presence of any hazardous substance, whether or not such hazardous substance is an Allowed Substance, at any time deemed reasonable by Landlord, without prior notice to Tenant.

C. Compliance by Tenant with any provisions of this Article shall not be deemed a waiver of any other provision. Without limiting the foregoing, Landlord's consent to the Presence of any hazardous substance shall not relieve Tenant of its indemnity obligations under the terms of this Article.

25. Waiver of Landlord's Lien. Landlord hereby waives any statutory liens and rights of distress with respect to the personal property (trade fixtures, equipment and merchandise) of Tenant from time to time located within the Premises ("Tenant's Property"). This Lease does not grant a contractual lien or any other security interest to Landlord or in favor of Landlord with respect to Tenant's Property. Landlord further agrees to execute and deliver such instruments reasonably requested by any lender of Tenant having a security interest in Tenant's Property ("Tenant's Lender") from time to time to evidence or effect the aforesaid waiver and agreements.

26. Leasehold Improvements. Landlord, at Landlord's expense, shall construct one (1) sheetrock demising wall (320 I.f.) separating the Premises from the remainder of the building. Landlord shall be responsible for no other improvements or modifications to the Premises and Tenant agrees to accept the Premises in its current "as-is" condition. Landlord shall provide a Leasehold Improvement Allowance of up to Two Hundred Thirty-six Thousand One Hundred Sixty and No/100 Dollars ($236,160.00) to be applied toward the costs of Tenant's Leasehold Improvements to the Premises. Prior to commencement of construction, Tenant shall submit plans and specifications for Landlord's reasonable approval which shall be attached hereto as Exhibit "B". All improvements shall be

constructed in a good and workmanlike manner by a general contractor reasonably approved by Landlord in advance and in accordance with all applicable statutes, laws, regulations, permits, licenses and other legal requirements. Landlord shall reimburse Tenant for its bona fide costs of Tenant's Leasehold Improvements not the exceed the Leasehold Improvement Allowance after all of the following events have taken place:

A. completion by Tenant and approval by Landlord of all of Tenant's Leasehold Improvements;
B. Receipt by Landlord from Tenant of a Certificate of Occupancy issued by the City of San Antonio; and
C. Receipt by Landlord from Tenant a release and waiver of liens by the general contractor, holding Landlord harmless from any obligation whatsoever which may be or may have been incurred by Tenant or Tenant's contractors or subcontractors, during the construction of the Leasehold Improvements.

27. Authority. The parties executing this document represent, warrant and covenant that they are fully authorized and empowered to execute this Lease Agreement on behalf of the respective parties, and that the execution hereof by the parties shown below is legally binding, respectively, on the Landlord and Tenant named herein.

28. Guaranty. This Lease is conditioned upon the execution by Conn Appliances, Inc. of that certain Continuing Lease Guaranty by Corporation attached hereto as Exhibit "D".

29. Exhibits. The following Exhibits are hereby incorporated into this Lease:

Exhibit "A"	Property Description
Exhibit "A-1"	Floorplan
Exhibit "B"	Office Finish-out Plans and Specifications
Exhibit "C"	Allowed Substances
Exhibit "D"	Continuing Lease Guaranty by Corporation

EXECUTED BY LANDLORD, this 5 day of December, 2000.

THE NORTHWESTERN MUTUAL LIFE INSURANCE COMPANY

By: Cavender & Hill Properties, Inc.
Its: Managing Agent

By: /s/ J. Mark Cavender

J. Mark Cavender

Title: President

Address:

The Northwestern Mutual Life Insurance Company
c/o Cavender & Hill Properties, Inc.
900 Isom Road
Suite 306
San Antonio, Texas 78216

EXECUTED BY TENANT, this 30 day of November 2000.

CAI, L.P.

By: Conn Appliances, Inc.
A Texas Corporation

Its: General Partner

By: /s/ Thomas J. Frank

Thomas J. Frank

Its: Chief Executive Officer

Address:

CAI, L.P.
Conn's Appliances
3295 College Street, Suite A
Beaumont, Texas 77701

EXHIBIT A
PROPERTY DESCRIPTION

Approximately 15.62 acres out of Lot 31, Block 1, NCB 12191, San Antonio, Bexar County, Texas.

EXHIBIT A-1
FLOORPLAN

[GRAPHIC]

EXHIBIT B
OFFICE FINISH-OUT
PLANS AND SPECIFICATIONS

To be attached

EXHIBIT B
OFFICE FINISH-OUT
PLANS AND SPECIFICATIONS

[GRAPHIC]

EXHIBIT B
OFFICE FINISH-OUT
PLANS AND SPECIFICATIONS

[GRAPHIC]

EXHIBIT B
OFFICE FINISH-OUT
PLANS AND SPECIFICATIONS

[GRAPHIC]

EXHIBIT C
ALLOWED SUBSTANCES

Composition of Allowed Substances	Maximum Quantity of Allowed Substances At any one (1) time
Acetylene	100 pounds
Freeze-It	12 cans (16 oz. cans)
R-1 34a Freon	180 pounds
R-22 Freon	250 pounds
R-12 Freon	30 pounds
WD-40	12 cans (16 oz. cans)
Denatured alcohol	1 gallon
Tun-O-Wash	12 cans (16 oz. cans)
Service Solvent (acetone)	1 gallon
Acetelyne	100 pounds
Oxygen	100 pounds
Coil Master (condenser coil cleaner)	6 gallons
Soldering Flux	1 pound
Small engine oil	24 quarts
Silicone RTV	48 tubes (6 oz. tubes)
Contact cement	1 quart
Nitrogen	125 pounds
Super-Glue	12 tubes (10 oz. tubes)
Clorox	6 gallons
Pine-O-Pine	2 gallons
Easy-Off oven cleaner	2 gallons
Windex	5 gallons

Tenant warrants that only Air Conditioning Technicians will utilize any Freon or Freon products, and that all of Tenant's Air Conditioning Technicians have been tested and certified by the Environmental Protection Agency (E.P.A.) of the United States of America on the proper handling, recovery and reclaiming of C.F.C. Refrigerants. Further, any area used for handling or storage of Freon or Freon products shall be sealed with a concrete sealer or coating acceptable to Landlord such that the slab is impervious to Freon spills.

EXHIBIT D
CONTINUING LEASE GUARANTY BY CORPORATION

C.A.I., L.P., a limited partnership organized under the laws of the State of Texas ("Tenant") is (a) engaged in business as an affiliate of the undersigned, or (b) engaged in selling, marketing, using or otherwise dealing in merchandise, supplies, products, equipment or other articles supplied to it by the undersigned, or (c) because of our inter-corporate or business relations, or by reason of any of the foregoing, it will be in our direct interest and advantage to assist Tenant in securing a lease. Therefore, in consideration of the making of the Lease Agreement by and between The Northwestern Mutual Life Insurance Company, as Landlord, and CAI, L.P., as Tenant, dated December 5, 2000, for the premises commonly described as 4810 Eisenhauer Road, Suite 240; San Antonio, Texas (hereinafter referred to as the "Lease") and for the purpose of inducing Landlord to enter into and make the Lease, the undersigned hereby unconditionally guarantees the full and prompt payment of rent and all other sums required to be paid by Tenant under the Lease ("Guaranteed Payments") and the full and faithful performance of all terms, conditions, covenants, obligations and agreements contained in the Lease on the Tenant's part to be performed ("Guaranteed Obligations") and the undersigned further promises to pay all of Landlord's costs and expenses (including reasonable attorney's fees) incurred in endeavoring to collect the Guaranteed Payments or to enforce the Guaranteed Obligations or incurred in enforcing this Guaranty as well as all damages which Landlord may suffer in consequence of any default or breach under the Lease or this Guaranty.

1. Landlord may at any time and from time to time, without notice to the undersigned, take any or all of the following actions without affecting or impairing the liability and obligations of the undersigned on this Guaranty:

   (a) grant an extension or extensions of time of payment of any Guaranteed Payment or time for performance of any Guaranteed Obligation;

   (b) grant an indulgence or indulgences in any Guaranteed Payment or in the performance of any Guaranteed Obligation;

   (c) modify or amend the Lease or any term thereof, or any obligation of Tenant arising thereunder by agreement with Tenant;

   (d) consent to any assignment or assignments, sublease or subleases and successive assignments or subleases by Tenant or the Tenant's assigns or subTenants or a change or different use of the leased premises;

   (e) consent to an extension or extensions of the term of the Lease;

   (f) accept other guarantors; and/or

   (g) release any person primarily or secondarily liable.

   The liability of the undersigned under this Guaranty shall in no way be affected or impaired by any failure or delay in enforcing any Guaranteed Payment or Guaranteed Obligation or this Guaranty or any security therefor or in exercising any right or power in respect thereto, or by any compromise, waiver, settlement, change, subordination, modification or disposition of any Guaranteed Payment or Guaranteed Obligation or of any security therefor. In order to hold the undersigned liable hereunder, there shall be no obligation on the part of Landlord, at anytime, to resort for payment to Tenant or any other guaranty or to any security or other rights and remedies, and Landlord shall have the right to enforce this Guaranty irrespective of whether or not other proceedings or steps are pending or being taken seeking resort to or realization upon or from any of the foregoing.

2. The undersigned waives all diligence in collection or in protection of any security, presentment,

protest, demand, notice of dishonor or default, notice of acceptance of this Guaranty, notice of any extensions granted or other action taken in reliance hereon and all demands and notices of any kind in connection with this Guaranty or any Guaranteed Payment or Guaranteed Obligation.

3. The undersigned hereby acknowledges full and complete notice and knowledge of all of the terms, conditions, covenants, obligations and agreements of the Lease.

4. The payment by the undersigned of any amount pursuant to this Guaranty shall not in any way entitle the undersigned to any right, title or interest (whether by subrogation or otherwise) of the Tenant under the Lease or to any security being held for any Guaranteed Payment or Guaranteed Obligation.

5. This Guaranty shall be continuing, absolute and unconditional and remain in full force and effect until all Guaranteed Payments are made, all Guaranteed Obligations are performed, and all obligations of the undersigned under this Guaranty are fulfilled.

6. This Guaranty shall also bind the successors and assigns of the undersigned and inure to the benefit of Landlord, its successors and assigns. This Guaranty shall be construed according to the laws of the State of Texas, in which state it shall be performed by the undersigned.

7. If this Guaranty is executed by more than one person, all singular nouns and verbs herein relating to the undersigned shall include the plural number and the obligation of the several guarantors shall be joint and several.

8. The Landlord and the undersigned intend and believe that each provision of this Guaranty comports with all applicable law. However, if any provision of this Guaranty is found by a court to be invalid for any reason, the parties intend that the remainder of this Guaranty shall continue in full force and effect and the invalid provision shall be construed as if it were not contained herein.

IN WITNESS WHEREOF, the undersigned has caused this Guaranty to be executed by its duly authorized officers this 30 day of November 2000, and delivered to Landlord in Bexar County, Texas.

CONN APPLIANCES, INC.

By: /s/ Thomas J. Frank

Name: Thomas J. Frank
Its: Chief Executive Officer

ATTEST:

Secretary

[Affix Corporate Seal]

Exhibit 10.7.1

LEASE AMENDMENT NO. 1

Reference is hereby made to that certain Lease Agreement (the "Lease") dated December 5, 2000 by and between The Northwestern Mutual Life Insurance Company, as Landlord, and CAI, L.P., as Tenant, covering the Premises known as 4810 Eisenhauer Road, Suite 240, San Antonio, Texas and comprising approximately 118,080 square feet.

WHEREAS, Landlord and Tenant now wish to amend certain terms and conditions of the Lease, the following shall apply:

1. Expansion Area. Commencing on February 1, 2002, the Premises shall be expanded to include an additional area of approximately 78,720 square feet (the "Expansion Area") as described by attached Exhibit "A" thereby giving a Premises of approximately 196,800 square feet.

2. Leasehold Improvement Allowance. Landlord shall provide a Leasehold Improvement Allowance of up to $78,720 to be applied toward the cost of Tenant's leasehold improvements to the Expansion Area. Landlord shall pay to Tenant, within ten (10) days after the full execution of this agreement by both parties, the allowance called for in this paragraph. Prior to commencement of construction, Tenant shall submit plans and specifications for Landlord's reasonable approval. Tenant further agrees that all improvements shall be constructed in a good and workmanlike manner by a general contractor reasonably approved by Landlord in advance and in accordance with all applicable statutes, laws, regulations, permits, licenses and other legal requirements. Landlord shall require Tenant provide the following as soon as possible;

   A. A Certificate of Occupancy issued by the City of San Antonio; and

   B. A release and waiver of liens by the general contractor, holding Landlord harmless from any obligation whatsoever which may be or may have been incurred by Tenant or Tenant's contractors or subcontractors, during the construction of the Leasehold Improvements.

   Landlord shall allow Tenant access to the Expansion Area on the date hereof for the purpose of constructing its leasehold improvements and for setting up operations.

3. Base Rent. Commencing on February 1, 2001, monthly Base Rent pursuant to Paragraph 2A of the Lease shall be as follows:

February 1, 2002 through February 29, 2004	$60,220.00
March 1, 2004 through February 28, 2006	$62,976.00

March 1, 2006 through February 28, 2009 $65,731.00
March 1, 2009 through March 31, 2011 $68,487.00

4. Proportionate Share. Commencing on February 1, 2002, Tenant's Proportionate Share as defined by Paragraph 22B shall be 66.6667%.

5. In the event of a conflict between the terms and provisions of this Lease Amendment and the terms and provisions of the Lease Agreement, the terms and provisions of this Lease Amendment shall prevail.

6. Except as amended herein, the Lease Agreement shall remain in full force and effect and Landlord and Tenant hereby ratify and affirm the Lease Agreement as amended by instrument.

EXECUTED this 2nd day of November, 2001.

LANDLORD:

THE NORTHWESTERN MUTUAL
LIFE INSURANCE COMPANY

By: Cavender & Hill Properties, Inc.
Its: Managing Agent

BY: /s/ J. Mark Cavender

J. Mark Cavender

Its: President

TENANT:

CAI, L.P.

By: Conn Appliances, Inc.,
A Texas Corporation
Its: General Partner

By: /s/ Thomas J. Frank

Thomas J. Frank

Its: President

EXHIBIT A
EXPANSION AREA

[GRAPHIC]

Exhibit 10.8

DALLAS WAREHOUSE

STANDARD COMMERCIAL _____ 1011-004
(EXISTING BUILDING) 4610-12 McEwen Road
1998 Dallas, Texas 75244
36,400 Square Feet

LEASE AGREEMENT

STATE OF TEXAS

COUNTY OF DALLAS

This Lease Agreement, made and entered into by and between

ROBERT K. THOMAS

hereinafter referred to as "Landlord", and

CAI, L.P., A TEXAS LIMITED PARTNERSHIP

hereinafter referred to as "Tenant",

WITNESSETH:

1. Premises and Term. In consideration of the obligation of Tenant to pay rent as herein provided and in consideration of the other terms, provisions and covenants hereof, Landlord hereby demises and leases to Tenant, and Tenant hereby takes from Landlord certain premises situated within the County of Dallas, State of Texas, more particularly described on Exhibit "A" which is attached hereto and made apart hereof, together with all rights, privileges, easements, appurtenances and immunities belonging to or in anyway pertaining to the said premises and together with the buildings and other improvements erected upon said premises (the said real property and the buildings and improvements thereon being hereinafter referred to as the "premises").

To Have and to Hold the same for a term commencing on the "commencement date", as hereinafter defined and ending 24 months thereafter, provided, however, that in the event the "commencement date" is a date other than the first day of a calendar month, said term shall extend for said number of months in addition to the remainder of the calendar month following the "commencement date".

The "commencement date" shall be September 1, 2003. Tenant acknowledges that it has inspected and accepts the premises and specifically the buildings and improvements comprising the same, in their present "as is-where is" condition, except as provided herein, as suitable for the purpose for which the premises are leased. Taking of possession by Tenant shall be deemed conclusively to establish that said buildings and other improvements are in good and satisfactory condition as of when possession was taken. Tenant further acknowledges that no representations as to the repair of the premises, nor promises to alter, remodel or improve the premises have been made by Landlord, unless such are expressly set forth in this lease. If this lease is executed before the premises become vacant or otherwise available and ready for occupancy, or if any present tenant or occupant of the premises holds over, and Landlord cannot acquire possession of the premises prior to said "commencement date", Landlord shall not be deemed to be in default hereunder, and Tenant agrees to accept possession of the premises at such time as Landlord is able to tender the same, which date shall thenceforth be deemed the "commencement date", and Landlord hereby waives payment of rent covering any period prior to the tendering of possession to Tenant hereunder. After the commencement date Tenant shall, upon demand, execute and deliver to Landlord a letter of acceptance of delivery of the premises.

2. Rent. Tenant agrees to pay to Landlord rent, without deduction or set off, for the entire term hereof for said premises at the rate of SEE PARAGRAPH 25.A. per month. One such monthly installment shall be due and payable on the execution date hereof, and a like monthly installment shall be due and payable without demand or invoice issued on or before the first day of each _____ month during the hereby demised term; provided that if the said commencement date should be a date other than the first day of a calendar month, there shall be due and payable on the said commencement date as rent for the balance of the calendar month during which the said commencement date shall fall a sum equal to that proportion of the rent for a full month as herein provided which the number of days from the said commencement date to the end of the calendar month during which the said commencement date shall fall bears to the total number of days in such month, and all succeeding installments of rent shall be payable on or before the first day of each succeeding calendar month during the hereby demised term as first above provided.

In addition, Tenant agrees to deposit with Landlord on the execution date hereof the sum of ZERO, which sum shall be held by Landlord, without obligation for interest, as security for the performance of Tenant's covenants and obligations under this lease, it being expressly understood and agreed that such deposit is not an advance rental deposit, a last month's rental deposit, nor a measure of Landlord's damages in case of Tenant's default. Upon the occurrence of any event of default by Tenant, Landlord may, from time to time, without prejudice to any other remedy provided herein or provided by law, use such fund to the extent necessary to make good any arrears of rent and any other damage, injury, expense or liability caused by such event of default; and Tenant shall pay to Landlord on demand the amount so applied in order to restore the security deposit to its original amount. If Tenant is not then in default hereunder, any remaining balance of such deposit shall be returned by Landlord to Tenant upon termination

of this lease.

3. Use. The demised premises shall be used only for the purpose of receiving, storing, shipping and selling (other than retail) products, materials and merchandise made and/or distributed by Tenant and for such other lawful purposes as may be incidental thereto. Outside storage, including without limitation, trucks and other vehicles, is prohibited without Landlord's prior written consent. Tenant shall at its own cost and expense obtain any and all licenses and permits necessary for any such use. Tenant shall comply with all governmental laws, ordinances and regulations applicable to the use of the premises, and shall promptly comply with all governmental orders and directives for the correction, prevention and abatement of _____ in or upon, or connected with, the premises, all at Tenant's sole expense. Tenant shall not permit any objectionable or unpleasant odors, smoke, dust, gas, noise or vibrations to _____ from the premises, nor take any other action which would constitute a nuisance or would disturb or endanger any other tenants of the building in which the premises are situated or unreasonably interfere with their use of their respective premises. Without Landlord's prior written consent, Tenant shall not receive, store or otherwise handle any product, material or merchandise which is explosive or highly flammable. Tenant will not permit the premises to be used for any purpose or in any manner (including without limitation any method of storage) which would render the insurance thereon void or the insurance risk more hazardous or cause the State Board of Insurance or other insurance authority to disallow any sprinkler credits.

4. Taxes.

A. Subject to the provisions of subparagraph B, below, Landlord agrees to pay before they become delinquent all taxes (both general and special), assessments or governmental charges (hereinafter collectively referred to as "taxes") lawfully levied or assessed against the premises or any part thereof, provided, however, Landlord may, at its sole cost and expense (in its own name or in the name of both, as it may deem appropriate) dispute and contest the same, and in such case, such disputed item need not be paid until finally adjudged to be valid. At the conclusion of such contest, Landlord shall pay the items contested to the extent that they are held valid, together with all items, court costs, interest and penalties relating thereto.

B. The maximum amount of taxes levied or assessed against the premises during any one real estate tax year to be paid by Landlord shall be those taxes levied or assessed against the premises in the amount of $22,124.36 If in any real estate tax year during the term hereof or any renewal or extension the taxes levied or assessed against the premises for such tax year shall exceed the sum as calculated in the preceding sentence, Tenant shall pay to Landlord upon demand the amount of such excess. In the event the premises constitute a portion of a multiple occupancy building, Tenant agrees to pay to Landlord upon demand the amount of Tenant's proportionate share of such excess (with respect to taxes lawfully levied or assessed against the building and the grounds, parking areas, driveways and alleys around the said building), such share to be calculated on the basis of space occupied by tenant as compared to the entire space contained in the building. The failure to pay such excess or proportionate share thereof, as the case may be, within fifteen (15) days following receipt of tax certificates reflecting the actual amount of taxes paid, shall be treated hereunder in the same manner as a default in the payment of rent hereunder when due. Any payment to be made pursuant to this subparagraph B. with respect to the real estate tax year in which this lease commences or terminates shall bear the same ratio to the payment which would be required to be made for the full tax year as that part of such tax year covered by the term of this lease bears to a full tax year.

C. If at any time during the term of this lease, the present method of taxation shall be changed so that in lieu of the whole or any part of any taxes, assessments, levies or charges levied, assessed or imposed on real estate and the improvements thereon there shall be levied, assessed or imposed on Landlord a capital levy or other tax directly on the rents received therefrom and/or a franchise tax, assessment, levy or charge measured by or based, in whole or in part, upon such rents for the present or any future building or buildings on the premises, then all such taxes, assessments, levies or charges, or the part thereof so measured or based, shall be deemed to be included within the term "taxes" for the purposes hereof.

5. Landlord's Repairs. Landlord shall at his expense maintain only the roof, foundation and the structural soundness of the exterior walls of the building in good repair. Tenant shall repair and pay for any damage to the roof, foundation or exterior walls caused by the negligence of Tenant or Tenant's employees, agents or invitees, or caused by tenant's default hereunder, or any leaks caused by tenant's installation of air conditioning or other equipment on the roof. The term "walls" as used herein shall not include windows, glass or plate glass, doors or special store fronts. Tenant shall immediately give Landlord written notice of defect or need for repairs, after which Landlord shall have reasonable opportunity to repair same or cure such defect. Landlord's liability hereunder shall be limited to the cost of such repairs or curing such defect. In the event the premises have air conditioning installed therein on the date of this lease, then Landlord represents that on the commencement date of this lease such air conditioning system in the office area only shall be in good operating condition; provided, however, that during the term of this lease Tenant shall at its own cost and expense maintain such system in good operating condition, shall make all necessary repairs and upon termination of this lease shall deliver such system to Landlord in good operating condition.

6. Tenant's Repairs.

A. Tenant shall, at its own cost and expense, keep and maintain all parts of the premises (except those for which Landlord is expressly responsible under the terms of this lease) in good condition, promptly making all necessary repairs and replacements, including but not limited to, windows, glass and plate glass, doors, any special office entry, interior walls and finish work, interior and exterior paint work, floors and floor coverings, downspouts, gutters, dock boards, truck doors, dock bumpers, paving, plumbing work and fixtures, electrial wiring and fixtures, _____ and pest extermination, regular removal of trash and debris, regular _____ of any grass, trimming, weed removal and general landscape maintenance, including rail spur areas, keeping the parking areas, driveways, alleys and the whole of the premises in a clean and sanitary condition. Tenant shall not be obligated to repair any damage caused by fire, tornado or other casualty covered by the insurance to be maintained by Landlord pursuant to Paragraph 12 below, except that Tenant shall be obligated to repair all wind damage to glass except with respect to tornado or hurricane damage.

B. Tenant shall not damage any demising wall or disturb the integrity and support provided by any demising wall and shall, at its sole cost and expense, promptly repair any damage or injury to any demising wall caused by Tenant or its employees, agents or invitees.

C. Tenant shall, at its own cost and expense, enter into a regularly scheduled preventive maintenance/service contract with a maintenance contractor for servicing all hot water, heating and air conditioning systems and equipment within the premises. The maintenance contractor and the contract must be approved by Landlord. The service contract must include all services suggested by the equipment manufacturer within the operation/maintenance manual and must become effective (and a copy thereof delivered to Landlord) within thirty (30) days of the date Tenant takes possession of the premises.

7. Alterations. Tenant shall not make any alterations, additions or improvements to the premises (including but not limited to roof and wall penetrations) without the prior written consent of Landlord. Such consent may not be unreasonably withheld or denied. Landlord agrees to grant such consent or deny same with reasons, within fifteen (15) days following its receipt of Tenant's request therefor, together with plans and specs of such improvements, by written notification. The failure of Landlord to timely do so shall be deemed to be its consent. If consent is timely denied, Landlord and Tenant agree to work in good faith to satisfy both parties' needs. Tenant may, without the consent of Landlord, but at its own cost and expense and in a good workmanlike

manner erect such shelves, bins, machinery and trade fixtures as it may deem advisable, without altering the basic character of the building or improvements and without overloading or damaging such building or improvements, and in each case complying with all applicable governmental laws, ordinances, regulations and other requirements. All alterations, additions, improvements and partitions erected by Tenant shall be and remain the property of Tenant during the term of this lease, and Tenant shall, unless Landlord otherwise elects, as hereinafter provided, remove all alterations, additions, improvements and partitions erected by Tenant and restore the premises to their original condition by the date of termination of this lease or upon earlier vacating of the premises; provided, however, that if Landlord so elects prior to termination of this lease or upon earlier vacating of the premises, such alterations, additions, improvements and partitions shall become the property of Landlord as of the date of termination of this lease or upon earlier vacating of the premises and shall be delivered up to the Landlord with the premises. All shelves, bins, machinery and trade fixtures installed by Tenant may be removed by Tenant prior to the termination of this lease, if Tenant so elects, and shall be removed by the date of termination of this lease or upon earlier vacating of the premises if required by Landlord; upon any such removal Tenant shall restore the premises to their original condition. All such removals and restoration shall be accomplished in a good workmanlike manner so as not to damage the primary structure or structural qualities of the buildings and other improvements situated on the premises.

8. Signs. Tenant shall have the right to install signs upon the premises only when first approved in writing by Landord and subject to any applicable governmental laws, ordinances, regulations and other requirements. Such cannot may not be unreasonably withheld or denied. Landlord agrees to grant such consent or deny same with reasons, within fifteen (15) days following its receipt of Tenant's request therefor, together with plans and specs of such improvements, by written notification. The failure of Landlord to timely do so shall be deemed to be its consent. If consent is timely denied, Landlord and Tenant agree to work in good faith to satisfy both parties' needs. Tenant shall remove all such signs by the termination of this lease. Such installations and removals shall be made in such manner as to avoid injury or defacement of the building and other improvements and Tenant shall repair any injury or defacement, including without limitation discoloration caused by such installation and/or removal.

9. Inspection. Landlord and Landlord's agents and representatives shall have the right to enter and inspect the premises at any reasonable time during business hours, for the purpose of ascertaining the condition of the premises or in order to make such repairs as may be required or permitted to be made by Landlord under the terms of this lease. During the period that is six (6) months prior to the end of the term hereof, Landlord and Landlord's agents and representatives shall have the right to enter the premises at any reasonable time during business hours for the purpose of showing the premises and shall have the right to erect on the premises a suitable sign indicating the premises are available. Tenant shall give written notice to Landlord at least thirty (30) days prior to vacating the premises and shall arrange to meet with Landlord for a joint inspection of the premises prior to vacating. In the event of Tenant's failure to give each notice or arrange such joint inspection, Landlord's inspection at or after Tenant's vacating the premises shall be conclusively deemed correct for purposes of determining Tenant's responsibility for repairs and restoration.

10. Utilities. Landlord agrees to provide at its cost water, electricity and telephone service connections into the premises; but Tenant shall pay all charges incurred for any utility services used on or from the premises and any maintenance charges for utilities and shall furnish all electric light bulbs, ballasts, and tubes. Landlord shall in no event be liable for any interruption or failure of utility services on the premises. Tenant shall have all utilities transferred to Landlord or, at Landlord's option, a designee; said transfers to be effective one day after Tenant vacates the premises or one day after the termination of the lease, whichever is later.

11. Assignment and Subletting. Tenant shall not have the right to assign this lease or to sublet the whole or any part of the premises without the prior written consent of Landlord; not withstanding any permitted assignment or subletting; Tenant shall at all times remain fully responsible and liable for the payment of the rent herein specified and for compliance with all of its other obligations under the terms, provisions and covenants of this lease. Upon the occurrence of an "event of default" as hereinafter defined, if the premises or any part thereof are then assigned or sublet, Landlord, in addition to any other remedies herein provided, or provided by law, may at its option collect directly from such assignee or subtenant all rents becoming due to Tenant under such assignment or sublease and apply such rent against any due it by Tenant hereunder, and no such collection shall be construed to constitute a novation or a release of Tenant from the further performance of its obligations hereunder. Landlord shall have the right to assign any of its rights under this lease. See also Paragraph 25.B.

12. Fire and Casualty Damage.

A. If the buildings situated on the premises should be damaged or destroyed by fire, tornado, or any casualties covered by the insurance maintained hereunder, Tenant shall give immediate written notice thereof to Landlord.

B. If the buildings situated on the premises should be totally destroyed by fire, tornado or other casualty, or if they should be so damaged that rebuilding or repairs cannot be completed within two hundred (200) days after the date upon which Landlord is notified by Tenant of such damage, this lease shall terminate and the rent shall be abated during the unexpired portion of this lease, effective upon the date of the occurrence of such damage.

C. If the buildings situated on the premises should be damaged by fire, tornado or other casualty, but only to such extent that rebuilding or repairs can be completed within two hundred (200) days after the date upon which Landlord is notified by Tenant of such damage, this lease shall not terminate, but Landlord shall at its sole cost and expense proceed with reasonable diligence to rebuild and repair such buildings, to substantially the condition in which they existed prior to such damage, except that Landlord shall not be required to rebuild, repair or replace any part of the partitions, fixtures and other improvements which may have been placed on the premises by Tenant. If the premises are untenantable in whole or in part following such damage; the rent payable hereunder during the period in which they are untenantable shall be reduced to such extent as may be fair and reasonable under all of the circumstances. In the event that Landlord should fail to complete such repairs and rebuilding within two hundred (200) days after the date upon which Landlord is notified by Tenant of such damage, Tenant may at its option terminate this lease by delivering written notice of termination to Landlord as Tenant's exclusive remedy, whereupon all rights and obligations hereunder shall cease and determine, or to proceed to rebuild using its own funds.

D. Notwithstanding anything herein to the contrary, in the event the holder of any indebtedness secured by a mortgage or deed of trust covering the premises requires that the insurance proceeds be applied to such indebtedness, then Landlord shall have the right to terminate this lease by delivering written notice of termination to Tenant, whereupon all rights and obligations hereunder shall cease and determine.

E. Any insurance which may be carried by Landlord or Tenant against loss or damage to the buildings and other improvements situated on the premises shall be for the sole benefit of the party carrying such insurance and under its sole control.

F. Each of Landlord and Tenant hereby releases the other from any and all liability or responsibility to the other or any one claiming through or under them by way of subrogation or otherwise for any loss or damage to property caused by fire or any other perils covered by the insurance maintained hereunder, even if such fire or other peril shall have been caused by the fault or negligence of the other party, or anyone for whom such party may be responsible; provided, however, that this release shall be applicable and in force and effect only with respect to loss or damage occurring during such times as the releasor's policies shall contain a clause or endorsement to the affect that any release shall not adversely affect or impair said policies or prejudice the right of the releasor to recover thereunder. Each of Landlord and Tenant agrees that it will request its insurance carriers to include in its policies such a clause or endorsement. If extra cost shall be charged therefore, each party shall advise the other thereof and of the amount of the extra cost, and the other party, at its election, may pay the same, but shall not be obligated to do so.

G. Landlord covenants and agrees to maintain standard fire and extended coverage insurance covering the building on the premises in an amount not less than eighty percent (80%) of the replacement cost thereof. If the insurance premiums for the fire and extended coverage and liability insurance carried by Landlord shall exceed $1,499.95 per annum, Tenant shall pay to Landlord within fifteen (15) days of Tenant's receipt of statement of such charges by the insurance company the amount of such excess; and the failure to pay such excess upon demand shall be treated in the same manner as a default in the payment of rent hereunder when due.

13. Liability. Landlord shall not be liable to Tenant or Tenant's employees, agents, patrons or visitors, or to any other person whomsoever, for any injury to person or damage to property on or about the premises, caused by the negligence or misconduct of Tenant, its agents, servants or employees, or of any other person entering upon the premises under express or implied invitation of Tenant, or caused by the buildings and improvements located on the premises becoming out of repair, or caused by leakage of gas, oil, water or steam or by electricity, emanating from the premises, or due to any cause whatsoever, and Tenant agrees to indemnify Landlord and hold it harmless from any loss, expense or claim, including attorneys' fees, arising out of any such damage or injury, except injury to persons or damage to property the sole cause of which is the negligence of the Landlord. Tenant shall procure and maintain throughout the term of this lease a policy or policies of insurance, at its sole cost and expense, insuring both Landlord and Tenant against all claims, demands or actions arising out of or in connection with Tenant's use or occupancy of the premises, or by the condition of the premises, the limits of such policy or policies to be in an amount of not less than $1,000,000 each occurrence of Bodily Injury or Property Damage or each offense of Personal injury or all combined and $1,000,000 in the aggregate and to be written by insurance companies qualified to do business in the state in which the premises are located. Such policies or duly executed certificates of insurance shall be promptly delivered to Landlord and renewals thereof as required shall be delivered to Landlord at least ten (10) days prior to the expiration of the

respective policy terms.

14. Condemnation.

A. If the whole or any part of the premises should be taken for any public or quasi-public use under governmental law, ordinance or regulation or by right of eminent domain, or by private purchase in lieu thereof and the taking would prevent or materially interfere with the use of the premises for the purpose for which they are being used, this lease shall terminate and the rent shall be abated during the unexpired portion of this lease, effective when the physical taking of said premises shall occur.

B. If part of the premises shall be taken for any public or quasi-pubic use under any governmental law, or ordinance regulation, or by right of eminent domain, or by private purchase in lieu thereof, and this lease is not terminated as provided in the subparagraph above, this lease shall not terminate but the rent payable hereunder during the unexpired portion of this lease shall be reduced to such extent as may be fair and reasonable under all of the circumstances.

C. In the event of any such taking or private purchase in lieu thereof, Landlord and Tenant shall each be entitled to receive and retain such separate awards and/or portion of lump sum awards as may be allocated to their respective interests in any condemnation proceedings.

15. Holding Over. Tenant will, at the termination of this lease by lapse of time or otherwise, yield up immediate possession to Landlord. If Landlord agrees in writing that Tenant may hold over after the expiration or termination of this lease, unless the parties hereto otherwise agree in writing on the terms of such holding over, the hold over tenancy shall be subject to termination by Landlord at any time upon not less than five (5) days advance written notice, or by Tenant at any time upon not less than thirty (30) days advance written notice, and all of the other terms and provisions of this lease shall be applicable during that period, except that Tenant shall pay Landlord from time to time upon demand, as rental for the period of any hold over, an amount equal to one and one-half(1-1/2) times the rent in effect on the termination date, computed on a daily basis for each day of the holdover period. No holding over by Tenant, whether with or without consent of Landlord, shall operate to extend this lease except as otherwise expressly provided. The preceding provisions of this Paragraph 15. shall not be construed as Landlord's consent for Tenant to hold over.

16. Quiet Enjoyment. Landlord covenants that it now has, or will acquire before Tenant takes possession of the premises, good title to the premises, free and clear of all liens and encumbrances, excepting only the lien for current taxes not yet due, such mortgage or mortgages as are permitted by the terms of this lease, zoning ordinances and other building and fire ordinances and governmental regulations relating to the use of such property, and easements, restrictions and other conditions of record. In the event this lease is a sublease, then Tenant agrees to take the premises subject to the provisions of the prior leases. Landlord represents and warrants that it has full right and authority to enter into this lease and that Tenant, upon paying the rental herein set forth and performing its other covenants and agreements herein set forth, shall peaceably and quietly have, hold and enjoy the premises for the term hereof without hindrance or molestation from Landlord, Landlord's successors and assigns, subject to the terms and provisions of this lease.

17. Events of Default. The following events shall be deemed to be events of default by Tenant under this lease:

A. Tenant shall fail to pay any installment of the rent herein reserved when due, or any payment with respect to taxes hereunder when due, or any other payment or reimbursement to Landlord required herein when due, and such failure shall continue for a period of five (5) days from the date such payment was due.

B. Tenant shall become insolvent, or shall make a transfer in fraud of creditors, or shall make an assignment for the benefit of creditors.

C. Tenant shall file a petition, voluntary or involuntary, under any section or chapter of the National Bankruptcy Act as amended, or under any similar law or statute of the United States or any State thereof, or Tenant shall be adjudged bankrupt or insolvent in proceedings filed against Tenant hereunder.

D. A receiver or trustee shall be appointed for all or substantially all of the assets of Tenant.

E. Tenant shall desert or vacate any substantial portion of the premises.

F. Tenant shall fail to comply with any term, provision or covenant of this lease (other than the foregoing in this Paragraph 17.), and shall not cure such failure within twenty (20) days after written notice thereof to Tenant.

18. Remedies. Upon the occurrence of any of such events of default described in Paragraph 17. hereof, Landlord shall have the option to pursue any one or more of the following remedies without any notice or demand whatsoever:

A. Terminate this lease, in which event Tenant shall immediately surrender the premises to Landlord, and if Tenant fails so to do, Landlord may, without prejudice to any other remedy which it may have for possession or arrearages in rent, enter upon and take possession of the premises and expel or remove Tenant and any other person who may be occupying such premises or any part thereof, by force if necessary, without being liable for prosecution or any claim of damages therefor; and Tenant agrees to pay to Landlord on demand the amount of all loss and damage which Landlord may suffer by reason of such termination, whether through inability to relet the premises on satisfactory terms or otherwise.

B. Enter upon and take possession of the premises and expel or remove Tenant and any other person who may be occupying such premises or any part thereof, by force if necessary, without being liable for prosecution or any claim for damages therefor, and relet the premises and receive the rent therefor; and Tenant agrees to pay to the Landlord on demand any deficiency that may arise by reason of such reletting. In the event Landlord is successful in reletting the premises at a rental in excess of that agreed to be paid by Tenant pursuant to the terms of this lease, Landlord and Tenant each mutually agree that Tenant shall not be entitled, under any circumstances, to such excess rental, and Tenant does hereby specifically waive any claim to such excess rental.

C. Enter upon the premises by force, if necessary, without being liable for prosecution or any claim for damages therefor, and do whatever Tenant is obligated to do under the terms of this lease; and Tenant agrees to reimburse Landlord on demand for any expenses which Landlord may incur in thus effecting compliance with Tenant's obligations under this lease, and Tenant further agrees that Landlord shall not be liable for any damages resulting to the Tenant from such action, whether caused by the negligence of Landlord or otherwise.

In the event Tenant fails to pay any installment of rent hereunder, as and when such installment is due, Tenant shall pay to Landlord on demand a late charge in an amount equal to five percent (5%) of such installment; and the failure to pay such amount within ten(10) days after demand therefor shall be an event of default hereunder. The provision for such late charge should be in addition to all of Landlord's other rights and remedies hereunder or at law and shall not be construed as liquidated damages or as limiting Landlord's remedies in any manner.

Pursuit of any of the foregoing remedies shall not preclude pursuit of any of the other remedies herein provided or any other remedies provided by law, nor shall pursuit of any remedy herein provided constitute a forfeiture or waiver of any rent due to Landlord hereunder or of any damages accruing to Landlord by reason of the violation of any of the terms, provisions and covenants herein contained. No waiver by Landlord of any violation or breach of any of the terms, provisions and covenants herein contained shall be deemed or construed to constitute a waiver of any other violation or breach of any of the terms, provisions and covenants herein contained. Landlord's acceptance of the payment of rental or other payments hereunder after the occurrence of an event of default shall not be construed as a waiver of such default, unless Landlord so notifies Tenant in writing. Forbearance by Landlord to enforce one or more of the remedies herein provided upon an event of default shall not be deemed or construed to constitute a waiver of such default, if, on account of any breach or default by Tenant in Tenant's obligations under the terms and conditions of this lease, it shall become necessary or appropriate for Landlord to employ or consult with an attorney concerning or to enforce or defend any of Landlord's rights or remedies hereunder, Tenant agrees to pay any reasonable attorney's fees or other costs incurred by Landlord. No act or thing done by the Landlord or its agents during the term hereby granted will be deemed an acceptance of the surrender of the premises, and no agreement to accept a surrender of said premises shall be valid unless in writing signed by Landlord. The receipt by Landlord of rent with knowledge of the breach of any covenant or other provision contained in this lease shall not be deemed or construed to constitute a waiver of any other violation or breach of any of the terms, provisions and covenants contained herein.

19. Landlord's Lien. Landlord does hereby subordinate its liens, statutory and contractually, to the liens of Tenant's mortgagee, as provided in the Landlord's Agreement of even date herewith. In addition to any statutory lien for rent in Landlord's favor, Landlord shall have and Tenant hereby grants to Landlord a continuing security interest for all rentals and other sums of money becoming due hereunder from Tenant, upon all goods, wares, equipment, fixtures, furniture, inventory, accounts, contract rights, chattel paper and other personal property of Tenant situated on the premises, and such property shall not be removed therefrom without the consent of Landlord until all arrearages in rent as well as any and all other sums of money then due to Landlord hereunder shall first have been paid and discharged. In the event of a default under this lease. Landlord shall have, in addition to any other remedies herein or by law, all rights and remedies under the Uniform Commercial Code, including without limitation the right to sell the property described in this Paragraph 19. at public or private sale upon five (5) days' notice to Tenant. Tenant hereby agrees to execute such financing statements and other instruments necessary or desirable in Landlord's discretion to perfect the security interest hereby created. Any statutory lien for rent is not hereby waived, the express

contractual lien herein granted being in addition and supplementary thereto.

20. Mortgages. Subject to its continuing right of quiet enjoyment and peaceful possession, Tenant accepts this lease subject and subordinate to any mortgages and/or deed(s) of trust now or at any time hereafter constituting a lien or charge upon the premises or the improvements situated thereon. Tenant shall at any time hereafter on demand execute any instruments, releases or other documents which may be required by any mortgagee for the purpose of subjecting and subordinating this lease to the lien of any such mortgage. With respect to any mortgages and/or deed(s) of trust at anytime hereafter created which constitute a lien or charge upon the leased premises or the improvements situated thereon, Landlord at its sole option shall have the right to waive the applicability of this paragraph so that this lease would not be subject and subordinate to such mortgages or the deeds) of trust.

21. Landlord's Default. In the event Landlord should become in default in any payments due on any such mortgage described in Paragraph 20. hereof or in the payment of taxes or any other items which might become a lien upon the premises and which Tenant is not obligated to pay under the terms and provisions of this lease, Tenant is authorized and empowered after giving Landlord five (5) days prior written notice of such default and Landlord fails to cure such default, to pay any such items for and on behalf of Landlord, and the amount of any item Be paid by Tenant for or on behalf of Landlord, together with any interest or penalty required to be paid in connection therewith, shall be payable on demand by Landlord to Tenant; provided, however, that Tenant shall not be authorized and empowered to make any payment under the terms of this Paragraph 21., unless the item paid shall be superior to Tenant's interest hereunder. In the event Tenant pays any mortgage debt in full, in accordance with this paragraph, it shall, at its election, be entitled to the mortgage security by assignment or subrogation.

22. Mechanic's Liens. Tenant shall have no authority, express or implied, to create or place any lien or encumbrance of any kind or nature whatsoever upon, or in any manner to bind, the interest of Landlord in the premises or to charge the rentals payable hereunder for any claim in favor of any person dealing with Tenant including those who may furnish materials or perform labor for any construction or repairs, and each such claim shall affect and each such lien shall attach to, if at all, only the leasehold interest granted to Tenant by this instrument. Tenant covenants and agrees that it will pay or cause to be paid all sums legally due and payable by it on account of any labor performed or materials furnished in connection with any work performed on the premises on which any lien is or can be validly and legally asserted against its leasehold interest in the premises or the improvements thereon and that it will save and hold Landlord harmless from any and all loss, cost or expense based on or arising out of asserted claims or liens against the leasehold estate or against the rights, title and interest of the Landlord in the premises or under the terms of this lease.

23. Notices. Each provision of this instrument or of any applicable governmental laws, ordinances, regulations and other requirements with reference to the sending, mailing or delivery of any notice or the making of any payment by Landlord to Tenant or with reference to the sending, mailing or delivery of any notice or the making of any payment by Tenant to Landlord shall be deemed to be complied with when and if the following steps are taken:

A. All rent and other payments required to be made by Tenant to Landlord hereunder shall be payable to Landlord at the address herein below set forth or at such other address as Landlord may specify from time to time by written notice delivered in accordance herewith.

B. All payments required to be made by Landlord to Tenant hereunder shall be payable to Tenant at the address herein below set forth, or at such other address within the continental United States as Tenant may specify from time to time by written notice delivered in accordance herewith.

C. Any notice or document required or permitted to be delivered hereunder shall be deemed to be delivered whether actually received or not when deposited in the United States Mail, postage prepaid, Certified, Registered or Overnight Mail Service, addressed to the parties hereto at the respective addresses set out opposite their names below, or via fax at such other address as they have theretofore specified by written notice delivered in accordance herewith.

LANDLORD: TENANT:

ROBERT K. THOMAS	CAI, L.P., A TEXAS LIMITED PARTNERSHIP
8333 Douglas Avenue, Suite 1414	3295 College
Dallas, Texas 75225	Beaumont, TX 77701
Fax No. 214-890-9920	Fax No. 409-835-7069
	Telephone No. 409-832-1696
	SEE ALSO PARAGRAPH 25.E.

If and when included within the term "Landlord," as used in this instrument, there are more than one person, firm or corporation, all shall jointly arrange among themselves for their joint execution of such a notice specifying some individual at some specific address for the receipt of notices and payments to Landlord; if and when included within the term "Tenant," as used in this instrument there are more than one person, firm or corporation, all shall jointly arrange among themselves for their joint execution of such a notice specifying some individual at some specific address within the continental United States for the receipt of notices and payments to Tenant. All parties included within the term "Landlord" and "Tenant" respectively, shall be bound by notices given in accordance with the provisions of this paragraph to the same effect as if each had received such notice.

24. Miscellaneous.

A. Words of any gender used in this lease shall be held and construed to include any other gender and words in the singular number shall be held to include the plural, unless the context otherwise requires.

B. The terms, provisions and covenants and conditions contained in this lease shall apply to, inure to the benefit of, and be binding upon the parties hereto and upon their respective heirs, legal representatives, successors and permitted assigns, except as otherwise herein expressly provided.

C. The captions inserted in this lease for convenience only and in no way define, limit, or describe the scope or intent of this lease, or any provision hereof, nor in any way affect the interpretation of this lease.

D. Tenant agrees within ten (10) days after request of Landlord to deliver to Landlord, or Landlord's designee, an estoppel certificate stating that, if true, this lease is in full force and effect, the date to which rent has been paid, the unexpired term of this lease and such other matters pertaining to this lease as may be reasonably requested by Landlord.

E. All obligations of Tenant hereunder not fully performed as of the expiration or earlier termination of the term of this lease shall survive the expiration or earlier termination of the term hereof, including without limitation all payment obligations with respect to taxes and insurance and all obligations concerning the condition of the premises. Upon the expiration or earlier termination of the term hereof, and prior to Tenant vacating the premises, Tenant shall pay to Landlord any amount reasonably estimated by Landlord as necessary to put the premises, including without limitation all heating and air conditioning systems and equipment therein in good condition and repair. Tenant shall also, prior to vacating the premises, pay to Landlord the pro rata amount, as estimated by Landlord, of Tenant's obligation hereunder for real estate taxes and insurance premium for the year in which the lease expires or terminates. All such amounts shall be used and held by Landlord for payment of such obligations of Tenant hereunder, with Tenant being liable for any additional costs therefor upon demand by Landlord, or with any excess to be returned to Tenant after all such obligations have been determined and satisfied, as the case may be. Any security deposit held by Landlord shall be credited against the amount payable by Tenant under this Paragraph 24 (E).

F. If any clause or provision of this lease is illegal, invalid or unenforceable under present or future laws effective during the term of this lease, then and in that event, it is the intention of the parties hereto that the remainder of this lease shall not be affected thereby, and it is also the intention of the parties to this lease that in lieu of each clause or provision of this lease that is illegal, invalid or unenforceable, there be added as a part of this lease contract a clause or provision as similar in terms to such Illegal, invalid or unenforceable clause or provision as may be possible and be legal, valid and enforceable.

G. This lease may not be altered, changed or amended except by an instrument in writing signed by Landlord and Tenant.

H. Because the premises are on the open market and are presently being shown, this lease shall be treated as an offer with the premises being subject to prior lease and such offer subject to withdrawal or non-acceptance by Landlord or to other use of the premises without notice, and this lease shall not be valid or binding unless and until accepted by Landlord in writing and a fully executed copy delivered to both parties hereto.

25. Additional Provisions.

25.A. Notwithstanding the provisions of Paragraph 2. above, rental shall be as follows;

September 1, 2003 through August 31, 2004 rental shall be $10,000.00 per month;

September 1, 2004 through August 31, 2005 rental shall be $11,680.00

per month.

25.B. Assignment or Sublease to Affiliated Entity. Notwithstanding anything contained in this Lease to the contrary, Tenant may, without the approval of Landlord, assign or sublease this Lease, in whole but not in part, to any of the following entities, provided (except in (c) below) the following entities have a net worth equal to or greater than the net worth (as of the Effective Date) of Tenant: (a) any corporation or other legal entity which owns at least 51% of the limited partnership interests of the Tenant and has the power to direct Tenant's management and operation; or (b) any corporation or other legal entity a majority of whose voting stock is owned by Tenant or any principal partner of Tenant (51% or better ownership); or (c) any legal entity which is an affiliate or related entity of Tenant through common ownership or which is owned or controlled by Tenant or the principal partner of Tenant or such principal partner's majority owners. Tenant must deliver prompt written notice of any such assignment or sublease to Landlord. Any such transfer or assignment or sublease shall not release Tenant from liability for performance of Tenant's duties and obligations hereunder unless Landlord shall agree in writing to such release.

25.C. While this Lease is in full force and effect, provided that Tenant is not in default of any of the terms, covenants and conditions thereof, Landlord hereby grants to Tenant the right or option to renew and extend the term of this Lease for one term of Sixty (60) Months. Such extension or renewal of the primary term shall be on the same terms, covenants and conditions as provided for in the Lease except for this paragraph and except that the rental during the extended term shall be $12,133.00 per month. This paragraph shall be non-assignable and shall terminate in the event of an assignment of this Lease or subletting of all or any part of the Premises, except as permitted in Paragraph 25.B. hereof Notice of Tenant's intention to exercise the option must be given to Landlord in writing, by Certified or Registered Mall, Return Receipt Requested, postage prepaid, at least Six (6) Months prior to the expiration of the primary term of this Lease.

25.D. FURTHER, while this Lease is in full force and effect, and if Tenant has exercised the first 60-month option and is not in default of any of the terms, covenants and conditions thereof, Landlord hereby grants to Tenant the right or option to renew and extend the term of this Lease for one further term of Sixty (60) Months. Such extension or renewal of the primary term shall be on the same terms, covenants and conditions as provided for in the Lease during the primary term except for this paragraph and except that the rental during such 60-Month extended term shall be (S12,900.00) per month. This paragraph shall be non-assignable and shall terminate in the event of an assignment of this Lease or subletting of the whole or any part of the Premises, except as permitted in Paragraph 25.B. hereof. Notice of Tenant's intention to exercise the option must be given to Landlord in writing, by Certified or Registered Mail, Return Receipt Requested, postage prepaid, at least Six Months prior to the expiration of the Lease.

25.E. And to:

CAI, L.P.
4610-12 McEwen Road
Dallas, Texas 75244

25.E. Landlord, at it sole cost and expense, will make only the following improvements to the facility:

1) Broom sweep the warehouse floor.

2) Place all plumbing, electrical, lighting, overhead doors, and all dock equipment in good working condition on the commencement date of the Lease.

3) All office heating and air conditioning systems will be placed in good working order on the commencement date of the Lease.

EXHIBIT "A"

BEGINNING at a point in the southerly line of the Revised Metropolitan Industrial Park, said point being South 89DEG. 50' 00" West a distance of 706.26 feet from the most southeasterly corner of said addition;

THENCE South 89DEG. 50' 00" West continuing along the southerly line of said addition a distance of 104.68 feet to a point for corner;

THENCE North 0DEG. 10' 00" West a distance of 288.00 feet to a point for corner in the southerly line of McEwen Road (60 feet wide);

THENCE North 89DEG. 50' 00" East continuing along said southerly line a distance of 487.95 feet to a point for corner, said point being the intersection of the southerly line of McEwen Road and the easterly line of a 40.00 foot wide railroad easement;

THENCE South 22DEG. 36' 00" West along the said easterly line of a 40.00 foot wide railroad easement a total distance of 15.57 feet to the beginning of a curve to the right;

THENCE in a southwesterly and westerly direction along said easterly line and along a curve to the right having a central angle of 58DEG. 19' 00" a radius of 402.00 feet, and an arc length of 409.16 feet to the end of said curve to the right;

THENCE South 80DEG. 55' 00" West along the southeasterly line of said railroad easement a distance of 69.72 feet to a point for corner;

THENCE South 0DEG. 10' 00" East a distance of 21.26 feet to the POINT OF BEGINNING and containing 103,348 square feet, more or less, or 2.3725 acres.

EXECUTED THE l8th day of August 2003.

LANDLORD:	TENANT:
ROBERT K. THOMAS	CAI, L.P., A TEXAS LIMITED PARTNERSHIP
BY /s/ Gillis Thomas	BY /s/ C.W. FRANK
(Gillis Thomas, As Attorney-In-Fact For Robert K. Thomas	C.W. FRANK EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER
Title:	CONN APPLIANCES INC. Title: ACTING AS GENERAL PARTNER OF CAI, LP

Exhibit 10.9

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CREDIT AGREEMENT

by and among

CONN APPLIANCES, INC.,
and the other Borrowers Hereunder,

The Lenders Party Hereto

and

JPMORGAN CHASE BANK
as Administrative Agent

and

BANK OF AMERICA, N.A.,
as Syndication Agent

SUNTRUST BANK,
as Documentation Agent

JPMORGAN CHASE SECURITIES INC.,
as Arranger

April 24, 2003

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SCHEDULES:

EXHIBITS:

CREDIT AGREEMENT

This CREDIT AGREEMENT dated as of April 24, 2003 (the "Agreement"), is entered into by and among CONN APPLIANCES, INC., a Texas corporation ("CAI"), and CAI CREDIT INSURANCE AGENCY, INC., a Louisiana corporation ("Louisiana Insurance Company") (CAI and Louisiana Insurance Company are each a "Borrower" and collectively the "Borrowers"), the financial institutions listed on the signature pages hereof (collectively, the "Lenders" and individually, a "Lender"), JPMORGAN CHASE BANK, individually and as Administrative Agent for the Lenders hereunder (the "Administrative Agent"), JPMORGAN CHASE SECURITIES, INC., as arranger (the "Arranger") and BANK OF AMERICA, N.A., individually and as Syndication Agent for the Lenders hereunder (the "Syndication Agent"), SUNTRUST BANK, individually and as Documentation Agent for the Lenders hereunder (the "Documentation Agent," and together with the Administrative Agent and the Syndication Agent, collectively, the "Agents").

The parties hereto agree as follows:

ARTICLE I
Certain Definitions

SECTION 1.01. Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

"ABR," when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"Adjusted LIBO Rate" means, with respect to any Eurodollar Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affiliate" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"Alternate Base Rate" means, with respect to an ABR Loan, for any day, a rate per annum equal to, the Base Rate in effect on such day plus the Base Rate Margin. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Base Rate or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate, the Base Rate or the Federal Funds Effective Rate, respectively.

"Applicable Percentage" means, with respect to any Lender, the percentage of the total Commitments represented by such Lender's Commitment. If the Commitments have terminated

or expired, the Applicable Percentages shall be determined based upon the Commitments most recently in effect, giving effect to any assignments.

"Applicable Margin" means, with respect to any ABR Loan or Eurodollar Loan, as the case may be, the applicable margin per annum set forth under the caption "Base Rate Margin" or "LIBO Rate Margin" in the applicable pricing matrix.

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 9.04), and accepted by the Administrative Agent, in the form of Exhibit A or any other form approved by the Administrative Agent.

"Availability Period" means the period from and including the date hereof to but excluding the earlier of the Revolving Maturity Date and the date of termination of the Revolving Loan Commitments.

"Bank of America Letters of Credit" means the letters of credit issued by Bank of America, N.A. to support CAI's purchase of inventory from foreign suppliers in an aggregate face amount at any one time outstanding not exceeding $5,000,000.

"Base Rate" means the greater of (a) the Prime Rate, or (b) the Federal Funds Effective Rate plus .50%.

"Base Rate Margin" means, with respect to any ABR Loan, the applicable margin set forth below under the caption "Base Rate Margin," based upon the ratio of (i) the sum of (x) Consolidated Total Debt plus (y) eight times Consolidated Rent Expense divided by (ii) Consolidated EBITDA plus Consolidated Rent Expense, as determined quarterly on a rolling four quarter basis

Ratio	Base Rate Margin
x **** 3.25	1.75%
2.75 *** x * 3.25	1.50%
2.25 *** x * 2.75	1.25%
1.75 *** x * 2.25	1.00%
1.25 *** x * 1.75	0.75%
x * 1.25	0.50%

* denotes less than
*** denotes less than or equal to
**** denotes more than or equal to

"Board" means the Board of Governors of the Federal Reserve System of the United States of America.

"Change of Control" means the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Securities Exchange Act of 1934 and the rules of the Securities and Exchange Commission thereunder as in effect on the date hereof) other than the Control Group, of shares representing more than 50% of the aggregate ordinary voting power represented by the issued and outstanding capital stock of CAI; provided, however, that from and after the closing of the IPO Transaction, the definition of "Change of Control" shall automatically be revised to mean the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Securities Exchange Act of 1934 and the rules of the Securities and Exchange Commission thereunder as in effect on the date hereof) other than the Control Group, of shares representing more than 33-1/3% of the aggregate ordinary voting power represented by the issued and outstanding capital stock of Parent.

"Charge-Off Ratio" shall mean the ratio of (a) the aggregate outstanding balance of all Charge-Off Receivables of Conn Funding I LP and Conn Funding II LP to (b) the aggregate outstanding balance of all accounts receivable of Conn Funding I LP and Conn Funding II LP.

"Charge-Off Receivable" means those accounts receivable (i) which have been, or should be in accordance with the Credit and Collection Policy, written-off or discounted any amount due thereunder or (ii) as to which the account debtor of which has become subject to a bankruptcy, insolvency, liquidation or reorganization proceeding or proceeding seeking an order of relief or appointment of a receiver for any substantial part of its property.

"Class," when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Revolving Loans or the Term Loan.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Collateral" shall mean any property purportedly covered by the terms of the Security Documents.

"Collection Account Letters of Credit" shall mean letters of credit as contemplated by the Conn Funding II Indenture issued in order to permit the delay in depositing amounts otherwise required to be held in a collection account.

"Commitment" means, with respect to each Lender, (a) such Lender's Revolving Loan Commitment and (b) such Lender's Term Loan Commitment. "Commitments" shall mean, collectively, the Revolving Loan Commitments and the Term Loan Commitments of all the Lenders. The initial amount of each Lender's Term Loan Commitment and Revolving Loan Commitment is set forth on Schedule 2.01 and Schedule 2.02, respectively, or in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Commitment, as applicable. The initial aggregate amount of the Lenders' Commitments is $55,000,000.00.

"Commitment Fee Rate" means, with respect to the commitment fees payable hereunder, the applicable fee rate as set forth below under the caption "Commitment Fee," based upon the ratio of (i) the sum of (x) Consolidated Total Debt plus (y) eight times Consolidated Rent

Expense divided by (ii) Consolidated EBITDA plus Consolidated Rent Expense, as determined quarterly on a rolling four quarter basis

Ratio	Commitment Fee Rate
x **** 1.75	0.50%
x * 1.75	0.375%

**** denotes greater or equal to
* denotes less than

"Conn CC LP" shall mean Conn CC, L.P., a Texas limited partnership.

"Conn Credit LLC" shall mean Conn Credit, L.L.C., a Delaware limited liability company.

"Conn Funding I LP" shall mean Conn Funding I, L.P. a Texas limited partnership.

"Conn Funding II LP" shall mean Conn Funding II, L.P. a Texas limited partnership.

"Conn Funding II GP LLC" shall mean Conn Funding II GP, L.L.C., a Texas limited liability company.

"Conn Funding II Indenture" means that certain Base Indenture dated as of September 1, 2002 executed by and between Conn Funding II LP and Wells Fargo Bank Minnesota, National Association, as Trustee, as the same may be amended, restated, modified or supplemented from time to time.

"Conn Funding LLC" shall mean Conn Funding, L.L.C., a Texas limited liability company.

"Consolidated Capital Expenditures" shall mean, for any period as to the Consolidated Group, all capital expenditures made during such period, as determined in accordance with GAAP (including the capital portion of lease payments in respect of Capital Lease Obligations); provided, however, that "Consolidated Capital Expenditures" shall not include (a) expenditures for the repair or replacement of any fixed or capital assets which were destroyed or damaged, in whole or in part, to the extent financed by the proceeds of an insurance policy maintained by such Person or (b) expenditures associated with the SRDS Loan Guaranty program which have been outstanding one year or less.

"Consolidated Cash Interest Expense" shall mean, for any period as to the Consolidated Group, the sum of (i) the aggregate amount of interest accruing and/or actually paid during such period on Consolidated Total Debt, including the interest portion of payments under Capital Lease Obligations and any capitalized interest, plus (ii) the net amount payable or paid by such Person pursuant to any interest rate exchange agreements accruing during such period, minus (iii) the net amount paid to such Persons pursuant to any interest rate exchange agreements accruing during such period.

"Consolidated EBIT" shall mean, for any period the Consolidated Net Income (plus or minus any non-recurring charges or credits) of the Consolidated Group, plus (i) the aggregate amount of all federal income taxes of such Person for such period, plus (ii) Consolidated Cash Interest Expense of such Persons for such periods plus (or minus) (v) adjustments for extraordinary gains (or losses) in accordance with GAAP.

"Consolidated EBITDA" shall mean, for any period, the Consolidated Net Income (plus or minus and non-recurring charges or credits) of the Consolidated Group, plus (i) the aggregate amount of all federal income taxes of such Persons for such period, plus (ii) Consolidated Cash Interest Expense of such Person for such period, plus (iii) the aggregate amount deducted in determining Consolidated Net Income of such Persons for such period for depreciation, obsolescence and amortization of Property, plus (or minus) (iv) other Non-Cash Expense (or Income), plus (or minus) (v) adjustments for extraordinary losses (or gains) in accordance with GAAP.

"Consolidated Group" shall mean, collectively, (i) prior to the closing of the IPO Transaction, CAI and its Subsidiaries and (ii) after the closing of the IPO Transaction, Parent and its Subsidiaries (including CAI and its Subsidiaries).

"Consolidated Net Income" shall mean, for any period for the Consolidated Group, the net income minus the net losses of such Persons, as determined in accordance with GAAP, excluding unusual or extraordinary gains or losses.

"Consolidated Net Worth" shall mean, as of any date, the consolidated net worth of the Consolidated Group as reflected in such Persons' financial statements most recently provided pursuant to Section 5.01(b) hereof.

"Consolidated Rent Expense" means for any period for the Consolidated Group the gross property lease obligations of such Persons for base rent attributable to leased property (whether real or personal property).

"Consolidated Total Debt" shall mean, as of any date as to the Consolidated Group, the sum of Senior Debt and Subordinated Debt.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"Control Group" means, collectively, the Stephens Group and the senior management of CAI.

"Credit and Collection Policy" means, collectively, the credit, collection, customer relations and service policies of CAI and CAILP in effect on September 1, 2002, a summary of which has been delivered to the Administrative Agent, as such policies may be amended, modified or supplemented from time to time with the consent of the Administrative Agent.

"Debt Service" means, for any period, the sum of (i) required principal payments on Consolidated Total Debt for such period (including the capital portion of lease payments made in respect of Capital Lease Obligations) plus (ii) Consolidated Cash Interest Expense.

"Default" means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

"Deferred Sales Proceeds" shall mean the aggregate Outstanding Principal Balance of Eligible Receivables (as defined in the Conn Funding II Indenture) minus, without duplication, (x) amounts actually outstanding under the Conn Funding II Indenture, (y) the aggregate amount of any cash reserves held under the Conn Funding II Indenture (including an appropriate deduction related to funds required to be held in any collection account for a period of more than three (3) Business Days prior to the applicable payments to be made out of such collection account) and (z) to the extent otherwise included as "Deferred Sales Proceeds", any Unpurchased Receivables.

"Delinquency Ratio" means the ratio of (a) the aggregate outstanding balance of all Delinquent Receivables to (b) the aggregate outstanding balance of all accounts receivable of Conn Funding I LP and Conn Funding II LP.

"Delinquent Receivable" means any account receivable of Conn Funding I LP and Conn Funding II LP which is 31 days or more past its original due date.

"Disqualified Capital Stock" means with respect to any Person, any capital stock of such Person or its Subsidiaries that, by its terms or by the terms of any security into which it is convertible or exchangeable, is, or upon the happening of an event or the passage of time would be, required to be or at the option of the issuer may be, redeemed or repurchased by such Person or its Subsidiaries, including at the option of the holder, in whole or in part, has, or upon the happening of an event or passage of time would have, a redemption or similar payment due, on or prior to September 30, 2005.

"DOJ" means the United States Department of Justice.

"Dollars" or "$" refers to lawful money of the United States of America.

"Eligible Accounts Receivable" shall mean accounts receivable of CAI and CAILP meeting all of the following criteria as of the date of any determination of Eligible Accounts Receivable:

(a) the account receivable is not a Charge-Off Receivable;

(b) the account receivable shall be billed promptly after the shipment of the goods or performance of the services giving rise to the account receivable and shall not remain unpaid for more than sixty (60) days from the applicable due date;

(c) which, together with all other accounts receivable owed by such account debtor to the Consolidated Group, does not constitute in excess of 20% of the aggregate amount of all accounts receivable held by the Consolidated Group;

(d) is not an account receivable with respect to which, in whole or in part, a check or other instrument for the payment of money has been received, presented for payment and returned uncollected for any reason;

(e) is not an account receivable which represents a progress billing or as to which the obligee has extended the time for payment without the consent of the Administrative Agent; for the purposes hereof, "progress billing" means any invoice for goods sold or leased or services rendered under a contract or agreement pursuant to which the account debtor's obligation to pay such invoice is conditioned upon the obligee's completion of any further performance under the contract or agreement;

(f) the Lenders have a valid and perfected first priority Lien with respect thereto;

(g) the account receivable shall arise from the performance by the obligee thereon of services which have been fully and satisfactorily performed, or from the absolute sale by such Person of goods (i) in which such Person had sole and complete ownership and (ii) which have been shipped and delivered to the account debtor, evidencing which such Person has possession of shipping and delivery receipts;

(h) the account receivable is not subject to set-off, counterclaim, defense, allowance or adjustment other than discounts for prompt payment shown on the invoice, or to dispute, objection or complaint by the account debtor concerning its liability on the account receivable, and the goods, the sale of which gave rise to the account receivable, have not been returned, rejected, lost or damaged;

(i) the account receivable shall arise in the ordinary course of business of the obligee thereon, and no notice of bankruptcy or insolvency of the account debtor, nor any notice of such account debtor's inability to pay its debts as they become due, has been received by the obligee of such receivable;

(j) the account debtor (i) is a resident of, or organized under the laws of with its chief executive office in, the United States of America; (ii) is not a Governmental Authority; (iii) is not subject to a filing by or against the account debtor of a request or petition for liquidation, reorganization, arrangement, adjustment of debts, adjudication as a bankrupt, winding-up, or other relief under the bankruptcy, insolvency, or similar laws of the United States, any state or territory thereof, or any foreign jurisdiction, now or hereafter in effect; (iv) has not made any assignment for the benefit of creditors, is not subject to the appointment of a receiver or trustee, and is not subject to a proceeding by or against the account debtor under the bankruptcy laws of the United States or of any formal or informal proceeding for the dissolution or liquidation of, the settlement of claims against, or winding up the affairs of the account debtor or for any substantial amount of its property; and (v) if an individual, is not dead or as to which a judicial declaration of incompetency has occurred;

(k) as to which the obligee thereon has not received notice from the Administrative Agent that, based on such credit, collection and collateral considerations as the Administrative Agent shall deem reasonable, such account receivable is ineligible;

(l) the account debtor's obligation to pay the account receivable is not conditional upon such account debtor's approval or the account receivable is not subject to any repurchase obligation or return right, other than in the ordinary course of business;

(m) the unpaid balances of which are included on a certification furnished to the Lenders pursuant to Section 5.01(e) and are the actual amounts owed by the account debtor obligated on each such account as of the date of such certification;

(n) the account receivable is not subject to a Lien in favor of any Person other than the Lien of the Lenders under the Security Documents;

(o) the account receivable is an "account," "chattel paper" or "general intangible" within the meaning of Sections 9-105 and 9-106 of the UCC of all applicable jurisdictions and is not evidenced by an instrument;

(p) the account receivable is denominated and payable only in Dollars in the United States of America;

(q) the account receivable arises under a contract that is in full force and effect and constitutes the legal, valid and binding obligation of the related account debtor enforceable against such account debtor in accordance with its terms;

(r) the account receivable arises under a contract that (i) does not require the account debtor on the account receivable to consent to the transfer, sale or assignment of the rights to payment of the obligee under such account receivable and (ii) does not contain a confidentiality provision that purports to restrict the Administrative Agent or any Lender's exercise of rights under the Loan Documents, including, without limitation, the right to review such contract; and

(s) the account receivable does not, in whole or in part, contravene in any material respect any law, rule or regulation applicable thereto (including, without limitation, those relating to usury, truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy) if such contravention could impair the collectibility of the account receivable or give rise to any liability;

provided, however, that any account receivable which does not meet one or more of the above requirements may nevertheless be treated as an Eligible Account Receivable if so agreed in writing by the Lenders. For purposes of this definition and the calculation of the amount of any Eligible Accounts Receivable, such amount shall exclude any and all deferred interest charges and cash option reserves.

"Eligible Inventory" shall mean inventory of the Consolidated Group (excluding CCC, Conn Funding I LP, Conn Funding II LP, Conn Funding LLC, Conn Funding II GP LLC, Conn

CC LP and Conn Credit LLC) the following criteria as of the date of determination of Eligible Inventory:

(a) the inventory consists of finished products (and not raw materials, spare parts, packaging and shipping material, supplies, bill and hold inventory, sold and not delivered inventory, returned inventory, inventory delivered to such Person on consignment, or work in process or held for repair); and

(b) the inventory is not located outside the United States of America and is not located any clearance center location;

(c) the Lenders have a valid and perfected first priority Lien with respect to such inventory and is not subject to a Lien in favor of any other Person and such inventory is in the possession of such Person and is not evidenced by any negotiable or non-negotiable document of title;

(d) the inventory has not been returned, repossessed or damaged;

(e) the inventory has not become obsolete and is saleable for the use for which it was manufactured or purchased;

(f) the inventory is not subject to a buyer's rights which would be superior to the Lien of the Lenders evidenced by the Security Documents;

(g) which, as of the date of any determination of Eligible Inventory, is in good condition, meets all standards imposed by any governmental authority having regulatory authority over such goods, their use and/or sale and is either currently usable or currently salable in the ordinary course of business of the owner thereof;

(h) as to which, if stored or maintained in a leased location, the Administrative Agent shall have received a Landlord's Agreement;

(i) which the Administrative Agent shall have all rights under all applicable patent and trademark laws necessary to sell without material loss of value following an Event of Default;

(j) the inventory has not been market-down;

(k) the inventory is not loaned inventory; and

(l) as to which such Person has not received notice from the Administrative Agent that, based on such credit, collection and collateral considerations as the Administrative Agent shall deem reasonable, such inventory is ineligible.

For purposes of determining the value of Eligible Inventory to be included in the Borrowing Base, the value thereof shall at the time of any determination thereof be the lower of (i) cost (less any appropriate revaluation reserves or reserve for obsolete inventory and any profits accrued in

connection with transfers of inventory between the Consolidated Group) or (ii) fair market value of the Eligible Inventory at such time, in Dollars, determined in accordance with the average-weighted cost method of accounting and on a basis otherwise consistent with such Person's current and historical accounting practices.

"Environmental Laws" means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any Governmental Authority, relating in any way to the environment, preservation or reclamation of natural resources, the management, release or threatened release of any Hazardous Material or to health and safety matters.

"Environmental Liability" means, as to any Person, any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of such Person directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that, together with any Loan Party, is treated as a single employer under Section 414(b) or (c) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA Event" means (a) any "reportable event," as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30-day notice period is waived); (b) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by any Loan Party or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by any Loan Party or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the incurrence by any Loan Party or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (g) the receipt by any Loan Party or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from any Loan Party or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

"Eurodollar," when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the LIBO Rate.

"Event of Default" has the meaning assigned to such term in Article VII.

"Excess Cash Flow" shall mean for any period as to the Consolidated Group, Consolidated EBITDA for such period, minus (a) Debt Service for such period, (b) voluntary prepayments made pursuant to Section 2.09(a) hereof for such period, (c) federal, state and local taxes for such period, (d) Consolidated Capital Expenditures for such period, (e) changes in Working Capital for such period and (f) any prepayments of the Term Loans required by the provisions of Section 2.09(c).

"Excess Taking Proceeds" means any Extraordinary Receipts in excess of $250,000 in the aggregate during any calendar year.

"Excluded Taxes" means, with respect to the Administrative Agent, any Lender, or any other recipient of any payment to be made by or on account of any obligation of any Loan Party hereunder, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which any Loan Party is located and (c) in the case of a Foreign Lender, any withholding tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement (or designates a new lending office) or is attributable to such Foreign Lender's failure to comply with Section 2.15(e), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from the Loan Parties with respect to such withholding tax pursuant to Section 2.15(a).

"Extended Receivable" shall mean any account receivable of Conn Funding I LP and Conn Funding II LP as to which the original due date has been extended.

"Extension Ratio" shall mean the ratio of (a) the aggregate outstanding balance of all Extended Receivables to (b) the aggregate outstanding balance of all accounts receivable of Conn Funding I LP and Conn Funding II LP.

"Extraordinary Receipt" means any cash received by or paid to or for the account of any Person not in the ordinary course of business, tax refunds, pension plan reversions, proceeds of insurance (other than proceeds of business interruption insurance to the extent such proceeds constitute compensation for lost earnings) and indemnity payments; provided, however, that, so long as no Default or Event of Default shall have occurred and be continuing, an Extraordinary Receipt shall not include cash receipts received from proceeds of insurance, condemnation awards (or payments in lieu thereof) or indemnity payments to the extent that such proceeds, awards or payments in respect of loss or damage to equipment, fixed assets or real property are applied (or in respect of which expenditures were previously incurred) to replace or repair the equipment, fixed assets or real property in respect of which such proceeds were received in

accordance with the terms of the Loan Documents, so long as such application is made within 12 months after the occurrence of such damage or loss; provided further, however, that notwithstanding anything to the contrary contained herein, all Extraordinary Receipts in excess of the Excess Taking Proceeds shall be applied to the Obligations in accordance with Section 2.09(c) of this Agreement.

"Federal Funds Effective Rate" means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"Financial Officer" means, as to any Person, the Chief Financial Officer or Treasurer of such Person.

"Foreign Lender" means any Lender that is organized under the laws of a jurisdiction other than the United States of America.

"FTC" means the Federal Trade Commission.

"GAAP" means generally accepted accounting principles in effect from time to time in the United States of America.

"Governmental Authority" means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Guarantee" of or by any Person means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation; provided that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

"Guarantors" means the parties to the Guaranty Agreements, including but not limited to Parent and all present and future direct and indirect Subsidiaries of CAI (excluding CCC, Conn Funding I LP, Conn Funding II LP, Conn Funding LLC, Conn Funding II GP LLC, Conn CC LP and Conn Credit LLC, so long as such Subsidiaries of CAI are not required to be treated as new Subsidiaries under Section 5.13).

"Guaranty Agreements" shall mean, collectively, Guaranty Agreements duly executed by all of the Guarantors as of the date hereof, together with any Guaranty Supplement hereafter executed and delivered pursuant to Section 5.13, in each case as amended from time to time.

"Hazardous Materials" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"Hedging Agreement" means any interest rate protection agreement, foreign currency exchange agreement, commodity price protection agreement or other interest or currency exchange rate or commodity price hedging arrangement.

"Highest Lawful Rate" has the meaning set forth in Section 9.15.

"Indebtedness" shall mean (without duplication), for any Person,

(i) all indebtedness of such Person for borrowed money or arising out of any extension of credit to or for the account of such Person or with respect to deposits or advances of any kind (including, without limitation, extensions of credit in the form of reimbursement or payment obligations of such Person relating to letters of credit issued for the account of such Person) or for the deferred purchase price of property or services, except indebtedness which is owing to trade creditors in the ordinary course of business and which is due within 90 days after the original invoice date;

(ii) Indebtedness of the kind described in clause (i) of this definition which is secured by (or for which the holder of such Indebtedness has any existing right, contingent or otherwise, to be secured by) any mortgage, deed of trust, pledge, lien, security interest or other charge or encumbrance upon or in property (including, without limitation, accounts and contract rights) owned by such Person, whether or not such Person has assumed or become liable for the payment of such Indebtedness or obligations;

(iii) Capitalized Lease Obligations of such Person;

(iv) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances;

(v) all obligations of such Person upon which interest charges are customarily paid;

(vi) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person; and

(vii) all Guaranties or other contingent liabilities (other than endorsements for collection in the ordinary course of business), direct or indirect, with respect to Indebtedness (of the kind described in clauses (i) through (vi) of this definition) of another Person, through an agreement or otherwise, including, without limitation,

(A) any endorsement not for collection in the ordinary course of business or discount with recourse or undertaking substantially equivalent to or having economic effect similar to a Guaranty in respect of any such Indebtedness;

(B) any agreement (1) to purchase, or to advance or supply funds for the payment or purchase of, any such Indebtedness, (2) to purchase, sell or lease property, products, materials or supplies, or transportation or services, in order to enable such other Person to pay any such Indebtedness or to assure the owner thereof against loss regardless of the delivery or nondelivery of the property, products, materials or supplies or transportation or services or (3) to make any loan, advance or capital contribution to or other investment in, or to otherwise provide funds to or for, such other Person in order to enable such Person to satisfy any obligation (including any liability for a dividend, stock liquidation payment or expense) or to assure a minimum equity, working capital or other balance sheet condition in respect of any such obligation;

(C) obligations of such Person to the counterparty under foreign currency "hedging" contracts and interest rate contracts (including without limitation liquidated damages specified therein) arising by reason of a default or breach (however defined) by such Person thereunder, net of amounts to be paid to such Person from such counterparty thereunder; and

(D) obligations under surety, appeal or customs bonds.

The Indebtedness of any Person which shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Interest Election Request" means a request by the Borrowers to convert or continue a Borrowing in accordance with Section 2.06.

"Interest Payment Date" means (a) with respect to any ABR Loan, the last day of each March, June, September and December, or (b) with respect to any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar Borrowing with an Interest Period of more than three months' duration, each day

prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period.

"Interest Period" means (a) with respect to any Eurodollar Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months thereafter, as the applicable Borrower may elect; provided that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, in the case of a Eurodollar Borrowing only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (ii) any Interest Period pertaining to a Eurodollar Borrowing that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"IPO Transaction" means the sale of approximately 4,000,000 shares of stock of Parent to the public pursuant to the draft Form S-1 Registration Statement (marked as "Version 3") provided to the Agent concurrently with the execution of this Agreement, the conversion of Parent from a wholly-owned Subsidiary of CAI to the owner of all of the issued and outstanding equity interests in and to CAI, the formation of a merger Subsidiary and the merger of such merger Subsidiary with and into CAI (with CAI being the survivor), the payment of cash dividends or redemption payments in an aggregate amount not exceeding $2,500,000 and the issuance of stock dividends by Parent required to effectuate the foregoing.

"Landlord's Agreement" shall mean a Landlord's Agreement, substantially in the form of Exhibit C hereto, in form and substance satisfactory to the Administrative Agent.

"Lenders" means the Person listed on the signature pages hereto as the Lenders and any other Person that shall have become a party hereto pursuant to an Assignment and Acceptance, or pursuant to an amendment of this Agreement, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Acceptance, or pursuant to an amendment of this Agreement.

"LIBO Rate" means, with respect to any Eurodollar Borrowing for any Interest Period, the rate appearing on Page 3750 of the Telerate Service (or on any successor or substitute page of such Service, or any successor to or substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for dollar deposits with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason, then the "LIBO Rate" with respect to such Eurodollar Borrowing for such Interest Period shall be the rate at which dollar deposits of $5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Administrative Agent in immediately available funds in the London

interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"LIBO Rate Margin" means, with respect to any Eurodollar Loan, the applicable margin set forth below under the caption "LIBO Rate Margin," based upon the ratio of (i) the sum of (x) Consolidated Total Debt plus (y) eight times Consolidated Rent Expense divided by (ii) Consolidated EBITDA plus Consolidated Rent Expense, as determined quarterly on a rolling four quarter basis

Ratio	LIBO Rate Margin
x **** 3.25	2.75%
2.75 *** x * 3.25	2.50%
2.25 *** x * 2.75	2.25%
1.75 *** x * 2.25	2.00%
1.25 *** x * 1.75	1.75%
x * 1.25	1.50%

**** denotes greater or equal to
*** denotes less than or equal to
* less than

"Lien" means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"Loans" means the loans made by the Lenders to the Borrowers pursuant to this Agreement.

"Loan Documents" shall mean this Agreement, the Notes, all Security Documents, the Subordination Agreements, any Hedging Agreement between any member of the Consolidated Group and any Lender, and all instruments, certificates and agreements now or hereafter executed or delivered to the Administrative Agent or any Lender pursuant to any of the foregoing and the transactions connected therewith, and all amendments, modifications, renewals, extensions, increases and rearrangements of, and substitutions for, any of the foregoing.

"Loan Party" means any Person which now or hereafter executes and delivers a Loan Document, other than the Administrative Agent, the Lenders and any Participant.

"Louisiana Insurance Company" means CAI Credit Insurance Agency, Inc., a Louisiana corporation.

"Material Adverse Effect" means a material adverse effect on (a) the business, assets, operations, prospects or condition, financial or otherwise, of the Consolidated Group taken as a whole, (b) the ability of any Loan Party to perform any of its obligations under any Loan Document to which it is a party or (c) the rights of or benefits available to the Administrative Agent and the Lenders under the Loan Documents.

"Material Indebtedness" means Indebtedness (other than the Loans), or obligations in respect of one or more Hedging Agreements, of any one or more of the Consolidated Group in an aggregate principal amount exceeding $500,000. For purposes of determining Material Indebtedness, the "principal amount" of the obligations of any Person in respect of any Hedging Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that such Person would be required to pay if such Hedging Agreement were terminated at such time.

"Maturity Date" means, with respect to any Revolving Loan, the Revolving Maturity Date and with respect to the Term Loan, the Term Loan Maturity Date.

"Moody's" means Moody's Investors Service, Inc.

"Mortgaged Property" shall mean all tangible assets and real property interests subject to the Security Documents.

"Mortgages" means, collectively, Mortgages, Pledges, Assignments, Security Agreements and Financing Statements and Deeds of Trust, Assignments, Security Agreements and Financing Statements securing the Obligations and covering all of the real property owned or leased by the Loan Parties as of the date hereof (except such leased properties on which no Lien is required pursuant to Section 5.16), together with any other mortgage or deed of trust hereafter delivered pursuant to Section 5.16, in each case as amended from time to time.

"Multiemployer Plan" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Net Cash Proceeds" means, with respect to any sale, lease, transfer or other disposition of any asset or the sale of any capital stock or other ownership or profit interest, any securities convertible into or exchangeable for capital stock or other ownership or profit interest or any warrants, rights, options or other securities to acquire capital stock or other ownership or profit interest by any Person, or any Extraordinary Receipt received by or paid to or for the account of any Person, the aggregate amount of cash received from time to time (whether as initial consideration or through payment or disposition of deferred consideration) by or on behalf of such Person in connection with such transaction after deducting therefrom only (without duplication) (a) reasonable and customary brokerage commissions, underwriting fees and discounts, legal fees, finder's fees and other similar fees and commissions, (b) the amount of taxes payable in connection with or as a result of such transaction and (c) the amount of any Indebtedness secured by a Lien on such asset that, by the terms of the agreement or instrument governing such Indebtedness, is required to be repaid upon such disposition, in each case to the extent, but only to the extent, that the amounts so deducted are, at the time of receipt of such cash, actually paid to a Person that is not an Affiliate of such Person or any Loan Party or any

Affiliate of any Loan Party and are properly attributable to such transaction or to the asset that is the subject thereof.

"Non-Cash Expense (or Income)" shall mean, for any period, the amount of non-cash expense or income; provided that, (i) if any cash outlay (receipt) is made (received) during such period in respect of such non-cash expense (income), only the amount of such non-cash expense (income) which exceeds the amount of the cash outlay (receipt) may be added back to Consolidated Net Income for purposes of calculating Consolidated EBITDA, and (ii) if any cash outlay (receipt) is made (received) during such period in respect of a non-cash expense (income) for a prior or future period, the amount of such cash outlay (receipt) shall be deducted from (added to) Consolidated Net Income for the current period for purposes of calculating Consolidated EBITDA.

"Note" or "Notes" shall mean a promissory note or promissory notes, respectively, of the Borrowers, executed and delivered under this Agreement.

"Obligations" means all of the obligations of any Loan Party now or hereafter existing under the Loan Documents, whether for principal, interest, fees, expenses, indemnification or otherwise.

"Officer's Certificate" shall mean a certificate signed in the name of a Person, by either its Chief Executive Officer, President, one of its Financial Officers or Secretary.

"Originator Notes" shall mean (i) those two (2) certain Originator's Notes dated as of May 12, 2000 executed by Conn Funding I LP payable to order of CAI and CAILP, respectively, delivered pursuant to the terms and provisions of the Receivables Purchase Agreement, and (ii) those two (2) certain Originator's Notes dated as of September 13, 2002 executed by Conn Funding II LP payable to order of CAI and CAILP, respectively, delivered pursuant to the terms and provisions of the Receivables Purchase Agreement, as the same may be renewed, extended, modified or rearranged from time to time.

"Other Taxes" means any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement.

"Parent" means Conn's, Inc., a Delaware corporation.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

"Permitted Encumbrances" means:

(a) Liens imposed by law for taxes that are not yet due or are being contested in compliance with Section 5.04;

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's and other like

Liens imposed by law, arising in the ordinary course of business and securing obligations that are not overdue by more than 30 days or are being contested in compliance with Section 5.04;

(c) pledges and deposits made in the ordinary course of business in compliance with workers' compensation, unemployment insurance and other social security laws or regulations;

(d) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business;

(e) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and do not materially detract from the value of the affected property or interfere with the ordinary conduct of business of any Loan Party or any of their Subsidiaries; and

(f) security interest filings by lessors under personal property leases;

provided that the term "Permitted Encumbrances" shall not include any Lien securing Indebtedness.

"Permitted Investments" means:

(a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United States of America), in each case maturing within one year from the date of acquisition thereof;

(b) investments in commercial paper maturing within 270 days from the date of acquisition thereof and having, at such date of acquisition, the highest credit rating obtainable from S&P or from Moody's;

(c) investments in certificates of deposit, banker's acceptances and time deposits maturing within 180 days from the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any domestic office of any commercial bank organized under the laws of the United States of America or any State thereof which has a combined capital and surplus and undivided profits of not less than $500,000,000; and

(d) fully collateralized repurchase agreements with a term of not more than 30 days for securities described in clause (a) above and entered into with a financial institution satisfying the criteria described in clause (c) above.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Plan" means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which any Loan Party or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Pledge and Security Agreements" means, collectively, Pledge and Security Agreements securing the Obligations and covering all of the issued and outstanding equity interests in and to each of the Loan Parties (other than those equity interests in and to CAI on which no Lien is required pursuant to Section 6.24 and other than, after the closing of the IPO Transaction, equity interests in and to Parent), and those certain Pledge and Security Agreements executed and delivered pursuant to Section 5.13, in each case as amended from time to time.

"Prime Rate" means the rate of interest per annum publicly announced from time to time by JPMorgan Chase Bank as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"Real Estate Documentation" means that certain Promissory Note dated June, 1993 payable to Metlife Capital Corporation (and thereafter assigned to General Electric Capital Corporation) in the sum of $675,000 secured by a Deed of Trust on real property known as CAI Store Location No. 27.

"Receivables Purchase Agreement" means that certain Receivables Purchase Agreement dated as of September 1, 2002 between Conn Funding II LP, as Purchaser, Conn Funding I LP, as the Initial Seller, and CAI and CAILP, collectively as Originator, together with any and all amendments, restatements, renewals and extensions thereof not in violation of Article VII(p).

"Receivables Purchase Documents" means, collectively, the Receivables Purchase Agreement, the Originator Notes, the Conn Funding II Indenture, the Collection Account Letters of Credit and any and all documents, instruments and agreements executed in connection therewith.

"Register" has the meaning set forth in Section 9.04(c).

"Related Parties" means, with respect to any specified Person, such Person's affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's affiliates.

"Required Lenders" means, at any time, Lenders having Revolving Credit Exposures and Term Loan Exposures and unused Commitments representing at least 66 2/3% of the sum of the total Revolving Credit Exposures, Term Loan Exposures and unused Commitments at such time.

"Restricted Payment" means any dividend or other distribution (whether in cash, securities or other property) with respect to any shares of any class of capital stock of any member of the Consolidated Group, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption,

retirement, acquisition, cancellation or termination of any such shares of capital stock of any such Person or any option, warrant or other right to acquire any such shares of capital stock of any such Person.

"Revolving Credit Exposure" means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender's Revolving Loans.

"Revolving Loan" means a Loan made pursuant to Section 2.02.

"Revolving Loan Commitment" shall mean each Lender's initial Revolving Loan Commitment set forth on Schedule 2.02, expressed as an amount representing the maximum aggregate amount of such Lender's Revolving Credit Exposure hereunder, as such commitment may be (i) reduced from time to time pursuant to Section 2.07 and (ii) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 9.04.

"Revolving Maturity Date" shall mean September 13, 2005, or any earlier date on which (i) the Revolving Loan Commitments shall have terminated in accordance with this Agreement and (ii)(a) all unpaid amounts owing under the Revolving Notes have been declared due and payable in accordance with this Agreement or (b) all unpaid amounts owing under the Revolving Notes shall have been prepaid in accordance with this Agreement.

"Revolving Notes" shall mean the promissory notes of the Borrowers executed and delivered under Section 2.08(c).

"S&P" means Standard & Poor's Ratings Group.

"SEC" means the Securities and Exchange Commission, an agency of the United States government.

"Security Agreements" means, collectively, Security Agreements securing the Obligations and covering all material personal property of the Loan Parties (other than personal property covered by the Pledge and Security Agreements), and those certain Security Agreements executed and delivered pursuant to Section 5.13, in each case as amended from time to time.

"Security Documents" shall mean the Pledge and Security Agreements, the Security Agreements, the Guaranty Agreements and the Mortgages, as they may be amended or modified from time to time, and any and all other agreements, deeds of trust, mortgages, chattel mortgages, security agreements, pledges, guaranties, assignments of production or proceeds of production, assignments of income, assignments of contract rights, assignments of partnership interest, assignments of royalty interests, assignments of performance, completion or surety bonds, standby agreements, subordination agreements, undertakings and other instruments and financing statements now or hereafter executed and delivered by any Person (other than solely by the Administrative Agent or any Lender and/or any other creditor participating in the Loans evidenced by the Notes or any collateral or security therefor) in connection with, or as security for Obligations.

"Seller Subordinated Note" means that certain promissory note dated as of July 14, 1998 executed and delivered by CAI to C.W. Conn, Jr., in the original principal amount of $9,180,000.

"Seller Subordination Agreement" means that certain Subordination Agreement dated as of July 14, 1998 among CAI, the Administrative Agent and C.W. Conn, Jr., as amended from time to time.

"Senior Debt" means, as to the Consolidated Group, Indebtedness minus Subordinated Debt.

"SRDS Loan Guaranty Program" shall mean those series of loan guaranties entered into by CAI, for the benefit of various lenders, to facilitate the construction and development of new stores by CAI and its Affiliates by third party developers, all in accordance with the business plan and expansion program of said parties in effect as of September 13, 2002.

"Statutory Reserve Rate" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Administrative Agent is subject with respect to the Adjusted LIBO Rate, for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. Eurodollar Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"Stephens Group" means the persons identified on Schedule 3.15(b) as the "Stephens Group".

"Subordinated Debt" shall mean, collectively, (i) Indebtedness of CAI existing under the Voyager Debenture, to the extent permitted under Section 6.01(e) hereof, and (ii) Indebtedness of CAI under the Seller Subordinated Note, to the extent permitted under Section 6.01(g).

"Subordination Agreements" means, collectively, the Voyager Subordination and Standstill Agreement and the Seller Subordination Agreement.

"Subsidiary" means, with respect to any Person (the "parent") at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held, or

(b) that is, as of such date, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

"Taxes" means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"Term Loan" means a Loan made pursuant to Section 2.01.

"Term Loan Commitment" shall mean each Lender's initial Term Loan Commitment set forth on Schedule 2.01.

"Term Loan Exposure" means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender's percentage share of the Term Loan.

"Term Maturity Date" shall mean September 13, 2005, or any earlier date on which (i) the Term Loan Commitments shall have terminated in accordance with this Agreement and (ii)(a) all unpaid amounts owing under the Term Notes have been declared due and payable in accordance with this Agreement or (b) all unpaid amounts owing under the Term Notes shall have been prepaid in accordance with this Agreement.

"Term Notes" shall mean the promissory notes of the Borrowers executed and delivered under Section 2.08(a).

"Transactions" means the execution, delivery and performance by the Loan Parties of this Agreement and the other Loan Documents, the borrowing of Loans, and the use of the proceeds thereof.

"Type," when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the LIBO Rate or the Alternate Base Rate.

"Unpurchased Receivables" means, for any period, accounts receivable of Conn Funding I LP and Conn Funding II LP that would otherwise be Eligible Accounts Receivable except for items (f) and (n) in the definition thereof.

"Voyager" shall mean the Voyager Indemnity Insurance Company.

"Voyager Debenture" shall mean that certain Floating Rate Debenture, in the original principal amount of $2,000,000 (and with a current principal balance of $3,500,000), dated as of April 1, 1998, executed by CAI, as amended from time to time not in violation of Article VII(q) hereof.

"Voyager Documents" means, collectively, the Voyager Debenture, the Voyager Keep Well Agreement, the Voyager Security Agreement and the Voyager Subordination and Standstill Agreement.

"Voyager Keep Well Agreement" shall mean that certain Keep Well and Repurchase Agreement between Voyager and CAI, dated as of April 1, 1998, as amended from time to time not in violation of Article VII(q) hereof.

"Voyager Security Agreement" shall mean that certain Security Agreement, dated as of April 1, 1998, executed in favor of Voyager, as amended from time to time not in violation of Article VII(q) hereof.

"Voyager Subordination and Standstill Agreement" shall mean that certain Voyager Subordination and Standstill Agreement, dated as July 14, 1998, among the Administrative Agent, CAI (and certain of its affiliates) and Voyager, as amended from time to time not in violation with Article VII(q) hereof.

"Withdrawal Liability" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

"Working Capital" means, for any period, current assets minus current liabilities, as defined in accordance with GAAP.

SECTION 1.02. Classification of Loans and Borrowings. For purposes of this Agreement, Loans may be classified and referred to by Class (e.g., a "Revolving Loan" or a "Term Loan") or by Type (e.g., a "Eurodollar Loan") or by Class and Type (e.g., a "Eurodollar Revolving Loan"). Borrowings also may be classified and referred to by Class (e.g., a "Revolving Borrowing" or a "Term Borrowing") or by Type (e.g., a "Eurodollar Borrowing") or by Class and Type (e.g., a "Eurodollar Revolving Borrowing").

SECTION 1.03. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The word "will" shall be construed to have the same meaning and effect as the word "shall." Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein," "hereof" and "hereunder," and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 1.04. Accounting Terms; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with

GAAP, as in effect from time to time; provided that, if the Borrowers notify the Administrative Agent that the Borrowers request an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Borrowers that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

ARTICLE II
The Credits

SECTION 2.01. Term Commitments. Each Lender has made a Term Loan to the Borrowers in an aggregate principal amount equal to such Lender's Term Loan Commitment. Amounts borrowed under the Term Loan and repaid or prepaid may not be reborrowed. After giving effect to such Term Loan, the unused Term Loan Commitments shall be automatically and permanently terminated.

SECTION 2.02. Revolving Commitments. Subject to the terms and conditions set forth herein, each Lender agrees to make Revolving Loans to the Borrowers from time to time during the Availability Period in an aggregate principal amount that will not result in (a) such Lender's Revolving Credit Exposure to all Borrowers exceeding such Lender's Revolving Loan Commitment or (b) the sum of the total Revolving Credit Exposures exceeding the lesser of (x) the total Revolving Loan Commitments or (y) the Borrowing Base. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrowers may borrow, prepay and reborrow Revolving Loans.

SECTION 2.03. Loans and Borrowings.

(a) Each Loan shall be made as part of a Borrowing consisting of Loans made by the Lenders ratably in accordance with their respective Commitments. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided that the Commitments of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(b) Subject to Section 2.12, each Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans as the applicable Borrower may request in accordance herewith. Each Lender at its option may make any Eurodollar Loan by causing any domestic or foreign branch or affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the applicable Borrower to repay such Loan in accordance with the terms of this Agreement.

(c) At the commencement of each Interest Period for any Eurodollar Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of $500,000 and not less than $1,000,000. At the time that each ABR Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of $500,000 and not less than $1,000,000;

provided that an ABR Revolving Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Revolving Loan Commitments. Borrowings of more than one Type and Class may be outstanding at the same time; provided that there shall not at any time be more than a total of twelve (12) Eurodollar Borrowings outstanding.

(d) Notwithstanding any other provision of this Agreement, the Borrowers shall not be entitled to request, or to elect to convert or continue, any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

SECTION 2.04. Requests for Borrowings. To request a Borrowing, the applicable Borrower shall notify the Administrative Agent of such request by telephone (a) in the case of a Eurodollar Borrowing, not later than 11:00 a.m., Houston time, three Business Days before the date of the proposed Borrowing, or (b) in the case of an ABR Borrowing, not later than 11:00 a.m., Houston time, one Business Day before the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Borrowing Request in the form set forth as Exhibit D hereto and signed by the applicable Borrower. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Sections 2.02 and 2.03:

(i) the applicable Borrower;

(ii) the aggregate amount of the requested Borrowing;

(iii) the date of such Borrowing, which shall be a Business Day;

(iv) whether such Borrowing is to be a Term Borrowing or a Revolving Borrowing;

(v) whether such Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing;

(vi) in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period"; and

(vii) the location and number of the Borrower's account to which funds are to be disbursed.

If no election as to the Type of Borrowing is specified, then the requested Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Borrowing, then the applicable Borrower shall be deemed to have selected an Interest Period one month's duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

SECTION 2.05. Funding of Borrowings.

(a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 12:00 noon, Houston time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders. The Administrative Agent will make such Loans available to the Borrowers by promptly crediting the amounts so received, in like funds, to an account of the Borrowers maintained with the Administrative Agent in Houston and designated by the Borrowers in the applicable Borrowing Request.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the Borrowers a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrowers severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrowers to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation or (ii) in the case of the Borrowers, the interest rate applicable to ABR Loans. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

SECTION 2.06. Interest Elections.

(a) Each Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurodollar Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the Borrowers may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Borrowing, may elect Interest Periods therefor, all as provided in this Section. The Borrowers may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing.

(b) To make an election pursuant to this Section, the Borrowers shall notify the Administrative Agent of such election by telephone by the time that a Borrowing Request would be required under Section 2.03 if the Borrowers were requesting a Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Interest Election Request in a form set forth on Exhibit E attached hereto and signed by the applicable Borrower.

(c) Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.03:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and

(iv) if the resulting Borrowing is a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period."

If any such Interest Election Request requests a Eurodollar Borrowing but does not specify an Interest Period, then the applicable Borrower shall be deemed to have selected an Interest Period of one month's duration.

(d) Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) If the Borrowers fail to deliver a timely Interest Election Request with respect to a Eurodollar Revolving Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies the Borrowers, then, so long as an Event of Default is continuing (i) no outstanding Borrowing may be converted to or continued as a Eurodollar Borrowing and (ii) unless repaid, each Eurodollar Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

SECTION 2.07. Termination and Reduction of Revolving Loan Commitments.

(a) Unless previously terminated, the Revolving Loan Commitments shall terminate on the Revolving Maturity Date.

(b) The Borrowers may at any time terminate, or from time to time reduce, the Revolving Loan Commitments; provided that each reduction of the Revolving Loan Commitments shall be in an amount that is an integral multiple of $250,000 and not less than $1,000,000.

(c) The Borrowers shall notify the Administrative Agent of any election to terminate or reduce the Revolving Loan Commitments under paragraph (b) of this Section at least five Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrowers pursuant to this Section shall be irrevocable. Any termination or reduction of the Revolving Loan Commitments shall be permanent. Each reduction of the Revolving Loan Commitments shall be made ratably among the Lenders in accordance with their respective Revolving Loan Commitments.

SECTION 2.08. Repayment of Loans; Evidence of Debt.

(a) The Borrowers have executed and delivered to the Administrative Agent for the benefit of each Lender in order to evidence the Term Loans made by such Lender to the Borrowers under such Lender's Term Loan Commitment, Term Notes, which are (i) in the principal amount of such Lender's applicable maximum Term Loan Commitment and (ii) in substantially the form attached hereto as Exhibit F, with the blanks appropriately filled. The outstanding principal balance of each Term Note shall be payable in equal quarterly installments of principal in an amount equal to $1,500,000 times the applicable Lender's pro rata share of the aggregate Term Loans, with such payments to be due on May 1, 2003 and on the first day of each August, November, February and May thereafter prior to the Term Maturity Date. On the Term Maturity Date, the entire unpaid principal balance of the Term Loans shall be due and payable.

(b) Each Term Note shall bear interest on the unpaid principal amount thereof from time to time outstanding at the rate per annum determined as specified in Section 2.11 payable on each Interest Payment Date and at maturity, commencing with the first Interest Payment Date following the date of such Term Note.

(c) The Borrowers shall execute and deliver to the Administrative Agent for each Lender a Revolving Note to evidence the Revolving Loans made by such Lender to the Borrowers under such Lender's aggregate Revolving Loan Commitment, which shall be (i) in the principal amount of such Lender's Revolving Loan Commitment and (ii) in substantially the form attached hereto as Exhibit G, with the blanks appropriately filled. The outstanding principal balance of each Revolving Note shall be payable on the Revolving Maturity Date.

(d) Each Revolving Note shall bear interest on the unpaid principal amount thereof from time to time outstanding at the rate per annum determined as specified in Section 2.11 payable on each Interest Payment Date and at maturity, commencing with the first Interest Payment Date following the date of such Revolving Note.

SECTION 2.09. Prepayment of Loans.

(a) The Borrowers shall have the right at any time and from time to time to prepay any Borrowing in whole or in part, subject to prior notice in accordance with paragraph (d) of this Section; provided that such prepayment shall be in an amount that is an integral multiple of $250,000 and not less than $1,000,000.

(b) Concurrently with the delivery of each set of financial statements pursuant to Section 5.01(a), commencing with the fiscal year ending January 31, 2003, the Borrowers shall prepay the outstanding Term Loans, in inverse order of maturity, in an aggregate amount equal to fifty percent (50%) of Excess Cash Flow, if any, as determined for the fiscal year then ended.

(c) The Borrowers shall, on the date of receipt of Net Cash Proceeds by any Loan Party from (A) the sale, lease, transfer or other disposition of any assets of any such Person having a fair market value at the time of such sale, lease, transfer or other disposition of $3,500,000 or more in the aggregate for all such sales, leases, transfers or other dispositions of such Persons in any fiscal year (other than pursuant to Sections 6.10, 6.12 and 6.13 or the Receivables Purchase Agreement and, provided no Default or Event of Default shall exist, excluding any Net Cash Proceeds applied within six months after such sale, transfer or other disposition towards the acquisition by such Person of assets (i) which have an aggregate fair market value at least equal to the Net Cash Proceeds received from such disposition, (ii) which are pledged to the Administrative Agent pursuant to Section 5.10 and no other Liens shall exist on such assets and (iii) are of the same general type as such disposed assets), (B) the sale or issuance by any such Person of any capital stock or other ownership or profit interest (other than in respect of stock options or warrants currently outstanding and identified in Schedule 3.15 or hereafter issued pursuant to any stock option plan or other compensation arrangement approved by CAI's Board of Directors), any securities converted into or exchangeable for capital stock or other ownership or profit interest or any warrants, rights or options to acquire capital stock or other ownership or profit interest, (C) any contribution to the capital of any such Person (other than from a Loan Party to another Loan Party) and (D) any Extraordinary Receipt received by or paid to or for the account of any such Person, prepay an aggregate principal amount of the Term Loans, in inverse order of maturity equal to 100% of the amount of such Net Cash Proceeds. Notwithstanding the foregoing, (i) Borrowers shall not be required to prepay the Term Loans by more than $5,000,000 from the proceeds realized from the IPO Transaction and (ii) such prepayment of the Term Loans from the proceeds realized from the IPO Transaction shall be applied pro rata to all of the remaining principal installments payable on the Term Loans.

(d) The Borrowers shall notify the Administrative Agent by telephone (confirmed by telecopy) of any prepayment hereunder not later than 11:00 a.m., Houston time, five Business Days before the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid. Promptly following receipt of any such notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each prepayment of a Revolving Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing. Each prepayment of a Term Borrowing shall be applied in the inverse order of maturity. All prepayments shall be accompanied by accrued interest and, if the prepayment is in respect of a Eurodollar Borrowing and is made on any day other than the last day of the applicable Interest Period, such prepayment must be accompanied by payment of all breakage costs and funding losses as provided for in Section 2.14.

SECTION 2.10. Fees.

(a) The Borrowers agree to pay to the Administrative Agent for the account of each Lender a facility fee, which shall accrue at the Commitment Fee Rate on the daily amount of the

unutilized portion of the Revolving Commitment of such Lender during the period from and including the date hereof to but excluding the date on which such Commitment terminates. Accrued facility fees shall be payable in arrears on the last day of April, July, October and January of each year and on the date on which the Commitments terminate, commencing on the first such date to occur after the date hereof; provided that any facility fees accruing after the date on which the Commitments terminate shall be payable on demand. All facility fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) The Borrowers agree to pay to the Arranger an underwriting fee, which shall be payable at closing and payable in the amounts and at the times separately agreed upon between the Borrowers and the Arranger.

(c) The Borrowers agree to pay to the Administrative Agent, for its own account, administrative fees payable in the amounts and at the times separately agreed upon between the Borrowers and the Administrative Agent.

(d) All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent (or to the Arranger, in the case of fees payable to it) for distribution, in the case of facility fees and participation fees, to the Lenders. Fees paid shall not be refundable under any circumstances.

SECTION 2.11. Interest.

(a) The Loans comprising each ABR Borrowing shall bear interest at the Alternate Base Rate.

(b) The Loans comprising each Eurodollar Borrowing shall bear interest at the Adjusted LIBO Rate plus the applicable LIBO Rate Margin for the Interest Period in effect for such Borrowing.

(c) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by the Borrowers hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 3% plus the rate otherwise applicable to such Loan as provided in the preceding paragraphs of this Section or (ii) in the case of any other amount, 3% plus the rate applicable to ABR Loans as provided in paragraph (a) of this Section.

(d) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan and, in the case of Revolving Loans, upon termination of the Revolving Loan Commitments; provided that (i) interest accrued pursuant to paragraph (c) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan, accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (iii) in the event of any conversion of any Eurodollar Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion.

(e) All interest hereunder shall be computed on the basis of a year of 360 days, except that, interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate and LIBO Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.12. Alternate Rate of Interest. If prior to the commencement of any Interest Period for a Eurodollar Borrowing:

(a) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the LIBO Rate for such Interest Period; or

(b) the Administrative Agent is advised by the Required Lenders that the LIBO Rate for such Interest Period will not adequately and fairly reflect the cost to such Lenders (or Lender) of making or maintaining their Loans (or its Loan) included in such Borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to the Borrowers and the Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrowers and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Borrowing to, or continuation of any Borrowing as, a Eurodollar Borrowing shall be ineffective, and (ii) if any Borrowing Request requests a Eurodollar Borrowing, such Borrowing shall be made as an ABR Borrowing; provided that if the circumstances giving rise to such notice affect only one Type of Borrowings, then the other Type of Borrowings shall be permitted.

SECTION 2.13. Increased Costs.

(a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate); or

(ii) impose on any Lender or the London interbank market any other condition affecting this Agreement or Eurodollar Loans made by such Lender;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Loan (or of maintaining its obligation to make any such Loan) or to increase the cost to such Lender or to reduce the amount of any sum received or receivable by such Lender hereunder (whether of principal, interest or otherwise), then the Borrowers will pay

to such Lender such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered.

(b) If any Lender determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement or the Loans made by such Lender to a level below that which such Lender or such Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy), then from time to time the Borrowers will pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section shall be delivered to the Borrowers and shall be conclusive absent manifest error. The Borrowers shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Failure or delay on the part of any Lender to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's right to demand such compensation.

SECTION 2.14. Break Funding Payments. In the event of (a) the payment of any principal of any Eurodollar Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto, or (c) the failure to borrow, convert, continue or prepay any Loan on the date specified in any notice delivered pursuant hereto then, in any such event, the Borrowers shall compensate each Lender for the loss, cost and expense attributable to such event. In the case of a Eurodollar Loan, such loss, cost or expense to any Lender shall be deemed to include an amount determined by such Lender to be the excess, if any, of (i) the amount of interest which would have accrued on the principal amount of such Loan had such event not occurred, at LIBO Rate that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest which would accrue on such principal amount for such period at the interest rate which such Lender would bid were it to bid, at the commencement of such period, for dollar deposits of a comparable amount and period from other banks in the Eurodollar market. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Borrowers and shall be conclusive absent manifest error. The Borrowers shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

SECTION 2.15. Taxes.

(a) Any and all payments by or on account of any obligation of the Borrowers hereunder shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; provided that if the Borrowers shall be required to deduct any Indemnified Taxes or

Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent or Lender (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrowers shall make such deductions and (iii) the Borrowers shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Borrowers shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) The Borrowers shall indemnify the Administrative Agent and each Lender, within ten (10) days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by the Administrative Agent or such Lender, as the case may be, on or with respect to any payment by or on account of any obligation of the Borrowers hereunder (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrowers by a Lender or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrowers to a Governmental Authority, the Borrowers shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which any Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Borrowers (with a copy to the Administrative Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law or reasonably requested by the Borrowers as will permit such payments to be made without withholding or at a reduced rate.

SECTION 2.16. Payments Generally; Pro Rata Treatment; Sharing of Set-offs.

(a) The Borrowers shall make each payment required to be made by it hereunder (whether of principal, interest or fees, or of amounts payable under Section 2.13, 2.14 or 2.15, or otherwise) prior to 12:00 noon, Houston time, on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its offices at 712 Main Street, Houston, Texas 77002. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be

extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in Dollars.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, interest and fees then due hereunder, such funds shall be applied (i) first, towards payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, towards payment of principal then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal then due to such parties.

(c) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Revolving or Term Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Revolving or Term Loans and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Revolving or Term Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Revolving and Term Loans; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by the Borrowers pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant, other than to Parent or to the Borrowers or any Subsidiary or affiliate thereof (as to which the provisions of this paragraph shall apply). The Borrowers consent to the foregoing and agree, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrowers rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrowers in the amount of such participation.

(d) Unless the Administrative Agent shall have received notice from the Borrowers prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders hereunder that the Borrowers will not make such payment, the Administrative Agent may assume that the Borrowers have made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lender, the amount due. In such event, if the Borrowers have not in fact made such payment, then each of the Lenders severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

(e) If any Lender shall fail to make any payment required to be made by it to the Administrative Agent pursuant to Section 2.05(b) or 2.16(d), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

ARTICLE III
Representations and Warranties

The Borrowers represent and warrant to the Lenders that:

SECTION 3.01. Organization; Powers. Each Loan Party and each of their Subsidiaries are duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required.

SECTION 3.02. Authorization; Enforceability. The Transactions are within the corporate powers of each Loan Party and have been duly authorized by all necessary corporate and, if required, stockholder action. Each Loan Document to which any Loan Party is a party has been duly executed and delivered by such Person and constitutes a legal, valid and binding obligation of such Person, enforceable in accordance with its terms.

SECTION 3.03. Governmental Approvals; No Conflicts. The Transactions (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect, (b) will not violate any applicable law or regulation or the charter, by-laws or other organizational documents of any Loan Party or any of their Subsidiaries or any order of any Governmental Authority, (c) will not violate or result in a default under any indenture, agreement or other instrument binding upon any Loan Party or any of their Subsidiaries or its assets, or give rise to a right thereunder to require any payment to be made by any Loan Party or any of their Subsidiaries, and (d) except for Liens in favor of the Lenders created by the Loan Documents, will not result in the creation or imposition of any Lien on any asset of any Loan Party or any of their Subsidiaries.

SECTION 3.04. Financial Condition; No Material Adverse Change.

(a) The Borrowers have heretofore furnished to the Administrative Agent the following financial statements: a consolidated balance sheet and statements of income, stockholders equity and cash flows of CAI (i) as of and for the fiscal year ended January 31, 2002 reported on by nationally recognized independent public accountants, and (ii) as of and for the fiscal quarter ended October 31, 2002, certified by a Financial Officer. Such financial statements present fairly, in all material respects, the financial position and results of operations and cash flows of CAI and its consolidated Subsidiaries as of such dates and for such periods in accordance with GAAP, subject to year-end audit adjustments and the absence of footnotes in the case of the statements referred to in clause (ii) above.

(b) Since October 31, 2002, there has been no material adverse change in the business, assets, operations, prospects or condition, financial or otherwise, of CAI and its Subsidiaries, taken as a whole.

SECTION 3.05. Properties.

(a) Except for Liens permitted by Section 6.02, each Loan Party and each of their Subsidiaries has good title to, or valid leasehold interests in, all its real and personal property material to its business, except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted or to utilize such properties for their intended purposes. Set forth on Schedule 3.05(a)(i) hereto is a complete and accurate list of all real property owned by any Loan Party or any of their Subsidiaries, showing as of the date hereof the street address, county or other relevant jurisdiction, state, record owner and the acquisition cost and book value thereof. Each Loan Party and each of their Subsidiaries has good, marketable and insurable fee simple title to such real property, free and clear of all Liens, other than Liens permitted by Section 6.02. Set forth on Schedule 3.05(a)(ii) hereto is a complete and accurate list of all leases of real property under which any Loan Party or any of their Subsidiaries is the lessee or sublessee, showing as of the date hereof the street address, county or other relevant jurisdiction, state, lessor, lessee or sublessee, expiration date and annual rental cost thereof. Each such lease or sublease is the legal, valid and binding obligation of the lessor or sublessor, as the case may be thereof, enforceable in accordance with its terms. From and after the closing of the IPO Transaction, Parent will own no material property other than equity interests in and to CAI and such equity interests shall not be subject to any Lien.

(b) Each Loan Party and each of their, Subsidiaries enjoy, peaceful and undisturbed possession of the portion of the real property as to which any such Person is a lessee under all leases necessary for the operation of its properties and assets, and all such leases are valid and subsisting and are in full force and effect.

(c) Each Loan Party and each of their Subsidiaries owns, or is licensed to use, all trademarks, trade names, copyrights, patents and other intellectual property material to its business, and the use thereof by such Person does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.06. Litigation and Environmental Matters.

(a) There are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of any Borrower, threatened against or affecting any Loan Party or any of their Subsidiaries (i) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect or (ii) that involve any Loan Document or the Transactions or (iii) which affects the Mortgaged Property (including, without limitation, any which challenges or otherwise pertains to any Loan Party's or any of their Subsidiaries' title to the Mortgaged Property). As of the date hereof, there

is no outstanding judgment, order or decree affecting any Loan Party or any of their Subsidiaries before or by any administrative or Governmental Authority.

(b) (i) All facilities and property owned or leased by any Loan Party or any of their Subsidiaries have been and continue to be, owned or leased and operated by such Person in material compliance with all Environmental Laws; (ii) there has not been any Release of Hazardous Materials at, on or under any property now or previously owned or leased by any Loan Party or any of their Subsidiaries (A) in quantities that would be required to be reported under any Environmental Law, (B) that required, or may reasonably be expected to require, any such Person to expend funds on remediation or clean-up activities pursuant to any Environmental Law, or (C) that, singly or in the aggregate, have, or may reasonably be expected to have, a Material Adverse Effect; (iii) each Loan Party and each of their Subsidiaries have been issued and are in material compliance with all permits, certificates, approvals, orders, licenses and other authorizations relating to environmental matters necessary for their respective businesses; (iv) there are not and in the past there have been none of the following on or in any of the assets of any Loan Party or any of their Subsidiaries or any property now or previously owned or leased by them which would result in any Environmental Liability or any Material Adverse Effect: (A) any Hazardous Materials, (B) any generation, treatment, recycling, storage or disposal of any Hazardous Materials, (C) any underground storage tanks or surface impoundments, (D) any asbestos-containing material, or (E) any polychlorinated biphenyls (PCBs); and (v) neither any Loan Party nor any of their Subsidiaries (A) has become subject to any Environmental Liability, (B) has received notice of any claim with respect to any Environmental Liability or (C) knows of any basis for any Environmental Liability.

SECTION 3.07. Compliance with Laws and Agreements. Each Loan Party and each of their Subsidiaries is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. No Default has occurred and is continuing.

SECTION 3.08. Investment and Holding Company Status. No Loan Party nor any of their Subsidiaries is (a) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940 or (b) a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935.

SECTION 3.09. Taxes. As of the date hereof, each Loan Party and each of their Subsidiaries have filed all tax returns required to be filed and have paid all taxes shown on said returns and all assessments which are not yet delinquent. No Borrower is aware of any pending investigation by any taxing authority or of any claims by any Governmental Authority for any unpaid taxes by any Loan Party or any of their Subsidiaries.

SECTION 3.10. Public Utility Holding Company Act Not Applicable. No Loan Party nor any of their Subsidiaries thereof is a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company," or an affiliate of a "subsidiary company" of a "holding company," or a "public utility," as such terms are defined in the Public Utility Holding Company Act of 1935, as amended.

SECTION 3.11. Regulations G, U and X. None of the proceeds of any Loan will be used for the purpose of purchasing or carrying, directly or indirectly, any "margin stock" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System ("margin stock"), or to extend credit to others for the purpose of purchasing or carrying any margin stock, or for any other purpose which would constitute this transaction a "purpose credit" within the meaning of said Regulation U, as now in effect or as the same may hereafter be in effect. No Loan Party nor any of their Subsidiaries will take or permit any action which would involve the Lenders in a violation of Regulation G, Regulation U, Regulation X or any other regulation of the Board of Governors of the Federal Reserve System or a violation of the Securities Exchange Act of 1934, in each case as now or hereafter in effect.

SECTION 3.12. ERISA. No "reportable event" (as defined in Section 4043(b) of ERISA) has occurred with respect to any Plan. Each Plan complies with all applicable provisions of ERISA, and each Loan Party and each of their Subsidiaries have filed all reports required by ERISA and the Code to be filed with respect to each Plan. The Borrowers have no knowledge of any event which could result in a liability of any Loan Party or any of their Subsidiaries to the Pension Benefit Guaranty Corporation. Each Loan Party and each of their Subsidiaries have met all requirements with respect to funding the Plans imposed by ERISA or the Code. Since the effective date of Title IV of ERISA, there have not been any, nor are there now existing any, events or conditions that would permit any Plan to be terminated under circumstances which would cause the lien provided under Section 4068 of ERISA to attach to any property of any Loan Party or any of their Subsidiaries The value of the Plans' benefits guaranteed under Title IV of ERISA on the date hereof does not exceed the value of such Plans' assets allocable to such benefits as of the date of this Agreement and shall not be permitted to do so hereafter.

SECTION 3.13. Disclosure. The Borrowers have disclosed to the Lenders all agreements, instruments and corporate or other restrictions to which any Loan Party or any of their Subsidiaries is subject, and all other matters known to it, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. None of the reports, financial statements, certificates or other information furnished by or on behalf of any Loan Party or any of their Subsidiaries to the Administrative Agent or any Lender in connection with the negotiation of this Agreement or delivered hereunder or in connection herewith (as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. All estimates, projections and pro forma financial information contained in materials hereafter delivered to the Administrative Agent by or on behalf of any Loan Party or any of their Subsidiaries will be based upon assumptions believed by such Persons to be reasonable as of the date of the preparation of the same. Nothing in this Section 3.13 shall be construed as a representation, warranty or covenant that any of such estimates, projections or pro forma financial information shall in fact be achieved.

SECTION 3.14. Condition of Properties.

(a) The retail sales locations of each Loan Party and each of their Subsidiaries have adequate rights of access to public streets and roads and to all water, sanitary sewer and storm drainage facilities necessary for the intended use of such locations. All roads necessary for the intended use of such locations have (i) been completed, (ii) the necessary rights-of-way therefor, which have been acquired by the appropriate Governmental Authority or have been dedicated to public use and accepted by such Governmental Authority, and all necessary steps have been taken to assure the complete construction and installation thereof, and (iii) valid easements appurtenant to such locations with completed roadway contained therein.

(b) The inventory of each Loan Party and each of their Subsidiaries is in materially merchantable condition and of a quality and quantity usable, or salable, as appropriate, in the ordinary course of business. There is on hand at each retail sales location inventory levels in amounts consistent with ordinary business practices and at levels sufficient for each Loan Party and each of their Subsidiaries to operate the business in the ordinary course.

SECTION 3.15. Capital Structure.

(a) Schedule 3.15(a) is a complete and correct list, as of the date hereof, of all Subsidiaries of CAI, showing the jurisdiction of their incorporation or organization and the percentage of the outstanding shares of each class of capital stock (or other equivalent interest) owned, directly or indirectly, by CAI. Except as disclosed in Schedule 3.15(a) and except for Liens created by the Security Documents, CAI owns, directly or indirectly, free and clear of all Liens or restrictions on transferability or voting, the percentage of outstanding shares of such Subsidiaries as shown on Schedule 3.15(a) and all such shares are validly issued, fully paid and non-assessable. There are no outstanding warrants, options, contracts or commitments of any such Subsidiary of any kind entitling any Person to purchase or otherwise acquire (i) any shares of the capital stock of any such Subsidiary or (ii) any securities convertible into or exchangeable for any shares of such capital stock. No securities are outstanding which are convertible into or exchangeable for any shares of capital stock of any such Subsidiary thereof.

(b) Schedule 3.15(b) is a complete and correct list, as of the date hereof, of the outstanding shares of each class of capital stock (or other equivalent interest) of CAI, showing the percentage held by each holder thereof. Except as disclosed in Schedule 3.15(b) and except for Liens created by the Security Documents, the Stephens Group owns, directly or indirectly, free and clear of all Liens or restrictions on transferability or voting, the percentage of outstanding shares of CAI as shown on Schedule 3.15(b), and all shares of CAI are validly issued, fully paid and non-assessable. Except as disclosed in Schedule 3.15(b), there are no outstanding warrants, options, contracts or commitments of CAI of any kind entitling any Person to purchase or otherwise acquire (i) any shares of the capital stock of CAI or (ii) any securities convertible into or exchangeable for any shares of such capital stock. No securities are outstanding which are convertible into or exchangeable for any shares of capital stock of CAI.

(c) CAI has not issued, and is not required to issue, any Disqualified Capital Stock except as described on Schedule 3.15(c).

SECTION 3.16. Insurance. Schedule 3.16, attached hereto and incorporated herein by this reference, is a true, correct and complete list and description of all policies of insurance and fidelity bonds relating to the business of any Loan Party or any of their Subsidiaries (except for any such policies maintained to provide benefits to employees under a benefit plan or arrangement described elsewhere herein), all of which are in full force and effect. All premiums thereon have been paid, and the Borrowers have received no notice of cancellation with respect thereto. There are no claims pending under any of said policies or bonds or disputes with underwriters. There are no pending or threatened terminations of, or premium increases with respect to, any of such policies and bonds and each Loan Party and each of their Subsidiaries are in compliance with all conditions contained therein. The Borrowers have no reason to believe that such insurance is not, or since the date of its inception has not been, adequate with respect to risks normally insured against by comparable companies similarly situated. The Borrowers have delivered to the Administrative Agent true, complete and correct copies of all of the above-described insurance policies.

SECTION 3.17. Solvency. No Loan Party nor any of their Subsidiaries (i) is "insolvent", as such term is used in the United States Bankruptcy Code of 1978, as amended, and any successor statute, or the Texas Uniform Fraudulent Transfer Act; (ii) is engaged in business or in a transaction, or is about to engage in business or a transaction, for which its capital is unreasonably small, or (iii) intends to incur, or believes it will incur, debts beyond its ability to pay as they mature.

SECTION 3.18. Indebtedness. Attached hereto as Schedule 3.18 is a complete list, as of the date hereof, of all agreements or instruments evidencing Indebtedness of each Loan Party and each of their Subsidiaries (other than the Loan Documents), showing as of the date hereof the principal amount outstanding thereunder, the maturity date thereof and the amortization schedule thereunder.

ARTICLE IV
Conditions

SECTION 4.01. Insurance. The Administrative Agent shall have received all such information as the Administrative Agent shall reasonably request concerning the insurance maintained by each Loan Party and each of their Subsidiaries described in Section 3.16 hereof, including, without limitation, as to those policies identified on Schedule 3.16 as to which the Administrative Agent is required to be loss payee or additional insured, certificates of insurance naming the Administrative Agent as loss payee or additional insured, as the case may be, and the Administrative Agent shall have approved the types and amounts of such insurance and the issuers thereof.

SECTION 4.02. Payment of Expenses. The Borrowers shall have reimbursed the Administrative Agent for all reasonable fees and expenses in connection with the preparation of this Agreement and all documentation contemplated hereby, the satisfaction of the condition set forth herein, the filing and recordation of the Security Documents, and the consummation of the Transactions.

SECTION 4.03. Corporate Review. The Administrative Agent shall have made satisfactory completion of all corporate, ownership, solvency, organizational, capital structure, environmental, employee benefit and retirement savings and collateral audits of each Loan Party and each of their Subsidiaries by the Administrative Agent as deemed necessary or prudent by the Administrative Agent.

SECTION 4.04. Required Documents and Certificates. The Administrative Agent (or its counsel) shall have received, in addition to the items listed in Sections 4.01 through 4.03, the following, in each case in form, scope and substance satisfactory to the Lenders:

(i) a counterpart of this Agreement signed on behalf of such party or written evidence satisfactory to the Administrative Agent (which may include telecopy transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement, duly executed by the Borrowers;

(ii) the Notes duly executed by the Borrowers;

(iii) an Officer's Certificate of each applicable Loan Party dated substantially concurrently herewith certifying, inter alia, (A) true and correct copies of the Articles of Incorporation and Bylaws (or equivalent corporate documents), as amended and in effect, of such party, (B) corporate resolutions duly adopted by the Board of Directors of such party authorizing the transactions contemplated by the Loan Documents and (C) the incumbency and specimen signatures of the officers of such party executing documents on its behalf;

(iv) a certificate from the Secretary of State and other appropriate public officials in each jurisdiction in which the Loan Parties are organized or incorporated, as the case may be, as to the continued existence and good standing of such party;

(v) a certificate from the appropriate public official of each jurisdiction in which the Loan Parties are authorized and qualified to do business as to the due qualification and good standing of such party;

(vi) a favorable written opinion (addressed to the Administrative Agent and the Lenders and dated substantially concurrently herewith) of Andrews & Kurth L.L.P., Texas counsel for the Loan Parties, covering such other matters relating to the Loan Parties, this Agreement or the Transactions as the Required Lenders shall reasonably request. The Borrowers hereby request such counsel to deliver such opinion;

(vii) an initial Borrowing Base Report dated substantially concurrently herewith in the form required by Section 5.01(d);

(viii) the Security Agreements;

(ix) the Mortgages, covering all real estate interests of the Loan Parties, including but not limited to fee simple interests and leasehold interests;

(x) the Pledge and Security Agreements;

(xi) certificates representing the stock of CAI and its Subsidiaries, pledged in accordance with the Pledge and Security Agreements, accompanied by duly executed instruments of transfer or assignment in blank, in form and substance satisfactory to the Administrative Agent;

(xii) the Guaranty Agreements;

(xiii) copies of all other requisite filing documents necessary to perfect the Liens granted pursuant to the Security Documents and duly executed releases or assignments of Liens and UCC-3 financing statements in recordable form, and in form and substance satisfactory to the Lenders, covering all of the collateral, as may be necessary to reflect that the Liens granted to the Administrative Agent for the benefit of the Lenders are first and prior Liens, except for the Liens permitted under Section 6.02 herein;

(xiv) duly executed Landlord Agreements as to any property consisting of or located in property leased by any Loan Party, and

(xv) certified copies of Requests for Information of Copies (Form UCC-11), or equivalent reports, listing all effective financing statements which name any Loan Party (under its present name, any trade names and any previous names) as debtor and which are filed, together with copies of all such financing statements.

In addition, all legal matters incident to the transactions herein contemplated shall be satisfactory to counsel for the Administrative Agent and the Lenders.

SECTION 4.05. Conditions Precedent to Each Loan. The obligation of each Lender to make a Loan on the occasion of any Borrowing is subject to the satisfaction of the following conditions:

(a) The representations and warranties of the Loan Parties set forth in the Loan Documents shall be true and correct on and as of the date of such Borrowing.

(b) At the time of and immediately after giving effect to such Borrowing, no Default shall have occurred and be continuing and there shall have occurred no event which would be reasonably likely to have a Material Adverse Effect.

Each Borrowing shall be deemed to constitute a representation and warranty by the Borrowers on the date thereof as to the matters specified in paragraphs (a) and (b) of this Section.

ARTICLE V
Affirmative Covenants

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder shall have been paid in full, the Borrowers covenant and agree with the Lenders that:

SECTION 5.01. Financial Statements and Other Information. The Borrowers will furnish to the Administrative Agent and each Lender:

(a) within 90 days after the end of each fiscal year of CAI ending prior to the closing of the IPO Transaction, the audited consolidated and consolidating balance sheets and related statements of operations, stockholders' equity and cash flows of CAI as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by Ernst & Young, L.L.P. or other independent public accountants of recognized national standing (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated and consolidating financial statements present fairly in all material respects the financial condition and results of operations of CAI and its consolidated Subsidiaries on a consolidated and consolidating basis in accordance with GAAP consistently applied;

(b) within 90 days after the end of each fiscal year of Parent ending after the closing of the IPO Transaction, the audited consolidated and consolidating balance sheets and related statements of operations, stockholders' equity and cash flows of Parent as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by Ernst & Young, L.L.P. or other independent public accountants of recognized national standing (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated and consolidating financial statements present fairly in all material respects the financial condition and results of operations of Parent and its consolidated Subsidiaries on a consolidated and consolidating basis in accordance with GAAP consistently applied (which may be in the form of SEC 10K);

(c) within 45 days after the end of each of the first three fiscal quarters of CAI ending prior to the closing of the IPO Transaction, the consolidated and consolidating balance sheets and related statements of operations, stockholders' equity and cash flows of CAI as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, all certified by one of its Financial Officers as presenting fairly in all material respects the financial condition and results of operations of CAI and its consolidated Subsidiaries on a consolidated and consolidating basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes;

(d) within 45 days after the end of each of the first three fiscal quarters of Parent ending after the closing of the IPO Transaction, the consolidated and consolidating balance sheets and related statements of operations, stockholders' equity and cash flows of Parent as of

the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, all certified by one of its Financial Officers as presenting fairly in all material respects the financial condition and results of operations of Parent and its consolidated Subsidiaries on a consolidated and consolidating basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes (which may be in the form of SEC l0Q);

(e) as soon as available, and in any event within 25 days after the end of each month in each fiscal year of CAI, a monthly summary information report for CAI and its Subsidiaries for the period then ended, in reasonable detail;

(f) within 25 days after the last day of each month, a Borrowing Base Report in the form attached hereto as Exhibit B which contains a certification as to the amount of Eligible Accounts Receivable, Eligible Inventory, Deferred Sales Proceeds, and Unpurchased Receivables existing as of the last day of the proceeding month, and a calculation of the then current Delinquency Rates, Charge-Off Ratio, and Extension Ratio, all signed by a Financial Officer of CAI;

(g) concurrently with any delivery of financial statements under clause (a), (c) or (e) above, a certificate of a Financial Officer of CAI, in the form of Exhibit H hereto, (i) certifying as to whether a Default has occurred and, if a Default has occurred, specifying the details thereof and any action taken or proposed to be taken with respect thereto, (ii) setting forth reasonably detailed calculations demonstrating compliance with Sections 6.18 through 6.22 and (iii) stating whether any change in GAAP or in the application thereof has occurred since the date of the audited financial statements referred to in Section 3.04 and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate;

(h) concurrently with any delivery of financial statements under clause (a) above, a certificate of the accounting firm that reported on such financial statements stating whether they obtained knowledge during the course of their examination of such financial statements of any Default (which certificate may be limited to the extent required by accounting rules or guidelines);

(i) promptly upon receipt thereof, a copy of each other report or "management letter" submitted to any Loan Party or any of their Subsidiaries by their independent accountants in connection with any annual, interim or special audit made by them;

(j) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by any Loan Party or any of their Subsidiaries with the Securities and Exchange Commission, or any Governmental Authority succeeding to any or all of the functions of said Commission, or with any national securities exchange, as the case may be; and

(k) promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of any Loan Party or any of their Subsidiaries, or compliance with the terms of any Loan Document, including but not limited to

financial projection and budgets, as the Administrative Agent or any Lender may reasonably request.

SECTION 5.02. Notices of Material Events. The Borrowers will furnish to the Administrative Agent and each Lender immediate written notice of the following:

(a) the occurrence of any Default;

(b) the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or affecting any Loan Party or any Affiliate thereof that, if adversely determined, could reasonably be expected to result in a Material Adverse Effect;

(c) the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred, could reasonably be expected to result in liability of any Loan Party or any of their Subsidiaries in an aggregate amount exceeding $500,000;

(d) any other development that results in, or could reasonably be expected to result in, a Material Adverse Effect; and

(e) copies of all notices of default, notices, amendments, waivers and other documents delivered or received by any Loan Party or any of their Subsidiaries pursuant to the terms of any Voyager Document, the Seller Subordinated Note or any Receivables Purchase Document.

Each notice delivered under this Section shall be accompanied by a statement of a Financial Officer or other executive officer of CAI setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

SECTION 5.03. Existence; Conduct of Business. Each Borrower will, and will cause the other Loan Parties and each of their Subsidiaries to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges and franchises material to the conduct of its business; provided that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution permitted under Section 6.03.

SECTION 5.04. Payment of Obligations.

(a) Each Borrower will, and will cause the other Loan Parties and each of their Subsidiaries to, pay its obligations before the same shall become delinquent or in default, including, without limitation, all taxes, assessments, and governmental charges or levies imposed upon any Loan Party or any of their Subsidiaries or upon the income of any property of any Loan Party or any of their Subsidiaries as well as all material claims of any kind (including, without limitation, claims for labor, materials, supplies, and rent), except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, (b) the applicable Person has set aside on its books adequate reserves with respect thereto in accordance with

GAAP and (c) the failure to make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect or result in a Lien against its property.

(b) Each Borrower will, and will cause the other Loan Parties and each of their Subsidiaries to, promptly pay all income, franchise and other taxes owing by the applicable Person and any stamp taxes or other taxes which may be required to be paid with respect to the Notes, the Security Documents or any other Loan Documents. In the event of the enactment after this date of any law of any Governmental Authority applicable to the Administrative Agent or the Lenders, the Mortgaged Property or the Loan Documents, deducting from the value of property for the purpose of taxation any lien or security interest thereon, or imposing upon the Administrative Agent or any Lender the payment of the whole or any part of the taxes or assessments or charges or Liens required by the Loan Documents to be paid by any Loan Party, or changing in any way the laws relating to the taxation of deeds of trust or mortgages or security agreements or debts secured by deeds of trust or mortgages or security agreements or the interest of the mortgagee or secured party in the property covered thereby, or the manner of collection of such taxes, so as to affect the Security Documents or the indebtedness secured thereby or any Administrative Agent or any Lender, then, and in any such event each Borrower will, upon demand by the Administrative Agent, pay such taxes, assessments, charges or Liens, or reimburse the Administrative Agent or the Lenders therefor to the extent permitted by applicable law.

SECTION 5.05. Maintenance of Properties; Insurance.

(a) Each Borrower will, and will cause the other Loan Parties and each of their Subsidiaries to, (i) keep and maintain its property in good working order and condition, ordinary wear and tear excepted, and (ii) maintain, with financially sound and reputable insurance companies, insurance in such amounts and against such risks as are customarily maintained by companies engaged in the same or similar businesses operating in the same or similar locations, and furnish to the Administrative Agent, together with each delivery of financial statements under Section 5.01(a), an Officer's Certificate containing full information as to the insurance carried.

(b) With respect to Mortgaged Property constituting real property, each Borrower will maintain and cause the other Loan Parties and each of their Subsidiaries to maintain the following insurance: (1) all-risk insurance with respect to all such insurable Mortgaged Property, against loss or damage by fire, lightning, windstorm, explosion, hail, tornado and such hazards as are presently included in so-called "all-risk" coverage, in an amount not less than the amount in effect on the date of this Agreement and disclosed to the Administrative Agent in writing; (2) if and to the extent any portion of such Mortgaged Property is in a special flood hazard area, a flood insurance policy in an amount equal to the lesser of the principal face amount of the Notes or the maximum amount of flood insurance available; and (3) statutory worker's compensation insurance with respect to any work on or about such Mortgaged Property. All insurance policies shall require not less than thirty (30) days' prior written notice to the Administrative Agent of any cancellation or change of coverage. All insurance policies maintained, or caused to be maintained, with respect to such Mortgaged Property, except for public liability insurance, shall provide that each such policy shall be primary without right of contribution from any other insurance that may be carried by any Loan Party or any of their Subsidiaries or the Lenders and

that all of the provisions thereof, except the limits of liability, shall operate in the same manner as if there were a separate policy covering each insured. If any insurer which has issued a policy of title, hazard, liability or other insurance required pursuant to this Section or any other Loan Document to which any Loan Party or any of their Subsidiaries is a party becomes insolvent or the subject of any bankruptcy, receivership or similar proceeding or if in the reasonable opinion the financial responsibility of such insurer is or becomes inadequate, the Borrowers shall, or shall cause the applicable Person to, in each instance promptly upon the request of the Administrative Agent and at Borrowers' expense, obtain and deliver to the Administrative Agent a like policy (or, if and to the extent permitted by the Administrative Agent, a certificate of insurance) issued by another insurer, which insurer and policy meet the requirements of this Section or such other Loan Document, as the case may be. Without limiting the discretion of the Administrative Agent with respect to required endorsements to insurance policies, all such policies for loss of or damage to such Mortgaged Property shall contain a standard mortgage clause (without contribution) naming the Administrative Agent as mortgagee with loss proceeds payable to the Administrative Agent notwithstanding (i) any act, failure to act or negligence of or violation of any warranty, declaration or condition contained in any such policy by any named insured; (ii) the occupation or use of such Mortgaged Property for purposes more hazardous than permitted by the terms of any such policy; (iii) any foreclosure or other action by the Administrative Agent under the Loan Documents; or (iv) any change in title to or ownership of such Mortgaged Property or any portion thereof, such proceeds to be held for application as provided in the Loan Documents. The originals of each initial insurance policy (or to the extent permitted by the Administrative Agent, a copy of the original policy and a satisfactory certificate of insurance) shall be delivered to the Administrative Agent at the time of execution of this Agreement, with premiums fully paid, and each renewal or substitute policy (or certificate) shall be delivered to the Administrative Agent with premiums fully paid, at least ten (10) days before the termination of the policy it renews or replaces. Each Borrower shall pay, and cause the other Loan Parties and each of their Subsidiaries to pay, all premiums on policies required hereunder as they become due and payable and promptly deliver to the Administrative Agent evidence satisfactory to the Administrative Agent of the timely payment thereof. If any loss occurs at any time when any Loan Party or any of their Subsidiaries has failed to perform the covenants and agreements in this paragraph, the Administrative Agent shall nevertheless be entitled to the benefit of all insurance covering the loss and held by or for the applicable Person, to the same extent as if it had been made payable to the Administrative Agent or the Administrative Agent.

SECTION 5.06. Books and Records; Inspection Rights. Each Borrower will, and will cause the other Loan Parties and each of their Subsidiaries to, keep proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to its business and activities. Each Borrower will, and will cause the other Loan Parties and each of their Subsidiaries to, permit any representatives designated by the Administrative Agent or any Lender, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants, all at such reasonable times and as often as reasonably requested.

SECTION 5.07. Compliance with Laws. Each Borrower will, and will cause the other Loan Parties and each of their Subsidiaries to, comply with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its property.

SECTION 5.08. Use of Proceeds. The proceeds of the Revolving Loans will be used only for general corporate purposes, including working capital and capital expenditures. No part of the proceeds of any Loan will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board, including Regulations G, U and X.

SECTION 5.09. ERISA. Each Borrower will, and will cause the other Loan Parties and each of their Subsidiaries to, at all times:

(a) Make contributions to each Plan in a timely manner and in an amount sufficient to comply with the minimum funding standards requirements of ERISA;

(b) Immediately upon acquiring knowledge of any "reportable event" or of any "prohibited transaction" (as such terms are defined in the Code) in connection with any Plan, furnish the Administrative Agent with a statement executed by the president or chief financial officer of CAI setting forth the details thereof and the action which the Borrowers propose to take with respect thereto and, when known, any action taken by the Internal Revenue Service with respect thereto;

(c) Notify the Administrative Agent promptly upon receipt by any Loan Party or any of their Subsidiaries of any notice of the institution of any proceeding or other action which may result in the termination of any Plan and furnish to the Administrative Agent copies of such notice;

(d) Acquire and maintain in amounts satisfactory to the Lenders from either the Pension Benefit Guaranty Corporation or authorized private insurers, when available, the contingent employer liability coverage insurance required under ERISA;

(e) Furnish the Administrative Agent with copies of the annual report for each Plan filed with the Internal Revenue Service not later than thirty (30) days after such report has been filed; and

(f) Furnish the Administrative Agent with copies of any request for waiver of the funding standards or extension of the amortization periods required by Sections 303 and 304 of ERISA or Section 412 of the Code promptly after the request is submitted to the Secretary of the Treasury, the Department of Labor or the Internal Revenue Service, as the case may be.

SECTION 5.10. Security and Further Assurances. Whenever and as often as the Administrative Agent may reasonably request, each Borrower will, and will cause the other Loan Parties and each of their Subsidiaries to, at its own expense, promptly execute and deliver all such further instruments (including, without limiting the generality of the foregoing, additional security agreements, and financing statements) and do such other acts as the Administrative Agent may request for the purpose of protecting or perfecting any Lien created or granted or intended to be created or granted in the Security Documents or in order to insure that any such Lien is of first priority, subject only to Liens permitted by Section 6.02 hereof, or in order to police or protect any Collateral or otherwise to carry out more effectually the purposes and intent of the Loan Documents. Without limiting the generality of the foregoing, Borrowers will, as

soon as practicable after the date hereof, cause to be duly recorded, published, registered and filed all Security Documents, in such manner and in such places as is required by law to establish, perfect, preserve and protect the rights and first priority security interests of the parties thereto and their respective successors and assigns in all of the Collateral, subject to Liens permitted under Section 6.02. Borrowers will pay all taxes, fees and other charges then due in connection with the execution, delivery, recording, publishing, registration and filing of such documents or instruments in such places.

SECTION 5.11. Compliance with Environmental Laws. Each Borrower will, and will cause the other Loan Parties and each of their Subsidiaries to, at all times:

(a) use and operate all of their respective facilities and properties in material compliance with all Environmental Laws, keep all necessary permits, approvals, orders, certificates, licenses and other authorizations relating to environmental matters in effect and remain in material compliance therewith, handle all Hazardous Materials in material compliance with all applicable Environmental Laws and dispose of all Hazardous Materials generated by any such Person or at any property owned or leased by them at facilities or with carriers that maintain valid permits, approvals, certificates, licenses or other authorizations for such disposal under applicable Environmental Laws;

(b) promptly notify the Administrative Agent and provide copies upon receipt of all written claims, complaints, notices or inquiries relating to the environmental condition of the facilities and properties of any such Person or their respective compliance with Environmental Laws; and

(c) promptly upon request by Administrative Agent, permit any Person designated by the Administrative Agent, at the Borrowers' expense and upon reasonable notice, to visit such Person and any of their respective properties and discuss their respective environmental affairs with their principal officers, all at such times as the Administrative Agent may reasonably request, and without limiting the generality of the foregoing, permit any Person, agent or environmental consultant designated by the Administrative Agent upon reasonable notice, and at the Borrowers' expense, to (i) have access to and examine and inspect any of the properties, books and records of such Person, and (ii) conduct environmental assessments in respect of such properties, in scope and substance satisfactory to Administrative Agent.

SECTION 5.12. Landlord's Agreements. Each Borrower will, and will cause the other Loan Parties to, at Borrowers' expense, deliver to the Administrative Agent a Landlord's Agreement with respect to each leased location at which any equipment or inventory of any such Person is stored or maintained.

SECTION 5.13. Additional Subsidiaries. Within thirty (30) Business Days any Loan Party or any of their Subsidiaries creates, acquires or otherwise forms a Subsidiary, Borrowers shall:

(a) execute and deliver, or cause the Person owning all of the outstanding equity interests of such Subsidiary to execute and deliver, to the Administrative Agent on behalf of the Lenders an agreement, substantially similar to the Pledge and Security Agreements, with such

changes as shall be necessary in the circumstances, pursuant to which all of the outstanding equity interests of such Subsidiary shall be pledged to the Administrative Agent on behalf of the Lenders, together with any certificates representing all such equity interests so pledged and for each such certificate a stock power executed in blank;

(b) cause such Subsidiary to execute and deliver to the Administrative Agent on behalf of the Lenders (i) the Supplement to the Guaranty Agreement; (ii) an agreement substantially similar to the Security Agreement and (iii) a Mortgage as to all real property interests owned or leased by such Subsidiary;

(c) cause such Subsidiary to execute and deliver to the Administrative Agent on behalf of the Lenders appropriate Financing Statements, each with such changes as shall be necessary in the circumstances, covering such Collateral of such Subsidiary of the general types and values covered by the Security Documents executed on or prior to the date hereof;

(d) deliver or cause to be delivered to the Administrative Agent on behalf of the Lenders all agreements, documents, instruments and other writings described in Section 4.04, with respect to such Subsidiary;

(e) cause such Subsidiary to deliver to the Administrative Agent on behalf of the Lenders a Landlord's Agreement with respect to each leased location located at which any inventory of such Person is stored or maintained; and

(f) deliver or cause to be delivered to the Administrative Agent on behalf of the Lenders all such information regarding the condition (financial or otherwise), business and operations of such Subsidiary as the Administrative Agent or any Lender through the Administrative Agent may reasonably request.

Notwithstanding anything to the contrary set forth in this Section, none of Conn Funding I LP, Conn Funding II LP, Conn Funding LLC, Conn Funding II GP LLC, Conn CC LP, Conn Credit LLC or CCC shall be treated as a new Subsidiary under this Section (other than for purposes of the pledge of limited partnership interests in and to Conn Funding II LP, and, if any material assets are owned by Conn Funding I LP, limited partnership interests in Conn Funding I LP, pursuant to Section 5.13(a) above) or be required to execute or deliver any documents under this Section so long as the sole property owned by such entities shall be (i) in the case of CCC, a general partnership interest in and to Conn CC LP and limited liability company membership interests in and to Conn Credit LLC, (ii) in the case of Conn Credit LLC, a limited partnership interest in and to Conn CC LP and a limited partnership interest in Conn Funding I LP, (iii) in the case of Conn CC LP, contracts with Conn Funding I LP regarding the servicing of receivables purchased by Conn Funding I LP, (iv) in the case of Conn Funding LLC, a general partnership interest in and to Conn Funding I LP, (v) in the case of Conn Funding II GP LLC, a general partnership interest in and to Conn Funding II LP and (vi) in the case of Conn Funding II, LP, the Trust Estate (as such term is defined in the Conn Funding II Indenture). If any of such entities shall own property other than the property described in the preceding sentence, then such entity shall be treated as a new Subsidiary for purposes of this Section 5.13 and shall be required to execute and deliver the documentation required by this Section.

SECTION 5.14. Patents, Trademarks and Licenses. Each Borrower shall, and shall cause the other Loan Parties and each of their Subsidiaries to, maintain all assets, licenses, patents, copyrights, trademarks, service marks, trade names, permits and other governmental approvals and authorizations necessary to conduct its business.

SECTION 5.15. Notice of Labor Disputes. Each Borrower shall notify the Administrative Agent in writing upon learning of (i) any material strike or walkouts or (ii) any material labor dispute to which any Loan Party or any of their Subsidiaries becomes a party, and the expiration or termination of any labor contract to which any Loan Party or any of their Subsidiaries is a party or by which any Loan Party or any of their Subsidiaries is bound or of any negotiations with respect thereto.

SECTION 5.16. Fee Properties and Leases. Concurrent with the acquisition of any fee property of which the net book value exceeds $250,000 or the execution of any lease of real property for a term of five years or more (excluding any optional renewal terms), each Borrower will, and will cause the other Loan Parties and each of their Subsidiaries to, execute, acknowledge and deliver to the Administrative Agent a deed of trust or mortgage, as the case may be, in form and substance satisfactory to the Administrative Agent, covering (i) such fee property or (ii) all of such Person's rights and interests as lessee, in, to and under such real estate lease, together with evidence satisfactory to the Administrative Agent and its counsel, in form and substance satisfactory to the Administrative Agent, that such deed of trust or mortgage creates a valid, first and prior Lien on the fee estate or the leasehold estate, as the case may be, in favor of the Administrative Agent subject only to Liens permitted under Section 6.02 hereof. To the extent that Administrative Agent is reasonably satisfied that any applicable landlord or lessor has failed or refused to grant its consent to such a leasehold mortgage or lien notwithstanding good faith efforts by Borrower to obtain such consent, Administrative Agent may, in its discretion, waive of the requirement for a leasehold mortgages or deeds of trust covering the applicable site, without any necessity for notice to or additional consent by any other Lender.

SECTION 5.17. Lease and Investment Schedule. Each Borrower will deliver, and will cause the other Loan Parties and each of their Subsidiaries to deliver, to the Administrative Agent,

(a) together with each delivery of financial statements under Section 5.01(a), a current, complete schedule of all agreements to rent or lease any real property, or any personal property with rental payments in excess of $250,000 over the term of the lease, to which any Loan Party or any of their Subsidiaries is a party lessee, showing the total amounts payable under each such agreement, the amounts and due dates of payments thereunder and containing a description of the rented or leased property, and all other information the Lenders may request, all in a form satisfactory to the Lenders;

(b) together with each delivery of financial statements under Section 5.01(a) a current, complete schedule listing all Persons (except Subsidiaries) whose equity or debt any Loan Party or any of their Subsidiaries owns or holds, containing all information required by, and in a form satisfactory to, the Lenders; and

(c) notices of any default by any Loan Party or any of their Subsidiaries with respect to the leases described in Section 5.17(a).

ARTICLE VI
Negative Covenants

Until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder have been paid in full, each Borrower covenants and agrees with the Lenders that:

SECTION 6.01. Indebtedness. Each Borrower will not, and will not permit any Loan Party or any of their Subsidiaries to, create, incur, assume or permit to exist any Indebtedness, except:

(a) Indebtedness evidenced by the Loan Documents;

(b) endorsements in the ordinary course of business of negotiable instruments in the course of collection;

(c) Indebtedness of CAI pursuant to the Real Estate Documentation, in an aggregate amount at any time not to exceed $675,000;

(d) Indebtedness that is evidenced by the Originator Notes and obligations under the Receivables Purchase Documents;

(e) Indebtedness of CAI to Voyager Insurance Company pursuant to the Voyager Debenture, together with the guarantee thereof by CAI, in an aggregate amount at any time not to exceed $3,500,000, to the extent that such Indebtedness is subject to the Voyager Subordination and Standstill Agreement;

(f) Indebtedness of CAI incurred in connection with the construction of a new distribution center, in an aggregate principal amount at any time not to exceed $7,500,000, provided that such Indebtedness is not increased, renewed or extended or permitted to remain outstanding after the stated maturity thereof;

(g) unsecured Indebtedness of CAI to C.W. Conn, Jr. evidenced by the Seller Subordinated Note, in an aggregate principal amount at any time not to exceed $11,500,000, to the extent such Indebtedness is subject to the Seller Subordination Agreement, provided that such Indebtedness is not increased, renewed or extended or permitted to remain outstanding after the stated maturity thereof;

(h) contingent Indebtedness in respect of the Collection Account Letters of Credit provided that the aggregate amounts of such contingent Indebtedness may not exceed $15,000,000;

(i) other unsecured Indebtedness in aggregate principal amount at any time not to exceed $10,000,000

(j) other Indebtedness of the Consolidated Group incurred in the ordinary course of business to finance the acquisition of assets (including, without limitation, indebtedness of the Consolidated Group incurred on ordinary trade terms which is owing to vendors, suppliers, or such Persons providing inventory for use by the Consolidated Group in the ordinary course of their business) in an aggregate principal amount at any time not to exceed $25,000,000;

(k) contingent unsecured Indebtedness in respect of letters of credit issued to support workman's compensation insurance maintained by the Borrowers or their Subsidiaries; provided that the aggregate amounts of such contingent Indebtedness may not exceed $2,500,000 at any time.

SECTION 6.02. Liens. Each Borrower will not, and will not permit any Loan Party or any of their Subsidiaries to, create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof, except:

(a) Permitted Encumbrances;

(b) Liens in favor of the Administrative Agent, for the benefit of the Lenders, created by the Security Documents;

(c) Liens securing the Indebtedness described in Section 6.01(c), provided that such Liens do not cover any property other than that subject to such Lien on the date hereof;

(d) Liens created by the Voyager Security Agreement securing the Indebtedness of CAI described in Section 6.01(e);

(e) Liens securing the Indebtedness described in Section 6.01(f), provided that such Liens do not cover any property other than such distribution center;

(f) Liens on assets and identifiable cash proceeds thereof which are not commingled with any other property of the Consolidated Group, which secure Indebtedness of the Consolidated Group incurred in the ordinary course of business to finance the acquisition of assets (including, without limitation, indebtedness of the Consolidated Group incurred on ordinary trade terms which is owing to vendors, suppliers, or such Persons providing inventory for use by the Consolidated Group in the ordinary course of their business); provided that the aggregate principal amount of all obligations subject to the Liens permitted by this Section 6.02(f) shall not at any time exceed $25,000,000;

(g) Liens on property of Conn Funding I LP and Conn Funding II LP.

SECTION 6.03. Fundamental Changes. Each Borrower will not, and will not permit any Loan Party or any of their Subsidiaries to, merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) all or any substantial part of its assets, or any stock or Indebtedness of any of their Subsidiaries (in each case, whether now

owned or hereafter acquired), or permit any Subsidiary to issue or dispose of any of its stock, or take any action (directly or indirectly) which would have the effect of causing any Subsidiary to cease to be a wholly-owned Subsidiary, or issue any Disqualified Capital Stock except for the issuance of Disqualified Capital Stock as described in Schedule 3.15(c), or liquidate or dissolve; provided the foregoing shall not prohibit the transactions contemplated by the Receivables Purchase Documents or the IPO Transaction. Notwithstanding anything herein to the contrary, any Subsidiary which is wholly-owned (directly or indirectly) by CAI may liquidate or dissolve if CAI determines in good faith that such liquidation or dissolution is in the best interests of CAI and is not materially disadvantageous to the Lenders. The Borrowers shall promptly deliver written notice to the Administrative Agent of each such liquidation or dissolution.

SECTION 6.04. Investments, Loans, Advances, Guarantees and Acquisitions. Each Borrower will not, and will not permit any Loan Party or any of their Subsidiaries to, purchase, hold or acquire (including pursuant to any merger with any Person any capital stock, evidences of indebtedness or other securities (including any option, warrant or other right to acquire any of the foregoing) of, make or permit to exist any loans or advances to, guarantee any obligations of, or make or permit to exist any investment or any other interest in, any other Person, or purchase or otherwise acquire (in one transaction or a series of transactions) any assets of any other Person constituting a business unit, or become a general partner of any other Person, except:

(a) Permitted Investments;

(b) investments existing on the date hereof by any Borrower in the capital stock of its Subsidiaries and, after the closing of the IPO Transaction, investments by Parent in the capital stock of CAI;

(c) loans or advances permitted under Section 6.01 hereof;

(d) Guarantees by the Borrowers or their Subsidiaries, in an aggregate amount not to exceed $15,000,000 at any one time outstanding, of Indebtedness incurred in connection with the acquisition and development of sites (and construction of improvements thereon) which are subject to leases in favor of a Borrower or a Subsidiary of a Borrower (such Guarantees to be permitted in addition to and cumulative of the other Indebtedness permitted under Section 6.01 hereof), and

(e) investments in the form of membership or partnership interests, as applicable, in Conn Funding LLC, Conn Funding I LP, Conn Funding II LP and Conn Funding II GP LLC.

SECTION 6.05. Hedging Agreements. Each Borrower will not, and will not permit any Loan Party or any of their Subsidiaries to, enter into any Hedging Agreement, other than Hedging Agreements entered into by any Loan Party or any of their Subsidiaries in the ordinary course of business to hedge or mitigate risks to which any Loan Party or any of their Subsidiaries is exposed in the conduct of its business or the management of its liabilities.

SECTION 6.06. Restricted Payments. Each Borrower will not, and will not permit any of their Subsidiaries to, declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment other than as specifically included in the definition of the IPO Transaction;

provided, however, that so long as no Default or Event of Default has occurred, is continuing or would be created thereby, (i) the Borrowers and their Subsidiaries may make Restricted Payments to retiring or terminated employees (other than Wallis Gregorcyk) in an amount not to exceed, in the aggregate from and after August 1, 2002, $2,000,000, (ii) the Borrowers and their Subsidiaries may make Restricted Payments to Wallis Gregorcyk upon his retirement or termination in an amount not to exceed, in the aggregate, $3,200,000 and (iii) upon the closing of the IPO Transaction and so long as such closing occurs on or before July 31, 2003 and the net proceeds realized therefrom equal or exceed $35,000,000, CAI may thereafter make Restricted Payments in an aggregate amount not to exceed $5,000,000. Notwithstanding anything herein to the contrary, any Subsidiary which is wholly-owned (directly or indirectly) by CAI may declare and pay dividends to the owners of its equity interests.

SECTION 6.07. Transactions with Affiliates. Each Borrower will not, and will not permit any Loan Party or any of their Subsidiaries to, sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except in the ordinary course of business at prices and on terms and conditions not less favorable to such Person than could be obtained on an arm's-length basis from unrelated third parties.

SECTION 6.08. Restrictive Agreements. Each Borrower will not, and will not permit any Loan Party or any of their Subsidiaries to, directly or indirectly, enter into, incur or permit to exist any agreement or other arrangement that prohibits, restricts or imposes any condition upon (a) the ability of any Loan Party or any of their Subsidiaries to create, incur or permit to exist any Lien upon any of its property or assets, or (b) the ability of any Subsidiary of CAI to pay dividends or other distributions with respect to any shares of its capital stock or to make or repay loans or advances to CAI or any other Subsidiary of CAI or to Guarantee Indebtedness of CAI or any other Subsidiary of CAI; provided that (i) the foregoing shall not apply to restrictions and conditions imposed by law or by this Agreement, (ii) the foregoing shall not apply to restrictions and conditions existing on the date hereof identified on Schedule 6.08 (but shall apply to any extension or renewal of, or any amendment or modification expanding the scope of, any such restriction or condition), (iii) the foregoing shall not apply to customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary pending such sale, provided such restrictions and conditions apply only to such Subsidiary that is to be sold and such sale is permitted hereunder, (iv) clause (a) of the foregoing shall not apply to restrictions or conditions imposed by any agreement relating to secured Indebtedness permitted by this Agreement if such restrictions or conditions apply only to the property or assets securing such Indebtedness and (v) clause (a) of the foregoing shall not apply to customary provisions in leases and other contracts restricting the assignment thereof.

SECTION 6.09. Certain Contracts. Except as identified in Schedule 6.09, each Borrower will not, and will not permit any Loan Party or any of their Subsidiaries to, enter into or be a party to:

(a) any contracts providing for the making by any Loan Party or any of their Subsidiaries of loans, advances or capital contributions to any Person, or for the purchase of any property from any Person, in each case primarily in order to enable such Person to maintain any balance sheet condition or to pay debts, dividends or expenses, or

(b) any contract for the purchase of materials, supplies or other property or services if such contract (or any related document) requires that payment by any Loan Party or any of their Subsidiaries for such materials, supplies or other property or services shall be made regardless of whether or not delivery of such materials, supplies or other property or services is ever made or tendered, or

(c) any contract to rent or lease (as lessee) any real or personal property if such contract (or any related document) provides that the obligation to make payments thereunder is absolute and unconditional under conditions not customarily found in commercial leases then in general use or requires that the lessee purchase or otherwise acquire securities or obligations of the lessor (provided that this subsection (c) shall not be construed to prevent any Loan Party or any of their Subsidiaries from being a party to or complying with any provision of any lease to which any of them is a party on the date hereof).

SECTION 6.10. Discount or Sale of Receivables. Each Borrower will not, and will not permit any Loan Party or any of their Subsidiaries to, discount (except discounts given in the ordinary course of business in connection with credit card and programs and vendor promotional activity and in connection with the settlement of claims against manufacturers in the ordinary course of business) or sell with recourse, or sell for less than the face value thereof, any of its notes receivable, receivables under leases or other accounts receivable, except for any sale of receivables by CAI or CAILP or any of their Subsidiaries to Conn Funding I LP or Conn Funding II LP, or by Conn Funding I LP to Conn Funding II LP, under the Receivables Purchase Agreement.

SECTION 6.11. Change in Accounting Method. Each Borrower will not, and will not permit any Loan Party or any of their Subsidiaries to, make any change in the method of computing depreciation for either tax or book purposes or any other material change in accounting method without the Required Lenders' prior written approval, except for any changes required by GAAP or applicable law. Each Borrower will not, and will not permit any Loan Party or any of their Subsidiaries to, change its fiscal year.

SECTION 6.12. Sales and Leasebacks. Except for sale and leaseback transactions entered into after February 1, 1999 in an aggregate amount not to exceed $10,000,000, each Borrower will not, and will not permit any Loan Party or any of their Subsidiaries to, become liable, directly or indirectly, with respect to any lease or property whether now owned or hereafter acquired (i) which such Person has sold or transferred or is to sell or transfer to any other Person or (ii) which such Person intends to use for substantially the same purposes as any other property which has been or is to be sold or transferred by such Person to any other Person in connection with such lease.

SECTION 6.13. Sale of Inventory. Each Borrower will not, and will not permit any Loan Party or any of their Subsidiaries to, make any sale, lease or other disposition of inventory except in the ordinary course of business.

SECTION 6.14. Nature of Business. Each Borrower will not, and will not permit any Loan Party or any of their Subsidiaries to, engage in any line of business other than the business as presently conducted or related thereto.

SECTION 6.15. Hazardous Materials. Each Borrower will not, and will not permit any Loan Party or any of their Subsidiaries to (a) cause or permit any Hazardous Materials to be treated, stored, or disposed of in a manner which could reasonably be expected to result, singularly or in the aggregate, (i) in a Material Adverse Effect or (ii) in costs, liabilities or expenses relating to remediation under or violations of Environmental Laws in excess of $500,000; (b) cause or permit any part of any property of any Loan Party or any of their Subsidiaries to be used as a manufacturing, treatment, storage or disposal facility for Hazardous Materials, where such action could reasonably be expected to result, singularly or in the aggregate, (i) in a Material Adverse Effect or (ii) in costs, liabilities or expenses relating to remediation under or violations of Environmental Laws in excess of $500,000; or (c) cause or suffer any Liens to be recorded against any property of any Loan Party or any of their Subsidiaries as a consequence of, or in any way related to, the presence, remediation, or disposal of Hazardous Materials in or about any property of any Loan Party or any of their Subsidiaries, including any so-called state, federal or local "superfund" lien relating to such matters.

SECTION 6.16. Amendment of Charter Documents. Each Borrower will not effect any material amendment to or material modification of its charter documents or by-laws, and will not permit any Loan Party or any of their Subsidiaries to effect any material amendment to or material modification of their charter documents or by-laws. Lenders agree that the changes required by the IPO Transaction shall not constitute a violation of this Section.

SECTION 6.17. Use of Proceeds. The Borrowers will not use, nor permit the use of, all or any portion of any Loan for any purpose not permitted by Section 5.09 hereof.

SECTION 6.18. Debt Service Coverage Ratio. The Borrowers will not permit the ratio of (i) Consolidated EBITDA plus Consolidated Rent Expense minus Consolidated Capital Expenditures divided by (ii) Consolidated Cash Interest Expense (exclusive of any fees paid in respect of the undrawn face amounts of the Collection Account Letters of Credit) plus Consolidated Rent Expense, as determined as of the last day of each fiscal quarter for the twelve-month period ending on such day, to be less than the ratio set forth below opposite the period in which such fiscal quarter ends:

Period	Ratio
October 31, 2002 to the later of January 31, 2004 or the date of the closing of the IPO Transaction	1.75 to 1.00
Thereafter	2.00 to 1.00

To the extent the foregoing applies to a period prior to the effective date of this Agreement, this provision shall be deemed to constitute an amendment to the July 14, 1998 Credit Agreement referred to in Section 9.17 hereof.

SECTION 6.19. Total Leverage Ratio. The Borrowers will not permit the ratio of (i) the sum of (x) Consolidated Total Debt (exclusive of the undrawn face amounts of the Collection Account Letters of Credit and the undrawn face amounts of the Bank of America Letters of Credit) plus (y) eight times Consolidated Rent Expense divided by (ii) Consolidated EBITDA plus Consolidated Rent Expense, as determined as of the last day of each fiscal quarter for the twelve-month period ending on such day, to be greater than the ratio set forth below opposite the period in which such fiscal quarter ends:

Period	Ratio
October 31, 2002 to the date of the closing of the IPO Transaction	3.50 to 1.00
Thereafter	2.75 to 1.00

To the extent the foregoing applies to a period prior to the effective date of this Agreement, this provision shall be deemed to constitute an amendment to the July 14, 1998 Credit Agreement referred to in Section 9.17 hereof.

SECTION 6.20. Net Worth. The Borrowers will not permit, at any time, Consolidated Net Worth to be less than the sum of (i) $55,000,000 plus (ii) 75% of positive Net Income generated after May 1, 2002 plus (iii) 100% of any capital stock or other ownership or profit interest or any securities convertible into or exchangeable for capital stock or other ownership or profit interest or any warrants, rights or options to acquire the same, issued after May 1, 2002. Any gains attributable to the effects of Statements of Financial Accounting Standards Nos. 125/140 and/or 133, or their successors, and any losses attributable thereto, shall be excluded in determining Consolidated Net Worth for purposes of this Section.

SECTION 6.21. Extension, Delinquencies, Charge-Offs.

(a) The Borrowers will not permit the Charge-Off Ratio to be greater than ..05 to 1.00, determined as of the last day of each month averaged for the three-month period ended on such date.

(b) The Borrowers will not permit the Extension Ratio to be greater than ..04 to 1.00, determined as of the last day of each month averaged for the three-month period ended on such date.

(c) The Borrowers will not permit the Delinquency Ratio to be greater than ..120 to 1.00, determined as of the last day of each month averaged for the three-month period ended on such date.

SECTION 6.22. Consolidated Capital Expenditures. The Borrowers will not permit the Consolidated Group to make Consolidated Capital Expenditures, measured during any fiscal year, in excess of (i) $17,500,000 at any time prior to the closing of the IPO Transaction (and after the closing of the IPO Transaction, if such closing occurs after July 31, 2003 or if the net proceeds realized therefrom are less than $35,000,000) and (ii) $20,000,000 at any time following the closing of the IPO Transaction so long as such closing occurs on or before July 31, 2003 and the net proceeds realized therefrom equal or exceed $35,000,000.

SECTION 6.23. Prepayment of Indebtedness. Each Borrower will not, and will not permit any Loan Party or any of their Subsidiaries to, directly or indirectly, prepay (by acceleration or otherwise) any Indebtedness (other than to the Agents and the Lenders), or repurchase, redeem, retire or otherwise acquire any Indebtedness of any Loan Party or any of their Subsidiaries if a Default or Event of Default exists prior to or after giving effect thereto, provided however, in no event shall any Loan Party or any of their Subsidiaries take any such action with respect to the Subordinated Debt prior to the repayment in full of the Obligations. Notwithstanding the foregoing, after the prepayment of the Term Loans required by Section 2.09(c), Borrowers may use any remaining proceeds realized from the IPO Transaction to prepay Subordinated Debt or any other Indebtedness of any Loan Party.

SECTION 6.24. Issuance of Shares. CAI will not issue, sell or otherwise dispose of any shares of its capital stock or other equity securities, or rights, warrants or options to purchase or acquire any shares or equity securities, except in connection with the IPO Transaction and except as otherwise permitted by other Sections of this Agreement. Prior to the closing of the IPO Transaction, CAI shall at all times cause at least 60% of all common stock and at least 70% of all preferred stock of CAI to be pledged to the Administrative Agent for the benefit of Lenders pursuant to a Pledge and Security Agreement, whereby the Administrative Agent shall have a first priority perfected Lien thereon. From and after the closing of the IPO Transaction, CAI shall at all times cause all equity interests in and to CAI to be pledged to the Administrative Agent for the benefit of Lenders pursuant to a Pledge and Security Agreement, whereby the Administrative Agent shall have a first priority perfected Lien thereon.

ARTICLE VII
Events of Default

If any of the following events ("Events of Default") shall occur:

(a) any Borrower shall fail to pay any principal of, or interest on, any Loan when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(b) any Loan Party shall fail to pay any fee or any other amount (other than an amount referred to in clause (a) of this Article) payable under any Loan Document, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of three Business Days;

(c) any representation or warranty made or deemed made by or on behalf of any Loan Party or any Subsidiary thereof in or in connection with any Loan Document or in any report,

certificate, financial statement or other document furnished to the Administrative Agent or any Lender pursuant to or in connection with any Loan Document, shall prove to have been incorrect in any material respect when made or deemed made;

(d) (i) any Borrower shall fail to observe or perform any covenant, condition or agreement contained in Article VI; or (ii) any Loan Party shall fail to observe or perform any covenant, condition or agreement contained in any Guaranty Agreement to which it is a party; or (iii) any Loan Party shall fail to observe or perform any negative covenant, condition or agreement contained in any other Loan Document to which it is a party and such violation shall not have been remedied within five (5) days after the occurrence thereof;

(e) any Loan Party shall fail to observe or perform any affirmative covenant, condition or agreement contained in this Agreement (other than those specified in clause (a), (b) or (d) of this Article) or in any other Loan Document to which it is a party, and such failure shall continue unremedied for a period of 30 days after the occurrence thereof;

(f) (i) a Change of Control shall occur or (ii) from and after the closing of the IPO Transaction, Parent shall cease to own all of the issued and outstanding equity interests in and to CAI, free and clear of any Liens, or (iii) Thomas J. Frank or William C. Nylin, Jr. shall not be the Chief Executive Officer of CAI and a replacement reasonably satisfactory to the Lenders has not been named within 120 days thereafter;

(g) any Loan Party or any of their Subsidiaries shall fail to make any payment (whether of principal or interest and regardless of amount) in respect of any Material Indebtedness, when and as the same shall become due and payable and such non-payment continues after the applicable grace period;

(h) any event or condition occurs that results in any Material Indebtedness of any Loan Party or any of their Subsidiaries becoming due prior to its scheduled maturity or that enables or permits (with or without the giving of notice, the lapse of time or both) the holder or holders of any such Material Indebtedness or any trustee or agent on its or their behalf to cause any such Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity, unless such event or condition is waived by the non-defaulting party thereto;

(i) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of any Loan Party or any Subsidiary thereof or its debts, or of a substantial part of its assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for such Loan Party or any Subsidiary thereof or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 30 days or an order or decree approving or ordering any of the foregoing shall be entered;

(j) any Loan Party or any Subsidiary thereof shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in

effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (i) of this Article, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for any Loan Party or any Subsidiary thereof or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing;

(k) any Loan Party or any Subsidiary thereof shall become unable, admit in writing or fail generally to pay its debts as they become due;

(1) one or more judgments for the payment of money in an aggregate amount in excess of $500,000 shall be rendered against any Loan Party or any of their Subsidiaries or any combination thereof and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of such Person(s) to enforce any such judgment;

(m) an ERISA Event shall have occurred that, in the opinion of the Required Lenders, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in liability of any Loan Party or any of their Subsidiaries in an aggregate amount exceeding (i) $500,000 in any year or (ii) $1,000,000 for all periods;

(n) except pursuant to the express terms of any Loan Document, any Loan Document shall, at any time after its execution and delivery and for any reason, cease to be in full force and effect or be declared to be null and void, or any Lien granted pursuant to any Loan Document shall cease to be perfected and of first priority due to any action or in action of any Loan Party (except for Liens permitted by Section 6.02 hereof), or the validity or enforceability thereof shall be contested by any Loan Party, or any Loan Party shall deny that it has any or any further liability or obligations under any Loan Document to which it is a party;

(o) any Loan Party sells, encumbers or abandons (except as otherwise expressly permitted by the Loan Documents) any material portion of the Property now or hereafter subject to any of the Security Documents; or any levy, seizure, or attachment is made thereof or thereon; or any material portion of such Property is lost, stolen, substantially damaged or destroyed;

(p) (i) except for violations or defaults that have been waived or consented to, any party thereto shall violate any covenant, agreement or condition contained in any Receivables Purchase Document or any default or event of default occurs and is continuing under any Receivables Purchase Document or (ii) any party thereto shall amend, modify or supplement any provision set forth in any Receivables Purchase Document in any manner which could reasonably be expected to have a material adverse affect on Lenders without the prior written consent of the Required Lenders;

(q) (i) except for any default which is waived by Voyager, any party thereto shall violate any covenant, agreement or condition in the Voyager Debenture, the Voyager Keep Well Agreement, or the Voyager Security Agreement, or any default or event of default shall occur

thereunder or (ii) any default or event of default occurs under the Voyager Subordination and Standstill Agreement or (iii) any party thereto shall amend, modify or supplement any provision set forth in any Voyager Document without the prior written consent of the Required Lenders (provided no such consent shall be required for the renewal and extension thereof provided no Default or Default or Event of Default shall exist or result therefrom); or

(r) (i) any party thereto shall violate any covenant, agreement or condition in the Seller Subordinated Note (except for a default waived by C.W. Conn, Jr.) or the Seller Subordination Agreement or shall amend, modify or supplement any provision of the Seller Subordinated Note or the Seller Subordination Agreement without the prior written consent of the Required Lenders, or (ii) any default or event of default shall occur under the Seller Subordinated Note (except for a default waived by C.W. Conn, Jr.) or under the Seller Subordination Agreement;

then, and in every such event (other than an event described in clause (i), (j) or (k) of this Article), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrowers, take either or both of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, and (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of each Borrower accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by each Borrower; and in case of any event described in clause (i), (j) or (k) of this Article, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other obligations of the Borrowers accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by each Borrower.

ARTICLE VIII
The Administrative Agent

Each of the Lenders hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof, together with such actions and powers as are reasonably incidental thereto.

The bank serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrowers or any Subsidiary or other affiliate thereof as if it were not the Administrative Agent hereunder.

The Administrative Agent shall not have any duties or obligations except those expressly set forth herein. Without limiting the generality of the foregoing, (a) the Administrative Agent

shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby that the Administrative Agent is required to exercise in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02), and (c) except as expressly set forth herein, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Loan Parties or any of their Subsidiaries that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02) or in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by the Borrowers or a Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement, (ii) the contents of any certificate, report or other document delivered hereunder or in connection herewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrowers), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Lenders and the Borrowers. Upon any such resignation, the Required Lenders shall have the right, in consultation with the Borrowers, to appoint a successor. If no successor shall have been

so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent which shall be a bank with an office in Houston, Texas, or an affiliate of any such bank. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrowers to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrowers and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 9.03 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Administrative Agent.

SECTION 8.01. INDEMNIFICATION. NOTWITHSTANDING ANYTHING TO THE CONTRARY HEREIN CONTAINED, THE ADMINISTRATIVE AGENT SHALL BE FULLY JUSTIFIED IN FAILING OR REFUSING TO TAKE ANY ACTION HEREUNDER UNLESS IT SHALL FIRST BE INDEMNIFIED TO ITS SATISFACTION BY THE LENDERS AGAINST ANY AND ALL LIABILITIES, OBLIGATIONS, LOSSES, DAMAGES, PENALTIES, ACTIONS, JUDGMENTS, SUITS, COSTS, EXPENSES, AND DISBURSEMENTS OF ANY KIND OR NATURE WHATSOEVER WHICH MAY BE IMPOSED ON, INCURRED BY OR ASSERTED AGAINST THE ADMINISTRATIVE AGENT IN ANY WAY RELATING TO OR ARISING OUT OF ITS TAKING OR CONTINUING TO TAKE ANY ACTION OR ITS REFRAINING TO TAKE ANY ACTION. EACH LENDER AGREES TO INDEMNIFY THE ADMINISTRATIVE AGENT (TO THE EXTENT NOT REIMBURSED BY THE BORROWERS OR ANY SUBSIDIARY), ACCORDING TO SUCH LENDER'S COMMITMENTS, FROM AND AGAINST ANY AND ALL LIABILITIES, OBLIGATIONS, LOSSES, DAMAGES, PENALTIES, ACTIONS, JUDGMENTS, SUITS, COSTS, EXPENSES, AND DISBURSEMENTS OF ANY KIND OR NATURE WHATSOEVER WHICH MAY BE IMPOSED ON, INCURRED BY, OR ASSERTED AGAINST THE ADMINISTRATIVE AGENT IN ANY WAY RELATING TO OR ARISING OUT OF ANY LOAN DOCUMENT OR ANY ACTION TAKEN OR OMITTED BY THE ADMINISTRATIVE AGENT UNDER ANY LOAN DOCUMENT; PROVIDED THAT NO LENDER SHALL BE LIABLE FOR ANY PORTION OF SUCH LIABILITIES, OBLIGATIONS, LOSSES, DAMAGES, PENALTIES, ACTIONS, JUDGMENTS, SUITS, COSTS, EXPENSES, OR DISBURSEMENTS RESULTING FROM THE GROSS NEGLIGENCE OR WILFUL MISCONDUCT OF THE PERSON BEING INDEMNIFIED; AND PROVIDED FURTHER THAT IT IS THE INTENTION OF EACH LENDER TO INDEMNIFY THE ADMINISTRATIVE AGENT AGAINST THE CONSEQUENCES OF THE ADMINISTRATIVE AGENT'S OWN NEGLIGENCE, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT, CONCURRENT, ACTIVE OR PASSIVE. WITHOUT LIMITATION OF THE FOREGOING, EACH LENDER AGREES TO REIMBURSE THE ADMINISTRATIVE AGENT PROMPTLY UPON DEMAND FOR ITS PRO RATA PERCENTAGE OF ANY OUT-OF-POCKET EXPENSES (INCLUDING ATTORNEYS' FEES) INCURRED BY THE

ADMINISTRATIVE AGENT IN CONNECTION WITH THE PREPARATION, ADMINISTRATION, OR ENFORCEMENT OF, OR LEGAL ADVICE IN RESPECT OF RIGHTS OR RESPONSIBILITIES UNDER, ANY LOAN DOCUMENT, TO THE EXTENT THAT THE ADMINISTRATIVE AGENT IS NOT REIMBURSED FOR SUCH EXPENSES BY THE BORROWERS.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder or thereunder.

ARTICLE IX
Miscellaneous

SECTION 9.01. Notices. Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(a) if to the Borrowers, to Conn Appliances, Inc., Attention of Thomas J. Frank (Telecopy No. (409) 832-4967);

(b) if to the Administrative Agent, to JPMorgan Chase Bank, Attention of Lindsey Whyte (Telecopy No. (713) 216-6004);

(c) if to any other Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

SECTION 9.02. Waivers; Amendments.

(a) No failure or delay by the Administrative Agent or any Lender in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent, and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by the Borrowers therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of

this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent or any Lender may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrowers and the Required Lenders or by the Borrowers and the Administrative Agent with the consent of the Required Lenders; provided that no such agreement shall (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the scheduled date of payment of the principal amount of any Loan, or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.16 in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender, (v) except in connection with a sale, transfer or other disposition permitted hereby, release any Collateral, (vi) release of Guarantor from its obligations, or (vii) change any of the provisions of this Section or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender; provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent, without the prior written consent of the Administrative Agent.

SECTION 9.03. Expenses; Indemnity; Damage Waiver.

(a) The Borrowers shall pay (i) all out-of-pocket expenses incurred by the Administrative Agent and its affiliates, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of this Agreement or any other Loan Document or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all out-of-pocket expenses incurred by the Administrative Agent or any Lender, including the fees, charges and disbursements of any counsel for the Administrative Agent or any Lender, in connection with the enforcement or protection of its rights in connection with this Agreement or any other Loan Document, including its rights under this Section, or in connection with the Loans made, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans.

(b) The Borrowers shall indemnify the Administrative Agent, and each Lender, and each related party of any of the foregoing persons (each such person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of

any counsel for any Indemnitee, incurred by or asserted against any indemnitee arising out of, in connection with, or as a result of:

(i) the execution or delivery of this agreement or any agreement or instrument contemplated hereby, the performance by the parties hereto of their respective obligations hereunder or the consummation of the transactions or any other transactions contemplated hereby,

(ii) any Loan or the use of the proceeds therefrom,

(iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Borrowers or any of their Subsidiaries, or any Environmental Liability related in any way to the Borrowers or any of their Subsidiaries,

(iv) any transaction, act, omission, event or circumstance in any way connected with the Mortgaged Property or with the Security Documents, including but not limited to any bodily injury or death or property damage occurring in or upon or in the vicinity of the Mortgaged Property through any cause whatsoever any act performed or omitted to be performed hereunder, any breach by any Loan Party of any representation, warranty, covenant, agreement or condition contained in the Security Documents, any default as defined herein, and any claim under or with respect to any Lease (as defined in the Mortgages).

(v) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and non appealable judgment to have resulted from the gross negligence or wilful misconduct of such Indemnitee.

(c) To the extent that any Borrower fails to pay any amount required to be paid by it to the Administrative Agent, under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent such Lender's per rata percentage of such unpaid amount in accordance with Section 8.01.

(d) To the extent permitted by applicable law, the Borrowers shall not assert, and hereby waive, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions, any Loan or the use of the proceeds thereof.

(e) All amounts due under this Section shall be payable not later than 15 days after written demand therefor.

SECTION 9.04. Successors and Assigns.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that no Borrower may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by any Borrower without such consent shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided that (i) except in the case of an assignment to a Lender or an affiliate of a Lender, each of the Borrowers and the Administrative Agent must give their prior written consent to such assignment (which consent shall not be unreasonably withheld), (ii) except in the case of an assignment to a Lender or an affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitment, the amount of the Commitment of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than $5,000,000 unless the Borrowers and the Administrative Agent otherwise consent, (iii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement, (iv) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance, together with (except in the case of an assignment to a Lender or an affiliate of a Lender) a processing and recordation fee of $3,500, and (v) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire; and provided further that any consent of the Borrowers otherwise required under this paragraph shall not be required if an Event of Default has occurred and is continuing. Subject to acceptance and recording thereof pursuant to paragraph (d) of this Section, from and after the effective date specified in each Assignment and Acceptance the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.15, 2.16, 2.17 and 9.03). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (e) of this Section.

(c) The Administrative Agent, acting for this purpose as an agent of the Borrowers, shall maintain at one of its offices in Houston, Texas a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans owing to, each Lender pursuant to the

terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrowers, the Administrative Agent, and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrowers, and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Acceptance and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(e) Any Lender may, without the consent of the Borrowers or the Administrative Agent, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrowers, the Administrative Agent, and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 9.02(b) that affects such Participant. Subject to paragraph (f) of this Section, the Borrowers agree that each Participant shall be entitled to the benefits of Sections 2.15, 2.16 and 2.17 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 9.08 as though it were a Lender, provided such Participant agrees to be subject to Section 2.18(c) as though it were a Lender.

(f) A Participant shall not be entitled to receive any greater payment under Section 2.15 or 2.17 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrowers' prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.17 unless the Borrowers are notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrowers, to comply with Section 2.17(e) as though it were a Lender.

(g) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not

apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

SECTION 9.05. Survival. All covenants, agreements, representations and warranties made by the Borrowers herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Loans regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid and so long as the Commitments have not expired or terminated. The provisions of Sections 2.15, 2.16, 2.17 and 9.03 and Article VIII shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, and the Commitments or the termination of this Agreement or any provision hereof.

SECTION 9.06. Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. This Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 9.07. Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 9.08. Right of Set-off. If an Event of Default shall have occurred and be continuing, each Lender and each of its affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by such Lender or affiliate to or for the credit or the account of any Borrower against any of and all the obligations of the Borrowers now or hereafter existing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmatured. The rights of each

Lender under this Section are in addition to other rights and remedies (including other rights of set-off) which such Lender may have.

SECTION 9.09. Governing Law; Jurisdiction; Consent to Service of Process.

(a) THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF TEXAS.

(b) EACH BORROWER HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE DISTRICT COURT OF THE STATE OF TEXAS SITTING IN HARRIS COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF TEXAS, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN TEXAS OR, TO THE EXTENT PERMITTED BY LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT SHALL AFFECT ANY RIGHT THAT THE ADMINISTRATIVE AGENT, OR ANY LENDER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT AGAINST ANY BORROWER OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(c) EACH BORROWER HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT IT MAY LEGALLY AND EFFECTIVELY DO SO, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT IN ANY COURT REFERRED TO IN PARAGRAPH (B) OF THIS SECTION. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 9.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 9.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER

BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 9.11. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 9.12. Payments Set Aside. To the extent that any Borrower makes a payment or payments to the Administrative Agent or any Lender or the Administrative Agent or any Lender enforces any security interest or exercises its right of set-off, and such payment or payments or the proceeds of such enforcement or set-off or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any other Person under any debtor law or equitable cause, then, to the extent of such recovery, the obligation or part thereof originally intended to be satisfied, and all rights and remedies therefor, shall be revived and shall continue in full force and effect as if such payment had not been made or such enforcement or set-off had not occurred.

SECTION 9.13. Loan Agreement Controls. If there are any conflicts or inconsistencies among this Agreement and any of the other Loan Documents, the provisions of this Agreement shall prevail and control.

SECTION 9.14. FINAL AGREEMENT. THIS WRITTEN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

SECTION 9.15. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively, the "Charges"), shall exceed the maximum lawful rate (the "Highest Lawful Rate") which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Highest Lawful Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Highest Lawful Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

SECTION 9.16. Limitation of Liens. Notwithstanding anything in any Loan Document to the contrary, The Administrative Agent and the Lenders hereby agree that under no circumstances shall the Collateral include (i) "Purchased Receivables" (as defined in the Receivables Purchase Agreement) or (ii) "Related Security" or "Receivable Files" (each as defined in the Conn Funding II Indenture), or products or proceeds of any of the foregoing.

SECTION 9.17. Amendment and Restatement. This Agreement amends and restates in its entirety that certain Credit Agreement dated as of July 14, 1998 by and among CAI and certain related entities, as Borrowers, JPMorgan Chase Bank, as Administrative Agent, and the other lenders named therein.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

CONN APPLIANCES, INC.

By: /s/ THOMAS J. FRANK

Name: THOMAS J. FRANK
Title: CHIEF EXECUTIVE OFFICER & CHAIRMAN OF THE BOARD

CAI CREDIT INSURANCE AGENCY, INC.

By: /s/ DAVID R. ATNIP

Name: DAVID R. ATNIP
Title: PRESIDENT

JPMORGAN CHASE BANK, individually and as
Administrative Agent

By: /s/ H. David Jones

Name: H. David Jones
Title: Vice President

BANK OF AMERICA, N.A., individually and
as Syndication Agent

By: /s/ Gary L. Mingle

Name: Gary L. Mingle
Title: Senior Vice President

SUNTRUST BANK, individually and as
Documentation Agent

By: /s/ Heidi M. Khambatta

Name: Heidi M. Khambatta
Title: Vice President

HIBERNIA NATIONAL BANK

By: /s/ BILL C. DARLING

Name: BILL C. DARLING
Title: VICE PRESIDENT

GUARANTY BANK

By: /s/ Eric Luttrell

Name: Eric Luttrell
Title: VP

SCHEDULE 2.01

TERM COMMITMENTS

JPMorgan Chase Bank	$ 3,000,000
Bank of America, N.A.	$ 3,000,000
Guaranty Bank	$ 3,000,000
Hibernia National Bank	$ 3,000,000
SunTrust Bank	$ 3,000,000
TOTAL	$15,000,000

SCHEDULE 2.02

REVOLVING COMMITMENTS

JPMorgan Chase Bank	$ 8,000,000
Bank of America, N.A.	$ 8,000,000
Hibernia National Bank	$ 8,000,000
SunTrust Bank	$ 8,000,000
Guaranty Bank	$ 8,000,000
TOTAL	$40,000,000

CONN APPLIANCES, INC. and Subsidiaries
CONN'S OPPORTUNITY FINANCE COMPANY
Listing of Real Estate Holdings Schedule 3.05(a)(1)
Post Recapitalization Plan

Location	Owner	Description	Address	City	State	County/Parish	Date Acquired
1	CAI	Corporate Headquarters	2755 Liberty	Beaumont	Texas	Jefferson	11/1/1984
3	CAI	Beaumont Warehouse	2815 Laurel	Beaumont	Texas	Jefferson	4/1/1972
10	CAI	Store 10	1715 Alexander	Baytown	Texas	Harris	1/1/1979
17	CAI	Store 17	10430 Southwest Freeway	Houston	Texas	Harris	9/1/1984
22	CAI	Lafayette Warehouse-Prk	118 Bertrand	Lafayette	Louisiana	Lafayette	8/25/1995
22	CAI	Land Richard St. Laf	124 Bertrand	Lafayette	Louisiana	Lafayette	6/2/1982
27	CAI	Store 27	2902 N. Shepherd	Houston	Texas	Jefferson	5/1/1992
61	CAI	Store 61	1802 SW Military Dr.	San Antonio	Texas	Bexar	9/1/1993
62	CAI	Store 62	4918 Loop 410 N	San Antonio	Texas	Bexar	4/19/1983
801	CAI	Land Lot 1	2690 Laurel	Beaumont	Texas	Jefferson	1/1/1977
801	CAI	Land Beaumont	2690 Laurel	Beaumont	Texas	Jefferson	1/1/1977
801	CAI	Land	2690 Laurel	Beaumont	Texas	Jefferson	7/1/1986
801	CAI	Land-Missouri Pacific RR	2690 Laurel	Beaumont	Texas	Jefferson	9/7/1988
999	CAI	New Iberia Excess Land	Admiral Doyle Dr.	New Iberia	Louisiana	Iberia Parish	9/25/1979
999	CAI	SFR Rent House	913 Fortune	Baytown	Texas	Harris	1/31/1983
999	CAI	Vacant Lot	915 Fortune	Baytown	Texas	Harris	4/22/1983
	CAI	Baton Rouge Excess	TR M-1-A Sec 70 Twnshp 7S	Baton Rouge	Louisiana	East Baton Rouge	9/12/1983
3A	CAI	Beaumont Warehouse	Nuemeyer Bldg	Beaumont	Texas	Jefferson	
	TOTALS						

Location	Owner	Description	Acquisition Cost-Land	Acquisition Cost-Imprv	Net Book Value-Imprv	NBV
1	CAI	Corporate Headquarters	91,552			91,552
3	CAI	Beaumont Warehouse	197,282	737,597	414,273	611,554
10	CAI	Store 10	92,370	164,633	37,163	129,533
17	CAI	Store 17	1,149,355	615,431	353,084	1,502,438
22	CAI	Lafayette Warehouse-Prk	84,588			84,588
22	CAI	Land Richard St. Laf	137,952			137,952
27	CAI	Store 27	273,000	649,062	526,290	799,290
61	CAI	Store 61	259,612	910,041	707,830	967,442
62	CAI	Store 62	539,865	756,027	646,581	1,186,447
801	CAI	Land Lot 1	66,587			66,587
801	CAI	Land Beaumont	19,106	39,895	16,401	35,507
801	CAI	Land	28,532			28,532
801	CAI	Land-Missouri Pacific RR	21,275			21,275
999	CAI	New Iberia Excess Land	75,000			75,000
999	CAI	SFR Rent House	58,353			58,353
999	CAI	Vacant Lot	36,050			36,050
	CAI	Baton Rouge Excess	304,023			304,023
3A	CAI	Beaumont Warehouse				
	TOTALS		3,342,949	3,872,687	2,701,622	6,136,122

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Legend
CAILP CAI, LP
APS Appliance Parts & Service, Inc
CDC Conn Development Corporation

LOCATION	LOCATION	LANDLORD AND BILLING ADDRESS	TOTAL LEASE PMTS	DATE FIRST PMT DUE	DATE LAST PMT DUE	PRIMARY LEASE TERMS
AIRPLANE HANGER	S.E. TEXAS REGIONAL	JEFFERSON COUNTY 4875 PARKER DRIVE BEAUMONT, TEXAS 77705	214.00			MONTH TO MONTH
CORP.	3295 COLLEGE, SUITE A BEAUMONT, TEXAS	BEAUMONT DEVELOPMENT C/O UNITED EQUITES, INC. 6909 ASHCROFT, SUITE 200 HOUSTON, TEXAS	32,411.33	9/9/2000	9/1/2010	9/9/00 - 9/30/2010
ADDTL SPACE	3141 COLLEGE, SUITE A					
BMT WHSE PKG LOT	2815 LAUREL ST. BEAUMONT, TEXAS	CONN BROTHERS P.O. BOX 2358 BEAUMONT, TEXAS 77704	450.00			MONTH TO MONTH
1 Houston Whse	8550 - A MARKET ST. 8550 - B MARKET ST. HOUSTON, TEXAS 77029	WEINGARTEN REALTY ATT: DANA P.O. BOX 924133 HOUSTON, TEXAS 77292	71,145.00			9/1/2000 - 8/31/2005

LOCATION	LOCATION	PRIMARY LEASE PAYMENT COMPUTATION		AMENDMENT OR OPTION COMPUTATION		TOTAL LEASE PAYMENT COMPUTATION		NUMBER OF RENEWAL OPTIONS
AIRPLANE HANGER	S.E. TEXAS REGIONAL	Base	214.00	Base	0.00	Base	214.00	
		Cam	0.00	Cam	0.00	Cam	0.00	
		Insurance	0.00	Insurance	0.00	Insurance	0.00	
		Taxes	0.00	Taxes	0.00	Taxes	0.00	
			214.00		0.00		214.00	
CORP.	3295 COLLEGE, SUITE A BEAUMONT, TEXAS	Base	20,232.00	Base	4,239.58	Base	24,471.58	1 - 5 year option
		Cam	4,360.31	Cam	0.00	Cam	4,360.31	2 - 5 year option
		Insurance	533.92	Insurance	0.00	Insurance	533.92	
		Taxes	3,025.52	Taxes	0.00	Taxes	3,025.52	
		Signs	0.00		0.10		20.00	
			28,151.75		4,239.58		32,411.33	
ADDTL SPACE	3141 COLLEGE, SUITE A							
BMT WHSE PKG LOT	2815 LAUREL ST. BEAUMONT, TEXAS	Base	450.00	Base	0.00	Base	450.00	NONE
		Cam	0.00	Cam	0.00	Cam	0.00	
		Insurance	0.00	Insurance	0.00	Insurance	0.00	
		Taxes	0.00	Taxes	0.00	Taxes	0.00	
			450.00		0.00		450.00	
1 Houston Whse	8550 - A MARKET ST. 8550 - B MARKET ST. HOUSTON, TEXAS 77029	Base	71,145.00	Base	0.00	Base	71,145.00	1 - 5 year option ** ONE TIME OFFER TO TERMINATE NOTICE SENT ON OR BEFORE FEBRUARY 28, WITH TERMINATION TO BE
		Cam	0.00	Cam	0.00	Cam	0.00	
		Insurance	0.00	Insurance	0.00	Insurance	0.00	
		Taxes	0.00	Taxes	0.00	Taxes	0.00	
			71,145.00		0.00		71,145.00	

LOCATION	LOCATION	LANDLORD AND BILLING ADDRESS	TOTAL LEASE PMTS	DATE FIRST PMT DUE	DATE LAST PMT DUE	PRIMARY LEASE TERMS
2	108 GATEWAY BEAUMONT, TEXAS	BEAUMONT GATEWAY 5100 WESTHEIMER, SUITE HOUSTON, TEXAS 77056	19,391.66	8/13/2001	8/1/2011	8/13/01 - 8/12/2011
03A	WAREHOUSE & BLDG) 2895 LAUREL STREET 77702	THE LUCAS COMPANY 7090 SHANAHAN DRIVE BEAUMONT, TEXAS 77706	3,000.00	11/19/2002	10/1/2007	11/1/02 - 10/31/07
5	3600 HWY 365 NEDERLAND, TEXAS	CARROLL WAYNE CONN, LP P.O. BOX 2358 BEAUMONT, TEXAS 77702	16,500.00	8/1/1998	7/1/2008	8/1/98 - 7/31/2008
6	3129 STATE HWY. 14 LAKE CHARLES, LA	WEINGARTEN REALTY P.O. BOX 200518 HOUSTON, TEXAS 77216 PHONE FAX	15,260.58	1/29/2001	1/1/2011	1/29/01 - 1/31/2011

LOCATION	LOCATION	PRIMARY LEASE PAYMENT COMPUTATION		AMENDMENT OR OPTION COMPUTATION		TOTAL LEASE PAYMENT COMPUTATION		NUMBER OF RENEWAL OPTIONS
2	108 GATEWAY BEAUMONT, TEXAS	Base Cam Insurance Taxes CTI	13,052.08 0.00 0.00 0.00 6,339.58 19,391.66	Base Cam Insurance Taxes CTI	0.00 0.00 0.00 0.00 0.00 0.00	Base Cam Insurance Taxes CTI	13,052.08 0.00 0.00 0.00 6,339.58 19,391.66	1 - 5 year option Base 2 - 5 year option Base 3 - 5 year option Base 4 - 5 year option Base
03A	WAREHOUSE & BLDG) 2895 LAUREL STREET 77702	Base Cam Insurance Taxes Ins/faxes	2,500.00 500.00 3,000.00	Base Cam Insurance Taxes CTI	0.00 0.00 0.00 0.00 0.00 0.00	Base Cam Insurance Taxes CTI	2,500.00 0.00 0.00 0.00 500.00 3,000.00	1 - 5 year option Base Insurance & Taxes
5	3600 HWY 365 NEDERLAND, TEXAS	Base Cam Insurance Taxes 	10,500.00 0.00 0.00 0.00 16,500.00	Base Cam Insurance Taxes 	0.00 0.00 0.00 0.00 0.00	Base Cam Insurance Taxes 	10,500.00 0.00 0.00 0.00 16,500.0	1 - 5 year option Base 2 - 5 year option Base 3 - 5 year option Base
6	3129 STATE HWY. 14 LAKE CHARLES, LA	Base Cam Insurance Taxes 	11,739.00 1,252.16 939.00 1,330.42 15,260.58	Base Cam Insurance Taxes 	0.00 0.00 0.00 0.00 0.00	Base Cam Insurance Taxes 	11,739.00 1,252.16 939.00 1,330.42 15.260.58	1 - 5 year option Base 2 - 5 year option Base

LOCATION	LOCATION	LANDLORD AND BILLING ADDRESS	TOTAL LEASE PMTS	DATE FIRST PMT DUE	DATE LAST PMT DUE	PRIMARY LEASE TERMS
7	917 E. ADMIRAL NEW IBERIA, LA 70560	WESTPARK SHOPPING C/O VERMILLION HOLDINGS, ATT: ROBERT C. JORDAN 301 W. SAINT PETER ST. NEW IBERIA, LA 70560-3680	10,406.25	7/24/2001	6/1/2011	7/24/01 - 6/30/11
8	211 WEST WILLOW ST. LAFAYETTE, LA.	NEW PLAN EXCEL REALTY P.O. BOX 848322 DALLAS, TEXAS 75284-8323	6,714.75	8/1/1997	5/1/2008	8/1/97 - 5/30/2008
9	8888 AIRLINE BATON ROUGE, LA	CARROLL WAYNE CONN, LP P.O. BOX 2358 BEAUMONT, TEXAS 77704	15,041.67	3/1/1999	2/1/2008	3/1/99 - 2/28/2008
11	3559 AMBASSADOR LAFAYETTE, LA 70508	EQUITY ONE, INC. P.O. BOX 945793 ATLANTA, GA 30394-5793	23,685.88	9/1/2001	7/1/2011	6/25/01 - 7/31/11

LOCATION	LOCATION	PRIMARY LEASE PAYMENT COMPUTATION		AMENDMENT OR OPTION COMPUTATION		TOTAL LEASE PAYMENT COMPUTATION		NUMBER OF RENEWAL OPTIONS
7	917 E. ADMIRAL NEW IBERIA, LA 70560	Base Cam Insurance Taxes	8,040.67 2,365.58 0.00 0.00	Base Cam Insurance Taxes	0.00 0.00 0.00 0.00	Base Cam Insurance Taxes	8,040.67 2,365.58 0.00 0.00	1 - 5 year option Base 2 - 5 year option Base 3 - 5 year option Base 4 - 5 year option Base
			10,406.25		0.00		10,406.25	
8	211 WEST WILLOW ST. LAFAYETTE, LA.	Base Cam Insurance Taxes	5,250.00 1,464.75 0.00 0.00	Base Cam Insurance Taxes	0.00 0.00 0.00 0.00	Base Cam Insurance Taxes	5,250.00 1,464.75 0.00 0.00	1 - 5 year option 2 - 5 year option
			6,714.75		0.00		6,714.75	
9	8888 AIRLINE BATON ROUGE, LA	Base Cam Insurance Taxes	15,041.67 0.00 0.00 0.00	Base Cam Insurance Taxes	0.00 0.00 0.00 0.00	Base Cam Insurance Taxes	15,041.67 0.00 0.00 0.00	1 - 5 year option Base 2 - 5 year option Base 3 - 5 year option Base
			15,041.67		0.00		15,041.67	
11	3559 AMBASSADOR LAFAYETTE, LA 70508	Base Cam Insurance Taxes	19,111.88 3,526.00 0.00 1,048.00	Base Cam Insurance Taxes	0.00 0.00 0.00 0.00	Base Cam Insurance Taxes	19,111.88 3,526.00 0.00 1,048.00	1 - 5 year option Base 2 - 5 year option Base 3 - 5 year option Base 4 - 5 year option Base
			23,685.88		0.00		23,685.88	

LOCATION	LOCATION	LANDLORD AND BILLING ADDRESS	TOTAL LEASE PMTS	DATE FIRST PMT DUE	DATE LAST PMT DUE	PRIMARY LEASE TERMS
12	4326 DOWLEN ROAD BEAUMONT, TEXAS	PARKDALE DEVELOPMENT P.O. BOX 2358 BEAUMONT, TEXAS 77704	20,039.59	4/1/1998	3/1/2008	4/1/98 - 3/31/2008
14	180 STRICKLAND DR. ORANGE, TEXAS 77630	MICKEY PHELAN B LAND P.O. BOX 1390 BEAUMONT, TEXAS 77704	7,607.50			1/1/02 - 12/31/2008
15	2425 TURNING BASIN HOUSTON, TEXAS	CARROLL WAYNE CONN, P.O. BOX 2358 BEAUMONT, TEXAS 77704	19,500.00	8/1/1998	7/1/2008	8/1/98 - 7/31/2008
16 and	9700 N. FREEWAY HOUSTON, TEXAS	C. W. & DOROTHY ANNE FAMILY PARTNERSHIP, LTD P.O. BOX 2358 BEAUMONT, TEXAS 77704	22,500.00	10/1/2002	9/1/2007	
Blue Bell	635 BLUE BELL HOUSTON, TEXAS					

LOCATION	LOCATION	PRIMARY LEASE PAYMENT COMPUTATION		AMENDMENT OR OPTION COMPUTATION		TOTAL LEASE PAYMENT COMPUTATION		NUMBER OF RENEWAL OPTIONS
12	4326 DOWLEN ROAD BEAUMONT, TEXAS	Base Cam Insurance Taxes	15,882.70 1,758.70 502.50 1,895.57 20,039.59	Base Cam Insurance Taxes	0.00 0.00 0.00 0.00 0.00	Base Cam Insurance Taxes	15,882.73 1,758.79 502.50 1,895.57 20,039.59	1 - 5 year option 2 - 5 year option 3 - 5 year option 4 - 5 year option
14	180 STRICKLAND DR. ORANGE, TEXAS 77630	Base Cam Insurance Taxes CTI	5,312.50 0.00 0.00 0.00 2,295.00 7,607.50	Base Cam Insurance Taxes CTI	0.00 0.00 0.00 0.00 0.00 0.00	Base Cam Insurance Taxes CTI	5,312.50 0.00 0.00 0.00 2,295.00 7,607.50	1 - 5 year option 8-10 years 11-12 years 2 - 5 year option 13-14 years 16-17 years 3 - 5 year option 18-20 years 21-22 years
15	2425 TURNING BASIN HOUSTON, TEXAS	Base Cam Insurance Taxes	19,500.00 0.00 0.00 0.00 19,500.00	Base Cam Insurance Taxes	0.00 0.00 0.00 0.00 0.00	Base Cam Insurance Taxes	19,500.00 0.00 0.00 0.00 19,500.00	1 - 5 year option 2 - 5 year option 3 - 5 year option
16 and	9700 N. FREEWAY HOUSTON, TEXAS	Base Cam Insurance Taxes	0.00 0.00 0.00 0.00 0.00	Base Cam Insurance Taxes	22,500.00 0.00 0.00 0.00 22,500.00	Base Cam Insurance Taxes	22,500.00 0.00 0.00 0.00 22,500.00	2 - 5 year option Base 3 - 5 year option Base
Blue Bell	635 BLUE BELL HOUSTON, TEXAS							

LOCATION	LOCATION	LANDLORD AND BILLING ADDRESS	TOTAL LEASE PMTS	DATE FIRST PMT DUE	DATE LAST PMT DUE	PRIMARY LEASE TERMS
805 Houston Serv Houston H/R	2425 TURNING BASIN HOUSTON, TEXAS	CARROLL WAYNE CONN, LP P.O. BOX 2358 BEAUMONT, TEXAS 77702	19,500.00			81/98 - 7/21/2008
18	10900 GULF FREEWAY HOUSTON, TEXAS	CARROLL WAYNE CONN, P.O. BOX 2358 BEAUMONT, TEXAS 77704	15,500.00	7/21/1998	6/1/2008	7/21/98 - 6/30/2008
21	20051 KATY FREEWAY KATY, TEXAS 77450	JRS PROPERTY 1400 POST OAK BLVD., SUITE HOUSTON, TEXAS 77056	30,750.00	4/1/2002	4/1/2017	4/1/02 - 4/30/17
23	9960 KATY ROAD HOUSTON, TEXAS	WITTE PLAZA, LTD. ONE HOUSTON CENTER 1221 MCKINNEY HOUSTON, TEXAS 77010	10,650.00	10/22/2001	11/1/2021	10/22/01 - 11/30/21

LOCATION	LOCATION	PRIMARY LEASE PAYMENT COMPUTATION		AMENDMENT OR OPTION COMPUTATION		TOTAL LEASE PAYMENT COMPUTATION		NUMBER OF RENEWAL OPTIONS
805 Houston Serv Houston H/R	2425 TURNING BASIN HOUSTON, TEXAS	Base Cam Insurance Taxes	19,500.00 0.00 0.00 0.00 19,500.00	Base Cam Insurance Taxes	0.00 0.00 0.00 0.00 0.00	Base Cam Insurance Taxes	19,500.00 0.00 0.00 0.00 19,500.00	1 - 5 year option Base 2 - 5 year option Base 3 - 5 year option Base
18	10900 GULF FREEWAY HOUSTON, TEXAS	Base Cam Insurance Taxes	15,500.00 0.00 0.00 0.00 15,500.00	Base Cam Insurance Taxes	0.00 0.00 0.00 0.00 0.00	Base Cam Insurance Taxes	15,500.00 0.00 0.00 0.00 15,500.00	1 - 5 year option Base 2 - 5 year option Base 3 - 5 year option Base
21	20051 KATY FREEWAY KATY, TEXAS 77450	Base Cam Insurance CTI	23,750.00 0.00 0.00 7,000.00 30,750.00	Base Cam Insurance CTI	0.00 0.00 0.00 0.00 0.00	Base Cam Insurance CTI	23,750.00 0.00 0.00 7,000.00 30,750.00	1 - 5 year option Base CAM 2 - 5 year option Base CAM
23	9960 KATY ROAD HOUSTON, TEXAS	Base Cam Insurance Taxes	10,650.00 0.00 0.00 0.00 10,650.00	Base Cam Insurance Taxes	0.00 0.00 0.00 0.00 0.00	Base Cam Insurance Taxes	10,650.00 0.00 0.00 0.00 10,650.00	1 - 5 year option Base 2 - 5 year option Base 3 - 5 year option Base 4 - 5 year option Base

LOCATION	LOCATION	LANDLORD AND BILLING ADDRESS	TOTAL LEASE PMTS	DATE FIRST PMT DUE	DATE LAST PMT DUE	PRIMARY LEASE TERMS
24	1933-A 1960 HUMBLE, TEXAS 77338	WEINGARTEN REALTY P.O. BOX 200518 HOUSTON, TEXAS 77216	22,172.39			8/7/97 - 8/31/2002
25	7911 W.FM 1960 HOUSTON, TEXAS	THOMAS J. FRANK P.O. BOX 2358 BEAUMONT, TEXAS 77704	23,436.35			2/1/96 - 1/31/2011
26	1333/37 IH-10 EAST HOUSTON, TEXAS	CA NEW PLAN FLOATING PARTNERSHIP, L.P. P.O. BOX 297095 HOUSTON, TEXAS 77297	11,258.00			4/1/91 - 3/31/2006
28	6835 SEIGEN ROAD BATON ROUGE, LA	WEINGARTEN REALTY P.O. BOX 200518 HOUSTON, TEXAS 77216	27,486.00			11/17/01 - 11/30/2016

LOCATION	LOCATION	PRIMARY LEASE PAYMENT COMPUTATION		AMENDMENT OR OPTION COMPUTATION		TOTAL LEASE PAYMENT COMPUTATION		NUMBER OF RENEWAL OPTIONS
24	1933-A 1960 HUMBLE, TEXAS 77338	Base Cam Insurance Taxes CTI Water	10,233.00 0.00 0.00 0.00 5,902.17 50.00 16,135.17	Base Cam Insurance Taxes CTI	10,233.00 1,969.90 747.20 4,415.29 0.00 50.00 17,415.39	Base Cam Insurance Taxes CTI	14,990.00 1,969.90 747.20 4,415.29 0.00 50.00 22,172.39	2 - 5 year option Base 3 - 5 year option Base
25	7911 W.FM 1960 HOUSTON, TEXAS	Base Cam Insurance Taxes	17,235.00 1,518.92 345.74 4,336.69 23,436.35	Base Cam Insurance Taxes	0.00 0.00 0.00 0.00 0.00	Base Cam Insurance Taxes	17,235.00 1,518.92 345.74 4,336.69 23,436.35	1 - 5 year option 2 - 5 year option
26	1333/37 IH-10 EAST HOUSTON, TEXAS	Base Cam Insurance Taxes	7,605.00 1,001.00 555.00 2,097.00 11,258.00	Base Cam Insurance Taxes	0.00 0.00 0.00 0.00 0.00	Base Cam Insurance Taxes	7,605.00 1,001.00 555.00 2,097.00 11,258.00	1 - 5 year option Base
28	6835 SEIGEN ROAD BATON ROUGE, LA	Base Cam Insurance Taxes Sign	21,840.00 2,600.00 520.00 2,496.00 30.00 27,486.00	Base Cam Insurance Taxes Sign	0.00 0.00 0.00 0.00 0.00 0.00	Base Cam Insurance Taxes Sign	21,840.00 2,600.00 520.00 2,496.00 30.00 27,486.00	1 - 5 year option Base 2 - 5 year option Base

LOCATION	LOCATION	LANDLORD AND BILLING ADDRESS	TOTAL LEASE PMTS	DATE FIRST PMT DUE	DATE LAST PMT DUE	PRIMARY LEASE TERMS
29	1015 W. NASA ROAD 1 WEBSTER, TEXAS	WEBSTER KM ASSOCIATES ATT: BARRY BERNSTEIN 1430 BROADWAY, SUITE 1503 NEW YORK, NEW YORK	16,446.69			9/1/02 - 3/31/2014
30	9333/35 STELLA LIN K HOUSTON, TEXAS	CA NEW PLAN FLOATING PARTNERSHIP, L.P. P.O. BOX 297095 HOUSTON, TEXAS 77297	9,613.00			10/1/98 - 9/30/2003 Renewal Option 10/1/2003 - 9/30/2008
*44 Lakeline	LAKELINE MALL 11101 PECAN PARK AUSTIN, TEXAS	DEVELOPMENT SERVICES, LP P.O. BOX 2358 BEAUMONT, TEXAS 77704	27,768.00	9/16/2002	9/30/2017	9/16/02 - 9/30/17
*45 Anderson Ln.	2531 W. ANDERSON LN. AUSTIN, TEXAS 78757-	DEVELOPMENT SERVICES, LP P.O. BOX 2358 BEAUMONT, TEXAS 77704	28,600.00	6/16/2002	6/30/1932	7/1/02 - 6/30/32

LOCATION	LOCATION	PRIMARY LEASE PAYMENT COMPUTATION		AMENDMENT OR OPTION COMPUTATION		TOTAL LEASE PAYMENT COMPUTATION		NUMBER OF RENEWAL OPTIONS
29	1015 W. NASA ROAD 1 WEBSTER, TEXAS	Base Mgmt Fee Insurance CTI	13,855.29 277.11 0.00 2,314.29 16,446.69	Base Cam Insurance CTI	0.00 0.00 0.00 0.00 0.00	Base Cam Insurance CTI	13,855.29 277.11 0.00 2,314.29 16,446.69	1 - 5 year option Base Mgmt Fee 2 - 5 year option Base Mgmt Fee
30	9333/35 STELLA LINK HOUSTON, TEXAS	Base Cam Insurance Taxes Sign	7,050.00 846.00 372.00 1,295.00 50.00 9,613.00	Base Cam Insurance Taxes Sign	0.00 0.00 0.00 0.00 0.00 0.00	Base Cam Insurance Taxes Sign	7,050.00 846.00 372.00 1,295.00 50.00 9,613.00	2 - 5 year option Base
*44 Lakeline	LAKELINE MALL 11101 PECAN PARK AUSTIN, TEXAS	Base Cam Insurance Taxes	27,768.00 0.00 0.00 0.00 27,768.00	Base Cam Insurance Taxes	0.00 0.00 0.00 0.00 0.00	Base Cam Insurance Taxes	27,768.00 0.00 0.00 0.00 27,768.00	3 - 5 year options 1 - 3 year option Base 1 - 3 year option Base 1 - 3 year option Base 1 - 3 year option Base 1 - 3 year option Base
*45 Anderson Ln.	2531 W. ANDERSON LN. AUSTIN, TEXAS 78757-	Base Cam Insurance Taxes	28,600.00 0.00 0.00 0.00 28,600.00	Base Cam Insurance Taxes	0.00 0.00 0.00 0.00 0.00	Base Cam Insurance Taxes	28,600.00 0.00 0.00 0.00 28,600.00	3 - 5 year options 1 - 3 year option Base 1 - 3 year option Base 1 - 3 year option Base 1 - 3 year option Base 1 - 3 year option Base

LOCATION	LOCATION	LANDLORD AND BILLING ADDRESS	TOTAL LEASE PMTS	DATE FIRST PMT DUE	DATE LAST PMT DUE	PRIMARY LEASE TERMS
*46 Bandera Point	11751 W. FM 1604, SAN ANTONIO, TEXAS	SPECIALIZED REALTY SERVICES, LP P.O. BOX 2358 BEAUMONT, TEXAS 77704	27,083.33	4/15/2002	4/1/17-4/15/17	4/15/02 - 4/15/2017
47 Corpus Christi	DR. CORPUS CHRISTI, TX	ABLERTSON'S, INC. 250 PARKCENTER BLVD. P.O. BOX 20 BOISE, ID 83726	21,948.75			12/1/01-12/30/12
48 Round Rock	SQUARE SHOPPING CENTER 1601 S. 1H-35, SUITE 500 ROUND ROCK, TX	RS SHOPPING CENTER, LTD. P.O. BOX 97221 DALLAS, TEXAS 75397-2721	31,200.00	10/15/2002	10/1/2012	10/15/02 - 10/14/12
60 S.A. Whse	4810 EISENHAUER RD., SAN ANTONIO, TX	PROLOGIS DEVELOPMENT P.O. BOX 843779 DALLAS, TEXAS 75284-3779	76,796.67			2/1/2001 - 1/31/2011

LOCATION	LOCATION	PRIMARY LEASE PAYMENT COMPUTATION		AMENDMENT OR OPTION COMPUTATION		TOTAL LEASE PAYMENT COMPUTATION		NUMBER OF RENEWAL OPTIONS
*46 Bandera Point	11751 W. FM 1604, SAN ANTONIO, TEXAS	Base	27,083.33	Base	0.00	Base	27,083.33	
		Cam	0.00	Cam	0.00	Cam	0.00	
		Insurance	0.00	Insurance	0.00	Insurance	0.00	
		Taxes	0.00	Taxes	0.00	Taxes	0.00	
			27,083.33		0.00		27,083.33	
47 Corpus Christi	DR. CORPUS CHRISTI, TX	Base	21,948.75	Base	0.00	Base	21,948.75	I - 5 year option
		Cam	0.00	Cam	0.00	Cam	0.00	Base
		Insurance	0.00	Insurance	0.00	Insurance	0.00	2 - 5 year option
		Taxes	0.00	Taxes	0.00	Taxes	0.00	Base
			21,948.75		0.00		21,948.75	3 - 5 year option
								Base
								4 - 5 year option
								BASE
48 Round Rock	SQUARE SHOPPING CENTER 1601 S. 1H-35, SUITE 500 ROUND ROCK, TX	Base	22,500.00	Base	0.00	Base	22,500.00	1 - 5 year option
		Cam	0.00	Cam	0.00	Cam	0.00	Base
		Insurance	0.00	Insurance	0.00	Insurance	0.00	CTI
		Taxes	0.00	Taxes	0.00	Taxes	0.00	2 - 5 year option
		CTI	8,700.00	CTI	0.00	CTI	8,700.00	Base
			31,200.00		0.00		31,200.00	CTI
								3 - 5 year option
								Base
								CTI
60 S.A. Whse	4810 EISENHAUER RD., SAN ANTONIO, TX	Base	60,220.00	Base	0.00	Base	60,220.00	None
		Cam	7,380.00	Cam	0.00	Cam	7,380.00	
		Insurance	668.33	Insurance	0.00	Insurance	668.33	
		Taxes	8,528.34	Taxes	0.00	Taxes	8,528.34	
			76,796.67		0.00		76,796.67	

LOCATION	LOCATION	LANDLORD AND BILLING ADDRESS	TOTAL LEASE PMTS	DATE FIRST PMT DUE	DATE LAST PMT DUE	PRIMARY LEASE TERMS
61	2514 S. W. MILITARY SAN ANTONIO, TX	SPECIALIZED REALTY SERVICES, LP P.O. BOX 2358 BEAUMONT, TEXAS 77704	30,167.00	8/3/2002	8/1/2017	8/16/02 - 8/31/17
62 Sports Authority	4999 N.W. LOOP 410 SAN ANTONIO, TX	3383 NORTH STATE ROAD 7 FT. LAUDERDALE, FL 33319	19,093.02	1/1/2002	8/1/2010	1/1/02 - 8/31/2010
		SUMMIT JOINT VENTURE II 4937 N. W. LOOP 410 SAN ANTONIO, TEXAS 78229	9,546.51	9/1/2010	7/1/2014	9/1/10 - 7/31/2014
64 Commerce	4022 W. COMMERCE SAN ANTONIO, TEXAS	LOOPY LIMITED 9033 AERO, SUITE 202 SAN ANTONIO, TEXAS 78217	5,000.00			9/1/2000 - 8/31/2005
65	281 @ BITTERS ROAD SAN ANTONIO, TEXAS	CARROLL WAYNE CONN, LP P.O. BOX 2358 BEAUMONT, TEXAS 77702	15,000.00			8/1/98 - 7/31/2008

LOCATION	LOCATION	PRIMARY LEASE PAYMENT COMPUTATION		AMENDMENT OR OPTION COMPUTATION		TOTAL LEASE PAYMENT COMPUTATION		NUMBER OF RENEWAL OPTIONS
61	2514 S. W. MILITARY SAN ANTONIO, TX	Base	30,167.00	Base	0.00	Base	30,167.00	1 - 3 year option
		Cam	0.00	Cam	0.00	Cam	0.00	Base
		Insurance	0.00	Insurance	0.00	Insurance	0.00	1 - 3 year option
		Taxes	0.00	Taxes	0.00	Taxes	0.00	Base
			30,167.00		0.00		30,167.00	1 - 3 year option
								Base
								1 - 3 year option
								Base
								1 - 3 year option
								Base
62 Sports Authority	4999 N.W. LOOP 410 SAN ANTONIO, TX	Base	19,093.02	Base	0.00	Base	19,093.02	None
		Cam	0.00	Cam	0.00	Cam	0.00	
		Insurance	0.00	Insurance	0.00	Insurance	0.00	
		Taxes	0.00	Taxes	0.00	Taxes	0.00	
			19,093.02		0.00		19,093.02	
		Base	26,127.02	Base	0.00	Base	26,127.02	1 - 5 year option
		Cam	0.00	Cam	0.00	Cam	0.00	1-2 years
		Insurance	0.00	Insurance	0.00	Insurance	0.00	3-5 years
		Taxes	0.00	Taxes	0.00	Taxes	0.00	2 - 5 year option
			26,127.02		0.00		26,127.02	3 - 5 year option
								4 - 5 year option
64 Commerce	4022 W. COMMERCE SAN ANTONIO, TEXAS	Base	5,000.00	Base	0.00	Base	5,000.00	1 - 5 year option
		Cam	0.00	Cam	0.00	Cam	0.00	Base
		Insurance	0.00	Insurance	0.00	Insurance	0.00	2 - 5 year option
								Base
		Taxes	0.00	Taxes	0.00	Taxes	0.00	
			5,000.00		0.00		5,000.00	
65	281 @ BITTERS ROAD SAN ANTONIO, TEXAS	Base	15,000.00	Base	0.00	Base	15,000.00	1 - 5 year option
		Cam	0.00	Cam	0.00	Cam	0.00	Base
		Insurance	0.00	Insurance	0.00	Insurance	0.00	2 - 5 year option
		Taxes	0.00	Taxes	0.00	Taxes	0.00	Base
			15,000.00		0.00		15,000.00	3 - 5 year option
								Base

LOCATION	LOCATION	LANDLORD AND BILLING ADDRESS	TOTAL LEASE PMTS	DATE FIRST PMT DUE	DATE LAST PMT DUE	PRIMARY LEASE TERMS
66	6425 IH-35 SOUTH, AUSTIN, TEXAS 78744	NEC CANNON / 35, LTD. SERVICE P.O. BOX 660394 DALLAS, TEXAS 75266-0394	27,812.67	11/17/2000	11/1/2010	11/27/00 - 11/30/10
67	5441 IH-34 NORTH AUSTIN, TEXAS 78723	CAPITAL / HIGHWAY 35, C/O CENCOR REALTY P.O. BOX 660394 DALLAS, TEXAS 75266-0394	20,850.63	4/23/2001		4/23/01 - 4/30/2011
68	7730 IH-35 NORTH SAN ANTONIO, TEXAS	JAMES G. NEIMANN, NFP PARTNERSHIP 1122 COLORADO STREET, AUSTIN, TEXAS 78701	16,625.00	9/21/01	1/1/2007	2/1/2001 - 1/31/2007
69 Dezavala	5219 DE ZAVALA SAN ANTONIO, TEXAS 78249-1723	KEY BANK OPERATING RETAIL, LTD. KEY BUSINESS # ATT: HEIDI PARKS 1675 BROADWAY, SUITE 400 DENVER, CO 80202	36,060.36	1/1/2002	7/1/2011	1/1/02 - 7/31/2011

LOCATION	LOCATION	PRIMARY LEASE PAYMENT COMPUTATION		AMENDMENT OR OPTION COMPUTATION		TOTAL LEASE PAYMENT COMPUTATION		NUMBER OF RENEWAL OPTIONS
66	6425 IH-35 SOUTH, AUSTIN, TEXAS 78744	Base	17,766.67	Base	0.00	Base	17,766.67	1 - 5 year option
		Cam	5,182.00	Cam	0.00	Cam	5,182.00	Base
		Insurance	400.00	Insurance	0.00	Insurance	400.00	2 - 5 year option
		Taxes	4,464.00	Taxes	0.00	Taxes	4,464.00	Base
			27,812.67		0.00		27,812.67	
67	5441 IH-34 NORTH AUSTIN, TEXAS 78723	Base	15,795.63	Base	0.00	Base	15,795.63	1 - 5 year option
		Cam	2,296.00	Cam	0.00	Cam	2,296.00	Base
		Insurance	379.00	Insurance	0.00	Insurance	379.00	2 - 5 year option
		Taxes	2,380.00	Taxes	0.00	Taxes	2,380.00	Base
			20,850.63		0.00		20,850.63	
68	7730 IH-35 NORTH SAN ANTONIO, TEXAS	Base	16,625.00	Base	0.00	Base	16,625.00	1 - 5 year option
		Cam	0.00	Cam	0.00	Cam	0.00	Base
		Insurance	0.00	Insurance	0.00	Insurance	0.00	2 - 5 year option
		CTI	0.00	CTI	0.00	CTI	0.00	Base
			16,625.00		0.00		16,625.00	3 - 5 year option
								Base
								4 - 5 year option
								Base
69 Dezavala	5219 DE ZAVALA SAN ANTONIO, TEXAS 78249-1723	Base	26,833.33	Base	0.00	Base	26,833.33	4 - 5 year options
		Cam	0.00	Cam	0.00	Cam	0.00	years 11 - 12
		Insurance	0.00	Insurance	0.00	Insurance	0.00	years 13 - 15
		CTI	9,227.03	CTI	0.00	CTI	9,227.03	years 16 - 18
			36,060.36		0.00		36,060.36	years 19 - 21
								years 22 - 24
								years 25 - 27
								years 28 - 30

LOCATION	LOCATION	LANDLORD AND BILLING ADDRESS	TOTAL LEASE PMTS	DATE FIRST PMT DUE	DATE LAST PMT DUE	PRIMARY LEASE TERMS
70	6888 GULF FREEWAY HOUSTON, TEXAS	WOODRIDGE DRIVE, LTD. C/O MOODY RAMBIN 12850 MEMORIAL DR., SUITE HOUSTON, TEXAS 77024	22,252.27	11/19/1999	11/1/2009	11/19/99 - 11/30/2009
71 Northway Shopping Ctr	11051 NORTHWEST HOUSTON, TEXAS	WEINGARTEN REALTY P.O. BOX 200518 HOUSTON, TEXAS 77216	18,142.00			11/4/99 - 11/30/2006
72	5505 W. LOOP SOUTH HOUSTON, TEXAS	WOODRIDGE DRIVE, LTD. C/O MOODY RAMBIN 12850 MEMORIAL DR., SUITE HOUSTON, TEXAS 77024	29,166.67	10/1/1999	9/1/2014	10/1/99 - 9/30/2014
73	MONTGOMERY PLAZA 1420 LOOP 336 NORTH, CONROE, TEXAS 77304	WEINGARTEN REALTY P.O. BOX 200518 HOUSTON, TEXAS 77216	13,680.68	7/27/2000	7/1/2010	7/28/2000 - 7/31/2010
74	19075 IH-45 NORTH, SHENANDOAH, TEXAS	PORTOFINO, LTD. C/O PORTOFINO SHOPPING P.O. BOX 8788 THE WOODLANDS, TEXAS	27,110.00	5/6/2001	12/1/2011	5/6/01 - 12/31/2011

LOCATION	LOCATION	PRIMARY LEASE PAYMENT COMPUTATION		AMENDMENT OR OPTION COMPUTATION		TOTAL LEASE PAYMENT COMPUTATION		NUMBER OF RENEWAL OPTIONS
70	6888 GULF FREEWAY HOUSTON, TEXAS	Base	17,364.29	Base	0.00	Base	17,364.29	1 - 5 year option
		Cam	2,085.08	Cam	0.00	Cam	2,085.08	Base
		Insurance	0.00	Insurance	0.00	Insurance	0.00	2 - 5 year option
		Taxes	2,802.90	Taxes	0.00	Taxes	2,802.90	Base
			22,252.27		0.00		22,252.27	
71 Northway Shopping Ctr	11051 NORTHWEST HOUSTON, TEXAS	Base	14,250.00	Base	0.00	Base	14,250.00	1 - 5 year option
		Cam	1,721.00	Cam	0.00	Cam	1,721.00	Base
		Insurance	390.00	Insurance	0.00	Insurance	390.00	2 - 5 year option
		Taxes	1,781.00	CTI	0.00	CTI	1,781.00	Base
			18,142.00		0.00		18,142.00	
								* THE RENEWAL PAYMENT IS THAN WE ARE CURRENTLY THE LEASE MUST BE
72	5505 W. LOOP SOUTH HOUSTON, TEXAS	Base	29,166.67	Base	0.00	Base	29,166.67	1 - 5 year option
		Cam	0.00	Cam	0.00	Cam	0.00	Base
		Insurance	0.00	Insurance	0.00	Insurance	0.00	2 - 5 year option
		CTI	0.00	CTI	0.00	CTI	0.00	Base
			29,166.67		0.00		29,166.67	3 - 5 year option Base
73	MONTGOMERY PLAZA 1420 LOOP 336 NORTH, CONROE, TEXAS 77304	Base	8,185.00	Base	0.00	Base	8,185.00	1 - 5 year option
		Cam	2,385.36	Cam	0.00	Cam	2,385.36	Base
		Insurance	514.49	Insurance	0.00	Insurance	514.49	2 - 5 year option
		Taxes	2,595.83	Taxes	0.00	Taxes	2,595.83	Base
			13,680.68		0.00		13,680.68	
74	19075 IH-45 NORTH, SHENANDOAH, TEXAS	Base	18,750.00	Base	0.00	Base	18,750.00	1 - 5 year option
		Cam	3,147.00	Cam	0.00	Cam	3,147.00	Base
		Insurance	375.00	Insurance	0.00	Insurance	375.00	2 - 5 year option
		Taxes	4,838.00	Taxes	0.00	Taxes	4,838.00	Base
			27,110.00		0.00		27,110.00	

LOCATION	LOCATION	LANDLORD AND BILLING ADDRESS	TOTAL LEASE PMTS	DATE FIRST PMT DUE	DATE LAST PMT DUE	PRIMARY LEASE TERMS
76 Sugarland	15235 S. W. FREEWAY SUGARLAND, TEXAS	c/o SM NEWCO SUGAR LAND, DEVELOPERS DIVERSIFIED CORPORATION 3300 ENTERPRISE PARKWAY BEACHWOOD, OH 44122	43,316.83	1/25/2003		3/1/03 - 2/27/18

LOCATION	LOCATION	PRIMARY LEASE PAYMENT COMPUTATION		AMENDMENT OR OPTION COMPUTATION		TOTAL LEASE PAYMENT COMPUTATION		NUMBER OF RENEWAL OPTIONS
76 Sugarland	15235 S. W. FREEWAY SUGARLAND, TEXAS	Base	27,083.33	Base	0.00	Base	27,083.33	1st - 5 year option (2/28/18 - 2/27/23)
		Cam	7,310.83	Cam	0.00	Cam	7,310.83	
		Insurance	0.00	Insurance	0.00	Insurance	0.00	2nd - 5 year option
		Taxes	8,922.67	Taxes	0.00	Taxes	8,922.67	(2/28/23 - 2/27/28)
			43,316.83		0.00		43,316.83	3rd - 5 year option (2/28/28 - 2/27/33)
								4th - 5 year option (2/28/33 - 2/27/38)

CONN APPLIANCES, INC. and SUBSIDIARIES
OFFICERS AND DIRECTORS
2002 - 2003
SCHEDULE 3.15(a)

CONN APPLIANCES, INC.

BOARD OF DIRECTORS

Tom Frank	Douglas H. Martin	*Arthur Greenspan
*C. W. Conn, Jr.	* George Dishman, Jr.	David Atnip
Bill Nylin	* Bill Trawick	
S. L. Greenberg	Bill Frank	

* Advisory Directors

OFFICERS

Tom Frank Chairman / CEO
Bill Nylin President/COO
Bill Frank Executive Vice President/Chief Financial Officer
David Trahan, Senior Vice President Merchandising
Walter Broussard, Senior Vice President Sales
Robert Lee, Senior Vice President Advertising
David Atnip, Senior Vice President Secretary / Treasurer
Tim L Frank, Vice President ECommerce and Direct Marketing
Terrell Newberry, Vice President Distribution
Ed Perkins, Vice President Service Operations
Clint H. Harwood, Vice President of Management Information Systems
Rey de la Fuente, Vice President of Credit Division

CONN CREDIT CORPORATION, INC.

BOARD OF DIRECTORS	OFFICERS
Rey de la Fuente	Thomas J. Frank, Jr. Chairman/ CEO
Thomas J. Frank, Sr. Chairman	Rey de la Fuente, President/COO
William C. Nylin, Jr.	William C. Nylin, Jr., Senior VP
Wallis Gregorcyk	C. William Frank CFO
C. William Frank	Wallis Gregorcyk Vice President
David Atnip	Glenn Wellman, Vice President
	David Atnip Secretary / Treasurer

CAI CREDIT INSURANCE AGENCY, INC.

BOARD OF DIRECTORS	OFFICERS
Thomas J. Frank, Chairman	Thomas J. Frank Chief Executive Officer
David R. Atnip	David R. Atnip President/COO
Wm. C. Nylin, Jr.	C. W. "Bill" Frank Chief Financial Officer
C. William Frank	Wm. C. Nylin, Jr. Secretary-Treasurer
Rey de la Fuente	David W. Trahan, Vice President - Sales
Wallis Gregorcyk	Wallis Gregorcyk, Vice President - Risk

CAIAIR, INC

BOARD OF DIRECTORS	OFFICERS
Thomas J. Frank, Jr.	Thomas J. Frank, Sr. CEO/CHMN of Board
	C. William Frank, VP/CFO
	David R. Atnip, Secretary/Treasurer

CONN'S INC

BOARD OF DIRECTORS	OFFICERS
Thomas J. Frank, Sr.	Thomas J. Frank, Sr. CEO/CHMN
Douglas H. Martin	William C. Nylin, Jr President/COO
William C. Nylin, Jr.	C. William Frank Executive Vice President/CFO
C. William Frank	David W. Trahan SVP - Merchandising
S.L. Greenberg	Walter M. Broussard SVP - Sales/Store Operations
David R. Atnip	Robert B. Lee, Jr. SVP- Advertising
	David R. Atnip SVP - Secretary/Treasurer

CONN APPLIANCES, LLC

BOARD OF DIRECTORS	OFFICERS
Thomas J. Frank, Sr	Victoria Garrett, President& Secretary

CONN CREDIT, LLC

BOARD OF DIRECTORS	OFFICERS
Thomas J. Frank, Sr.	Victoria Garrett, President & Secretary

CAI CREDIT, LLC

BOARD OF DIRECTORS	OFFICERS
Thomas J. Frank	Victoria Garrett, President and Secretary

CONNAPP CO./CONN APPLIANCES, INC.
PROJECTED STOCKHOLDER LISTING
AFTER STEPHEN'S INC LBO. INCLUDING OPTIONS AVAILABLE
COMMON & PREFERRED SHARES ISSUED/OUTSTANDING Schedule 3.15(b)

OWNER		COMMON SHARES	COMMON % OS	COMMON % FULL	PREFERRED-10% ACCUMULATIVE SHARES	PREFERRED-10% ACCUMULATIVE %OS	PREFERRED-10% ACCUMULATIVE %FULL
JED ALLEN	*	0	0.0000%	0.0000%	417	0.239%	0.239%
ROY ARNOLD	*	0	0.0000%	0.0000%	0	0.000%	0.000%
DAVID ATNIP	*	175,000	1.0467%	1.0189%	711	0.407%	0.407%
DAVID BRAMER	*	54,600	0.3266%	0.3179%	651	0.373%	0.373%
WALTER BROUSSARD	*	94,500	0.5652%	0.5502%	417	0.239%	0.239%
JOE COCO	*	112,000	0.6699%	0.6521%	856	0.490%	0.490%
BETTY COONE	*	149,730	0.8955%	0.8718%	355	0.203%	0.203%
BILL FRANK	*	222,320	1.3297%	1.2944%	0	0.000%	0.000%
TOM FRANK	*	385,000	2.3026%	2.2416%	19,252	11.023%	11.023%
Thomas J. Frank, Trustee for	*	0	0.0000%	0.0000%		0.000%	0.000%
TJF Retained Annuity Trust	*	875,000	5.2333%	5.0946%		0.000%	0.000%
SL GREENBERG	*	70,000	0.4187%	0.4076%	834	0.478%	0.478%
WALLIS GREGORCYK	*	315,000	1.8840%	1.8341%	3,753	2.149%	2.149%
DONNA MONTGOMERY	*	39,270	0.2349%	0.2286%	533	0.305%	0.305%
TERRELL NEWBERRY	*	126,000	0.7536%	0.7336%	1,067	0.611%	0.611%
BILL NYLIN	*	342,930	2.0510%	1.9967%	479	0.274%	0.274%
ED PERKINS	*	86,450	0.5170%	0.5033%	613	0.351%	0.351%
DAVID TRAHAN	*	194,530	1.1635%	1.1326%	1,067	0.611%	0,611%
BILL TRAWICK	*	75,390	0.4509%	0.4390%	0	0.000%	0.000%
PAT YANCEY	*	60,900	0.3642%	0.3546%	142	0.081%	0.081%
DAVID ROGERS	*	42,000	0.2512%	0.2445%	0	0.000%	0.000%
PETE VALDEZ	*	49,000	0.2931%	0.2853%	0	0.000%	0.000%
TIM FRANK	*	83,860	0.5016%	0.4883%	0	0.000%	0.000%
REY de la FUENTE	*	42,000	0.2512%	0.2445%	0	0.000%	0.000%
JIM ETCHISON	*	42,000	0.2512%	0.2445%	0	0.000%	0.000%
BARRY CRUTCHFIELD	*	35,000	0.2093%	0.2038%	0	0.000%	0.000%
CLINT HARWOOD	*	38,500	0.2303%	0.2242%	0	0.000%	0.000%
ROBERT LEE	*	49,000	0.2931%	0.2853%	0	0.000%	0.000%
Stephens Inc	X	490,000	2.9306%	2.8530%	14,351	8.217%	8.217%
Jackson T Stephens Trust No One	X	0	0.0000%	0.0000%	20,017	11.461%	11.461%
Bess C. Stephens Trust UID 1/4/85	X	0	0.0000%	0.0000%	20,017	11.461%	11.461%
Warren A Stephens Trust UID 9/30/87	X	2,019,526	12.0785%	11.7585%	5,004	2.865%	2.865%
Warren A Stephens Grantor Trust UID 9/30/87	X	168,498	1.0078%	0.9811%		0.000%	0.000%
WR Stephens Jr Revocable Trust	X	1,415,190	8.4641%	8.2398%	1,668	0.955%	0.955%
Pamela D Stephens Trust One UID 4/10/92	X	1,664,534	9.9553%	9.6916%	1,763	1.009%	1.009%
Elizabeth S. Campbell Revocable Trust 8/5/92	X	1,415,190	8.4641%	8.2398%	1,668	0.955%	0.955%
Stephens Investment Partners III LLC	X	401,450	2.4010%	2.3374%	4,783	2.739%	2.739%
Jon Jacoby	X	602,210	3.6017%	3.5063%	7,175	4.108%	4.108%
Curt Bradberry	X	240,870	1.4406%	1.4024%	2,870	1.643%	1.643%
Doug Martin IRA	X	0	0.0000%	0.0000%	3,827	2.191%	2.191%
Doug Martin	X	321,160	1.9208%	1.8699%		0.000%	0.000%
Ray Gash IRA	X	0	0.0000%	0.0000%	1,913	1.095%	1.095%
Ray Gash	X	160,580	0.9604%	0.9350%		0.000%	0.000%
Bob Schulte IRA	X	0	0.0000%	0.0000%	574	0.329%	0.329%
Bob Schulte	X	48,160	0.2880%	0.2804%		0.000%	0.000%
Rick Turner IRA	X	0	0.0000%	0.0000%	239	0.137%	0.137%
Rick & Martha Turner	X	0	0.0000%	0.0000%	239	0.137%	0.137%
Turner Family Partnership	X	40,180	0.2403%	0.2339%		0.000%	0.000%
Jackson Farrow IRA	X	0	0.0000%	0.0000%	143	0.082%	0.082%
Jackson Farrow	X	12,040	0.0720%	0.0701%		0.000%	0.000%
Gordon D. & Amanda Grender	X	120,470	0.7205%	0.7014%	1,435	0.822%	0.822%
George Davis IRA	X	0	0.0000%	0.0000%	479	0.274%	0.274%
George Davis	X	40,180	0.2403%	0.2339%		0.000%	0.000%
Carlton E. Formby	X	80,290	0.4802%	0.4675%	957	0.548%	0.548%
DW Family Limited Partnership	X	120,470	0.7205%	0.7014%	1,435	0.822%	0.822%
Steve A McKenzie	X	0	0.0000%	0.0000%	0	0.000%	0.000%
Brenda G. McKenzie	X	80,290	0.4802%	0.4675%	956	0.547%	0.547%
Stephens Group, Inc.	X	0	0.0000%	0.0000%	51,127	29.274%	29.274%

Warren & Harriet Stephens Children Trust UID 9/30/87	X	1,018,123	6.0893%	5.9279%	0	0.000%	0.000%
Warren Miles Amerine Stephens Trust UID 12/4/95	X	51,282	0.3067%	0.2986%		0.000%	0.000%
Grandchild's Trust #2	X	765,100	4.5760%	4.4547%	0	0.000%	0.000%
Harriet C. Stephens Trust UID 3/22/84	X	789,100	4.7195%	4.5945%	0	0.000%	0.000%
John Calhoun Stephens Trust UID 12/4/95	X	51,282	0.3067%	0.2986%		0.000%	0.000%
Laura Whitaker Stephens Trust UID 12/4/95	X	51,282	0.3067%	0.2986%		0.000%	0.000%
Warren Miles Amerine Stephens Trust UID 9/10/86	X	3,920	0.0234%	0.0228%	42	0.024%	0.024%
John Calhoun Stephens Trust UID 12/1/87	X	3,920	0.0234%	0.0228%	42	0.024%	0.024%
Laura Whitaker Stephens Trust UID 12/28/90	X	3,920	0.0234%	0.0228%	42	0.024%	0.024%
Paula Calhoun	X	770	0.0046%	0.0045%	10	0.006%	0.006%
Dave Spencer	X	4,540	0.0272%	0.0264%		0.000%	0.000%
John P. and Paula Calhoun	X	7,000	0.0419%	0.0408%		0.000%	0.000%
Paula Ruffin	X	7,770	0.0465%	0.0452%	10	0.006%	0.006%
Sarah Dickson	X	7,770	0.0465%	0.0452%	10	0.006%	0.006%
Rebecca Dickson	X	7,770	0.0465%	0.0452%	10	0.006%	0.006%
Lydia Ruffin	X	7,770	0.0465%	0.0452%	10	0.006%	0.006%
John N. Calhoun II	X	7,770	0.0465%	0.0452%	10	0.006%	0.006%
John N. and Ashley Calhoun II	X	0	0.0000%	0.0000%		0.000%	0.000%
William Coultier Calhoun	X	3,205	0.0192%	0.0187%	10	0.006%	0.006%
John P. Calhoun II	X	3,205	0.0192%	0.0187%	10	0.006%	0.006%
Becky Estes	X	1,470	0.0088%	0.0086%	10	0.006%	0.006%
Kim Smith	X	1,470	0.0088%	0.0086%	10	0.006%	0.006%
Steve Baudier	X	1,470	0.0088%	0.0086%	10	0.006%	0.006%
Earsie Carter	X	1,470	0.0088%	0.0086%	10	0.006%	0.006%
Sandy Turner	X	1,678	0.0100%	0.0098%	10	0.006%	0.006%
William Brown	X	770	0.0046%	0.0045%	10	0.006%	0.006%
Tess Fortaliza	X	770	0.0046%	0.0045%	10	0.006%	0.006%
Arden Jewell Stephens Trust UID 10/20/99	X	3,990	0.0239%	0.0232%	48	0.027%	0.027%
WR Stephens III LID 7/2/01	X	3,990	0.0239%	0.0232%	48	0.027%	0.027%
MAM International Holdings, Inc.	X	249,344	1.4913%	1.4518%	95	0.054%	0.054%
Stephens Investment Partners 2000 LLC	X	182,609	1.0922%	1.0632%		0.000%	0.000%
Stephens Investment Partners 2001 LLC	X	32,130	0.1922%	0.1871%	384	0.220%	0.220%
Carol Stephens	X	13,519	0.0809%	0.0787%	0	0.000%	0.000%
WR Stephens Jr Children's Trust	X	227,774	1.3623%	1.3262%	0	0.000%	0.000%
Richard Estella	X	770	0.0046%	0.0045%	10	0.006%	0.006%
TOTAL OUTSTANDING SHARES		16,719,990	100.0000%	97.3508%	174,648	100.000%	100.000%
TREASURY STOCK		455,000		2.6492%	0		0.000%
TOTAL ISSUED		17,174,990		100.0000%	174,648		100.000%
* See Schedule 3.15(C)		3,759,980		22.4879%	31,147		17.834%
X Stephens Group		12,960,010		77.5121%	143,501		82.166%

OPTIONS AVAILABLE:

GRANTEE	SHARES	PRICE	EXPIRES
John Coburn	35,000	4.29	11/30/09
Natalie Johnson	17,500	4.29	01/09/10
Tom Shields	49,000	8.21	07/27/10
Larry Coker	35,000	8.21	07/27/10
Glen Wellman	35,000	8.21	07/27/10
Robert Lee	21,000	8.21	07/27/10
Terrell Newberry	49,000	8.21	07/27/10
Clint Harwood	31,500	8.21	07/27/10
Rey Ddi la Fuente	28,000	8.21	07/27/10
C. W. Frank	70,000	8.21	07/27/10
Walter Broussard	45,500	8.21	01/25/11
Rey de la Fuente	28,000	8.21	01/25/11
Vernon Rountree	24,500	8.21	01/25/11
Arthur Ward	35,000	8.21	01/25/11
Barry Crutchfield	14,000	8.21	01/25/11
Tate Malpass	35,000	8.21	01/25/11
Bob Lee	21,000	8.21	01/25/11
T.J Shoffner	35,000	8.21	01/25/11
Brenda Erwin	14,000	8.21	01/25/11

Joe Hale	28,000	8.21	01/25/11
Hallmark, Curtis	35,000	8.21	07/15/11
Atnip, David	35,000	8.21	07/26/11
de la Fuente, Rey	42,000	8.21	07/26/11
Crutchfield, Barry	21,000	8.21	07/26/11
Etchison, Jim	28,000	8.21	07/26/11
Frank, Bill	29,680	8.21	07/26/11
Frank, Tim	56,140	8.21	07/26/11
Bos, Vicki	35,000	8.21	07/26/11
Green, Bob	35,000	8.21	07/26/11
Lee, Bob	70,000	8.21	07/26/11
Nylin, Bill	28,070	8.21	07/26/11
Bob Wikes	17,500	8.21	07/31/11
John Curtis	21,000	8.21	07/31/11
Joey Blazek	17,500	9.91	12/03/11
Mary Harris	17,500	9.91	12/03/11
Stan Stinson	28,000	10.83	06/28/12
Cris Hall	28,000	10.83	06/28/12
David Foell	20,000	10.83	08/02/12
Muthu Muthuswamy	20,000	10.83	08/02/12
Brad Greig	20,000	10.83	08/02/12
	1,255,390		
RESTRICTED MANAGEMENT OPTIONS	523,520	NBV	TBD
	1,778,910		

CONNAPP CO./CONN APPLIANCES, INC.
PROJECTED STOCKHOLDER LISTING
AFTER STEPHEN'S INC LBO. INCLUDING OPTIONS AVAILABLE
DISQUALIFIED COMMON & PREFERRED SHARES ISSUED/OUTSTANDING Schedule 3.15(c)

OWNER	RESTRICTED-COMMON SHARES	% OS	%FULL	UNRESTRICTED-COMMON SHARES	% OS	% FULL
JED ALLEN	0	0.0000%	0.0000%	0	0.0000%	0.0000%
ROY ARNOLD	0	0.0000%	0.0000%	0	0.0000%	0.0000%
DAVID ATNIP	115,360	5.5948%	5.5948%	59,640	3.5122%	3.5122%
WALTER BROUSSARD	59,500	2.8857%	2.8857%	35,000	2.0612%	2.0612%
JOE COCO	40,180	1.9487%	1.9487%	71,820	4.2295%	4.2295%
BILL FRANK	222,320	10.7822%	10.7822%	0	0.0000%	0.0000%
SL GREENBERG	0	0.0000%	0.0000%	70,000	4.1224%	4.1224%
BILL NYLIN	302,750	14.6829%	14.6829%	40,180	2.3662%	2.3662%
ED PERKINS	35,000	1.6974%	1.6974%	51,450	3.0299%	3.0299%
STEVE TISHBERG	0	0.0000%	0.0000%	0	0.0000%	0.0000%
BILL TRAWICK	75,390	3.6563%	3.6563%	0	0.0000%	0.0000%
AMY HEALY	0	0.0000%	0.0000%	0	0.0000%	0.0000%
DAVID ROGERS	42,000	2.0369%	2.0369%	0	0.0000%	0.0000%
PETE VALDEZ	49,000	2.3764%	2.3764%	0	0.0000%	0.0000%
RUSS WADDILL	0	0.0000%	0.0000%	0	0.0000%	0.0000%
ROCKY GREER	0	0.0000%	0.0000%	0	0.0000%	0.0000%
REY de la FUENTE	42,000	2.0369%	2.0369%	0	0.0000%	0.0000%
HADLEY COHEN	0	0.0000%	0.0000%	0	0.0000%	0.0000%
JIM ETCHISON	42,000	2.0369%	2.0369%	0	0.0000%	0.0000%
BARRY CRUTCHFIELD	35,000	1.6974%	1.6974%	0	0.0000%	0.0000%
CLINT HARWOOD	38,500	1.8672%	1.8672%	0	0.0000%	0.0000%
ROBERT LEE	49,000	2.3764%	2.3764%	0	0.0000%	0.0000%
DON ANDRESEN	0	0.0000%	0.0000%	0	0.0000%	0.0000%
ED MCKEANEY	0	0.0000%	0.0000%	0	0.0000%	0.0000%
HARRY SCHOPPE	0	0.0000%	0.0000%	0	0.0000%	0.0000%
DALE PETTIT	0	0.0000%	0.0000%	0	0.0000%	0.0000%
		0.0000%	0.0000%	0	0.0000%	0.0000%
		0.0000%	0.0000%	0	0.0000%	0.0000%
		0.0000%	0.0000%	0	0.0000%	0.0000%
		0.0000%	0.0000%	0	0.0000%	0.0000%
		0.0000%	0.0000%	0	0.0000%	0.0000%
		0.0000%	0.0000%	0	0.0000%	0.0000%
		0.0000%	0.0000%	0	0.0000%	0.0000%
TOTAL OUTSTANDING SHARES	2,061,920	100.0000%	100.0000%	1,698,060	100.0000%	100.0000%
TREASURY STOCK	0		0.0000%	0		0.0000%
TOTAL ISSUED	2,061,920		100.0000%	1,698,060		100.0000%

OPTIONS AVAILABLE:

GRANTEE	SHARES	PRICE	EXPIRES
John Coburn	35,000	4.29	11/30/09
Natalie Johnson	17,500	4.29	01/09/10
Tom Shields	49,000	8.21	07/27/10
Larry Coker	35,000	8.21	07/27/10
Glen Wellman	35,000	8.21	07/27/10
Robert Lee	21,000	8.21	07/27/10
Terrell Newberry	49,000	8.21	07/27/10
Clint Harwood	31,500	8.21	07/27/10
Rey Ddi la Fuente	28,000	8.21	07/27/10
C. W. Frank	70,000	8.21	07/27/10
Walter Broussard	45,500	8.21	01/25/11
Rey de la Fuente	28,000	8.21	01/25/11
Vernon Rountree	24,500	8.21	01/25/11
Arthur Ward	35,000	8.21	01/25/11
Barry Crutchfield	14,000	8.21	01/25/11
Tate Malpass	35,000	8.21	01/25/11
Bob Lee	21,000	8.21	01/25/11

T.J Shoffner	35,000	8.21	01/25/11
Brenda Erin	14,000	8.21	01/25/11
Joe Hale	28,000	8.21	01/25/11
Hallmark, Curtis	35,000	8.21	07/15/11
Atnip, David	35,000	8.21	07/26/11
de la Fuente, Rey	42,000	8.21	07/26/11
Crutchfield, Barry	21,000	8.21	07/26/11
Etchison, Jim	28,000	8.21	07/26/11
Frank, Bill	29,680	8.21	07/26/11
Frank, Tim	56,140	8.21	07/26/11
Bos, Vicki	35,000	8.21	07/26/11
Green, Bob	35,000	8.21	07/26/11
Lee, Bob	70,000	8.21	07/26/11
Nylin, Bill	28,070	8.21	07/26/11
Bob Wikes	17,500	8.21	07/31/11
John Curtis	21,000	8.21	07/31/11
Joey Blazek	17,500	9.91	12/03/11
Mary Harris	17,500	9.91	12/03/11
Stan Stinson	28,000	10.83	06/28/12
Cris Hall	28,000	10.83	06/28/12
David Foell	20,000	10.83	08/02/12
Muthu Muthuswamy	20,000	10.83	08/02/12
Brad Greig	20,000	10.83	08/02/12
	1,255,390		
RESTRICTED MANAGEMENT OPTIONS	523,520	NBV	TBD
	1,778,910		

CONN APPLIANCES, INC. and SUBSIDIARIES
Insurance Schedule 3.16

No	Carrier	Description of Coverage	Coverage Amount	Term Months	Expiration	Bank as Loss Payee
1	St. Paul	Directors & Officers Liability	3,000,000	12	Aug-03	Yes
2	AIG	Lawyers Professional	10,000	12	Aug-03	Yes
3	AAU	Aviation	50,000,000	12	Aug-03	No
4	St. Paul	General Liability Umbrella	50,000,000	12	Aug-03	Yes
5	AIG	Crime & Employee Dishonesty	1,000,000	12	Aug-03	Yes
6	St. Paul	Worker's Compensation-Texas	1,000,000	12	Aug-03	No
7	St. Paul	Commercial Auto-Texas	2,000,000	12	Aug-03	No
8	St Paul	Commercial Auto-Louisiana	2,000,000	12	Aug-03	No
9	St. Paul	General Liability	2,000,000	12	Aug-03	Yes
10	Lexington	Building & Contents Coverage	6,000,000	12	8/1/2003	Yes
11	Westchester	Building and Contents Coverage	20,000,000	12	8/1/2003	Yes
12	CUIC	Building and Contents Coverage	4,000,000	12	8/1/2003	Yes
13	Blue Cross Blue Shield	Employee Health Stop Loss	1,000,000	12	Mar-99	No
14	Voyager Insurance Companies	Credit Insurance	Varies	Until CX	Until CX	No
15	Voyager Insurance Companies	Service Maintenance Agreements	Varies	Until CX	Until CX	No

CONN APPLIANCES, INC. and Subsidiaries
Other Debt Schedule 3.17

No	Counterparty	Purpose	Outstanding Balance	Expiration
1	GE CAPITAL CORPORATION (Formerly Metlife)	$.675 MM Real Estate Financing -Store 27	40,000	7/1/2003
2	HIBERNIA NATIONAL BANK	$.8 MM Workman's Comp Letter of Credit		
3	Bank of AMERICA, NA -Texas	$1.2 MM International Commercial Letters of Credit	800,000	Various
4	SUNTRUST BANK, NA	$10.OMM Co-Mingle of FUNDS ABS Letter of Credit	10,000,000	8/31/2003
5	COMMUNITY BANK	CAI $ 8 MM Unsecured Revolving Loan	4,000,000	4/1/2004
6	ENTERPRISE FLEET SERVICES	Master Lease-Vehicles	1,044,000	Varies
7	CITICORP LEASING, INC.	Master Lease-Vehicles	450,000	Varies
8	NAVASTAR FINANCIAL LEASING	Master Lease-Vehicles	125,000	Varies
9	TRANSAMERICA COMMERCIAL FINANCE CORPORATION	Inventory Floor Plan - $ 10,000,000	6,500,000	11/30/2003
10	GE CAPITAL CORPORATION	Inventory Floor Plan - $ 12,000,000	7,500,000	11/30/2003
12	VOYAGER INDEMNITY COMPANY	OFC Subordinated Debenture and CAI Keep Well Agreement	3,500,000	11/30/2003

CONN APPLIANCES, INC. and Subsidiaries
CONN'S OPPORTUNITY FINANCE COMPANY
Restricted Agreements Permitted Schedule 6.08

No	Counterparty	Purpose	Outstanding Balance	Expiration
1	METLIFE CAPITAL CORPORATION	$.675 MM Real Estate Financing -Store 27	46,275	11/3/2003
2	COMMUNITY BANK	CAI $ 8 MM Unsecured Revolving Loan	500,000	4/24/2003
3	CITICORP LEASING, INC.	Master Lease-Vehicles	350,000	Varies
4	NAVASTAR FINANCIAL LEASING	Master Lease-Vehicles	125,000	Varies
5	TRANSAMERICA COMMERCIAL FINANCE CORPORATION	Inventory Floor Plan	7,500,000	90-180 D
6	GE CAPITAL CORPORATION	Inventory Floor Plan	8,000,000	90-180 D
7	CONN FUNDING II, GP and WELLS FARGO as TTEE for SERIES 2002 A and B Noteholders	Base Indenture, Supplements, Note Purchase Agreements and related documents.	450,000,000	9/11/2007
8	VOYAGER INDEMNITY COMPANY	OFC Subordianted Debenture and CAI Keep Well Agreement	3,500,000	11/23/2003

CONN APPLIANCES, INC. and SUBSIDIARIES
Certain Contracts Schedule 6.09

No	Counterparty	Type of Document	Purpose
1	CAI, LP	Subordinated Note Receivable	Funding for a the Deferred Sales Proceeds and Unpurchased Receivables of Conn Funding II, LP
2	All Subsidiaries of Conn Appliances, Inc.	1000 shares of Commons Stock	Organize and invest in wholly owned subsidiary

No	Counterparty	Amount	Maturity
1	CAI, LP	Portfolio Determined	9/11/2007
2	All Subsidiaries of Conn Appliances, Inc.		

EXHIBIT A

ASSIGNMENT AND ACCEPTANCE

Reference is made to the Credit Agreement dated as of , 2003

(as amended and in effect on the date hereof, the "Credit Agreement"), among Conn Appliances, Inc., certain of its subsidiaries, the Lenders named therein, Bank of America, N.A., as Documentation Agent, and JPMorgan Chase Bank, as Administrative Agent for the Lenders. Terms defined in the Credit Agreement are used herein with the same meanings.

The Assignor named herein hereby sells and assigns, without recourse, to the Assignee named herein, and the Assignee hereby purchases and assumes, without recourse, from the Assignor, effective as of the Assignment Date set forth herein, the interests set forth herein (the "Assigned Interest") in the Assignor's rights and obligations under the Credit Agreement, including, without limitation, the interests set forth herein in the Revolving Loan Commitment and Term Loan Commitment of the Assignor on the Assignment Date and Revolving Loans and Term Loans owing to the Assignor on the Assignment Date and Revolving Loans and Term Loans owing to the Assignor which are outstanding on the Assignment Date, including accrued interest and fees through the Assignment Date. The Assignee hereby acknowledges receipt of a copy of the Credit Agreement. From and after the Assignment Date (i) the Assignee shall be a party to and be bound by the provisions of the Credit Agreement and, to the extent of the Assigned Interest, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent of the Assigned Interest, relinquish its rights and be released from its obligations under the Credit Agreement.

This Assignment and Acceptance is being delivered to the Administrative Agent together with (i) if the Assignee is a Foreign Lender, any documentation required to be delivered by the Assignee pursuant to Section 2.15(e) of the Credit Agreement, duly completed and executed by the Assignee, and (ii) if the Assignee is not already a Lender under the Credit Agreement, an Administrative Questionnaire in the form supplied by the Administrative Agent, duly completed by the Assignee.

This Assignment and Acceptance Shall be Governed by and Construed In Accordance With the Laws of the State of Texas.

Legal Name of Assignor:

Legal Name of Assignee:

Effective Date of Assignment
("Assignment Date")

Facility	Principal Amount Assigned
Commitment Assigned:	$
Term Loans:	$

The terms set forth above are hereby agreed to:

---,
as Assignor

By:

Name:

Title:

---------- ,
as Assignee

By:

Name:

Title:

EXHIBIT B

FORM OF
BORROWING BASE REPORT

Monthly accounting period ended , 200

To: JPMorgan Chase Bank,
as Administrative Agent
712 Main Street
Houston, Texas 77002

Attention: Date: , 200

Re: Borrowing Base -- Consolidated Group

Reference is made to that certain Credit Agreement dated as of , 2003 (the "Credit Agreement") executed by and among JPMorgan Chase Bank, individually and as Administrative Agent, NationsBank, N.A., individually and as Documentation Agent, and the other banks or other financial institutions which are or may become a party thereto in accordance with the terms thereof (collectively, the "Lenders"), Conn Appliances, Inc. ("CAI") and the other Borrowers thereunder.

Pursuant to Section 5.01(e) of the Credit Agreement, the undersigned, a Financial Officer of CAI, hereby certifies that, to the best of his knowledge, attached hereto as Annex 1 is a true and accurate calculation of the Borrowing Base as at the end of the monthly accounting period ended , 200 determined in accordance with the requirements set forth in the Credit Agreement.

IN WITNESS WHEREOF, the undersigned has caused this Borrowing Base Report to be duly executed as of the day of , 200 .

Title: Financial Officer

FORM OF
LANDLORD'S AGREEMENT

The undersigned, as lessor ("Lessor"), has entered into a lease (such lease, including all amendments, modifications, renewals, and extensions thereto, being hereinafter referred to as the "Lease"), with , as lessee ("Lessee"), with respect to the real property more particularly described on Exhibit "A" annexed hereto and made a part hereof (the "Real Estate"). A true and complete copy of the Lease is annexed hereto as Exhibit "B". The premises leased to Lessee by the Lease are all or part of the Real Estate and are more particularly described in the Lease (the "Premises").

Lessor has been informed that JPMorgan Chase Bank, individually and as Administrative Agent (the "Agent"), and the other financial institutions listed on the signature pages of the Credit Agreement (as hereinafter defined) (the Agent and all the foregoing, are collectively the "Lenders") are providing certain loans to Lessee or to an affiliate of Lessee. In connection with such financing, Lessee intends to grant to Lenders (i) a first leasehold deed of trust or mortgage (the "Leasehold Mortgage") on Lessee's interest in the Lease and (ii) a security interest (the "Security Interest") in and to Lessee's interest in the property more particularly described in Exhibit "C" annexed hereto and made a part hereof (all of such property being hereinafter collectively referred to as the "Collateral"), pursuant (i) to a Credit Agreement (the "Credit Agreement") among Conn Appliances, Inc. and certain of its affiliates and Lenders, (ii) to various security agreements and pledge agreements such as the one contained in the Leasehold Mortgage, and (iii) to certain financing statements and other documents filed in connection therewith ((i), (ii), and (iii) collectively the "Loan Documents"). Lessor has also been informed that owners of a majority of the issued and outstanding equity interests in and to Lessee (the "Equity Interests") have pledged or will pledge such Equity Interests as security for the above referenced financings.

For Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lessor and Lessee hereby represent, warrant, and agree, for the benefit of Lenders, as follows:

1. Notwithstanding any provisions to the contrary in the Lease, Lessor hereby consents (i) to pledge of the Equity Interests, (ii) to the grant of the Leasehold Mortgage on Lessee's interest in the Lease to the Agent for the benefit of the Lenders (or to a trustee for the benefit of the Agent for the benefit of the Lenders), and (iii) to the grant of the Security Interest in the Collateral pursuant to the Loan Documents. Lessor hereby further consents to the (x) recording of the Leasehold Mortgage against the Real Estate and (y) filing of any and all financing statements or other documents executed by Lessee and required or permitted under the Uniform Commercial Code of the State in which the Real Estate is located in order to perfect the Leasehold Mortgage on Lessee's interest in the Lease and the Security Interest in the Collateral. In connection therewith, Lessor agrees to execute a memorandum or short form of the Lease in recordable form and in such form as is reasonably required by Lenders and is reasonably acceptable to Lessor.

2. Lessor and Lessee hereby agree as follows:

(a) promptly upon default by Lessee under the Lease, Lessor shall give to the Agent written notice of such default at the following address (or at such alternative address as the Agent may have given Lessor by prior written notice):

JPMorgan Chase Bank
712 Main Street
Houston, Texas 77002
Attn:

(b) after receipt of the notice of default described in subsection 2(a) hereof, Lenders shall have the right to remedy any default of Lessee under the Lease, or to cause any default of Lessee under the Lease to be remedied, and for such purpose the undersigned hereby grants Lenders thirty (30) days for remedying, or causing to be remedied, any such default which is a non-monetary default, or such longer period of time as may be needed to complete such remedying (provided that Lender has commenced to remedy such default within such thirty (30) days and continues diligent prosecution of such remedying and completes such remedying not later than ninety (90) days after receipt of the notice described above), and fifteen (15) days to Lessee for remedying, or causing to be remedied, any such default which is a monetary default. Those defaults which, by their very nature, may not be cured by Lenders (as, for example, the bankruptcy of Lessee) shall not constitute grounds of enforcement of rights, recourses, or remedies under the Lease by Lessor, including termination of the Lease, if the Agent assumes the obligations of Lessee under the Lease and brings any deficiencies current within thirty (30) days after written notice to the Agent by Lessor of the occurrence of such a default. Lessor shall not exercise any remedies under the Lease on account of a default by Lessee, until the applicable grace periods described in this subsection 2(b) have expired;

(c) Lessor shall accept performance by Lenders of any term, covenant, condition or agreement to be performed by Lessee under the Lease with the same force and effect as though performed by Lessee;

(d) no material amendment, modification, waiver or consent in respect of any of the provisions of the Lease shall be effective unless Agent shall have joined in such amendment, modification, waiver or consent or shall have given its prior consent thereto. An amendment, modification, waiver or consent shall be deemed to be material if (i) it increases the rental or other sums due under the Lease, (ii) it decreases the term of the Lease or (iii) it can otherwise reasonably be expected to have a material adverse effect on the Agent or the holders of the indebtedness secured by the Leasehold Mortgage. The failure to obtain the consent of the Agent to any nonmaterial amendment, modification, waiver or consent shall not affect in any manner the effectiveness of such nonmaterial amendment, modification, waiver or consent as between Lessor and Lessee, but the same shall not be effective against the Agent or any assignee of the Agent permitted hereunder. Agent shall not unreasonably withhold its consent to any amendment, modification, waiver or consent.

(e) in the event of the termination of the Lease prior to the expiration of its terms by reason of disaffirmance or rejection pursuant to any bankruptcy law, the Agent shall have the option to obtain a new lease of the Premises by giving notice to Lessor to such effect

within thirty (30) days after such termination, so long as all sums which would have at that time been due under the Lease but for such termination shall have been paid and all other defaults, if any, under the Lease shall have been cured, which new lease shall be (1) effective as of the date of termination of the Lease, (2) for the remainder of the original term of the Lease (plus any renewal terms), and (3) at the same rent and upon all of the agreements, terms, covenants and conditions thereof;

(f) neither the Agent nor the designee or nominee of the Agent shall become liable under the Lease unless and until the Agent or its designee or nominee becomes, and then only for so long as the Agent or its designee or nominee remains, the owner of the leasehold estate created thereby; and

(g) Lenders or their trustee or designee shall have the right, without Lessor's consent, (i) to foreclose the Leasehold Mortgage or to accept assignment of Lessee's interest in the Lease in lieu of foreclosure of the Leasehold Mortgage; and (ii) to foreclose on the Equity Interests or to accept assignment or endorsement of the Equity Interests, in lieu of foreclosure, or to otherwise realize on its Security Interest in some or all of the Collateral. In the event Lenders or their designee or nominee acquire Lessee's interest in the Lease, either as a purchaser at any foreclosure sale or by reason of the assignment of the Lease in lieu of foreclosure, Lenders or their designee or nominee, as the case may be, shall have the right further to assign the Lease only pursuant to the terms of the Lease.

3. All of the Collateral shall be and remain subject to the Leasehold Mortgage and to the Security Interest until such time as the Leasehold Mortgage and the Security Interest shall be released by the Agent.

4. Lessor hereby agrees that any lien for rent or similar charges, whether arising by operation of law or otherwise, whether now existing or hereafter to arise, and each and every right which Lessor now has or hereafter may have, either to levy or distrain upon the Collateral or to claim or assert title to the Collateral, or make any other claim against the Collateral, whether under the Lease or the laws of the State in which the Real Estate is located, or under any other applicable Federal, State, municipal or local law, ordinance or otherwise, or under any mortgage now in effect or hereafter executed, whether by reason of a default under the Lease or otherwise, shall be subject and subordinate in every respect to all of the terms, provisions and conditions of the Leasehold Mortgage and the Loan Documents and to the Security Interest in the Collateral. Lenders and their agents and legal representatives (i) may remove any or all of the Collateral located at the Real Estate from the Real Estate (a) whenever Lenders, in their sole discretion, believe such removal is necessary to protect the Security Interest in the Collateral; or (b) whenever Lenders seek to sell or foreclose upon the Collateral; (ii) subject to the terms and provisions of the Lease, shall have access to the Real Estate, the Premises, and the Collateral at all times. Further, Lenders agree to indemnify and hold Lessor harmless from any and all claims, damages, actions and causes of actions, and costs and expenses incurred by Lessor as a result of Lenders' access to the Premises and the removal of the Collateral therefrom.

5. Lessor hereby recognizes and acknowledges that any claim that Lenders may now have or hereafter have against the Collateral is and at all times shall be and shall be deemed to be

superior to any lien, security interest or claim of any kind or nature whatsoever which Lessor now has or hereafter may have against the Collateral, whether by statute, the Lease or otherwise.

6. Lenders may, without affecting the validity of this Agreement, increase the amount of, or extend the time of payment of, any indebtedness of Lessee to Lenders or alter the performance of any of the terms and conditions of any agreement between Lessee and Lenders, including, without limitation, the Leasehold Mortgage and the Loan Documents, without the consent of, or notice to, Lessor and without in any manner whatsoever impairing or affecting the Leasehold Mortgage or the Security Interest in the Collateral.

7. Lessor represents, warrants and agrees that, as of the date hereof (i) the Lease is in full force and effect; (ii) a true and complete copy of the Lease is annexed hereto as Exhibit "B"; (iii) the Lease has not been modified, supplemented or amended in any way whatsoever except as indicated herein or in Exhibit "B"; (iv)(a) the monthly rent presently payable under the terms of the Lease is $ ---------- and (b) no rent or other amounts payable by Lessee in addition to the base or fixed monthly rent (including, without limitation, taxes, maintenance, operating expenses or otherwise) payable under the terms of the Lease have been paid in since the Lease has not commenced; (v) Lessor has not delivered or received any notices of default under the Lease and there are no defaults under the Lease and no event has occurred which, with the giving of notice or the lapse of time, or both, would constitute a default under the Lease; (vi) no security deposit is presently held by Lessor under the Lease; (vii) Lessor has obtained all the consents or approvals of any party necessary or desirable to effectuate the terms of this Agreement; and (vii) to the best of Lessor's knowledge, no mortgagee or holder of a lien on the Real Estate has any security interest in the Collateral owned by Lessee now located or hereafter to be located on any portion of the Premises.

8. The rights of Lenders under this Agreement are in addition to, and cumulative of, any rights granted to, or for the benefit of, Lenders under the terms of the Lease. This Agreement shall inure to the benefit of Lenders and their successors and assigns and shall be binding upon the heirs, personal representatives, successors and assigns of Lessor and Lessee.

EXHIBIT C

IN WITNESS WHEREOF, Lessor and Lessee have caused this Agreement to be duly executed as of this ---------- day of ---------- , 20 ---

Lessor:

By:

Name:

Title:

Lessee:

By:

Name:

Title:

EXHIBIT C

EXHIBIT A

Description of the Real Estate
on which the Premises are Located

EXHIBIT C

EXHIBIT B

Attach Copy of the Lease
and All Amendments, Modifications, and Extensions

EXHIBIT C

EXHIBIT C

Collateral

1. Equity Interests in and to Lessee; and

2. All of Lessee's right, title and interest in all fixtures, equipment, inventory, contract rights, goods, condemnation proceeds, insurance policies and other general intangibles (including but not limited to trademarks, trade names, and symbols), deposits, instruments and documents, and all other personal property of every kind and character, now owned or hereafter acquired by Lessee, which are now or hereafter attached to, used in connection with, or situated in, on, or about the Premises or the improvements located on the Premises or related to Lessee's rights in and to the Lease, and all proceeds and products thereof.

EXHIBIT C

EXHIBIT D

FORM OF
REQUEST FOR BORROWING

Borrower Issuing Request: [_____]

The undersigned hereby certifies that he is the Chief Executive Officer or the Chief Financial Officer of [Borrower], a corporation organized under the laws of [State of Incorporation] (the "Borrower"), and that as such he is authorized to execute this Request for Borrowing on behalf of the Borrower. With reference to that certain Credit Agreement dated as of , 2003 (as same may be amended, modified, increased, supplemented and/or restated from time to time, the "Credit Agreement"), entered into by and among the Borrower, the other Borrowers, Bank of America, N.A., individually and as Documentation Agent, and JPMorgan Chase Bank, individually and as Administrative Agent (the "Agent") for itself and the other banks and financial institutions that are or may become a party thereto as Lender (collectively, the "Lenders"), the undersigned further certifies, represents and warrants on behalf of the Borrower that to his best knowledge and belief after reasonable and due investigation and review, all of the following statements are true and correct (each capitalized term used herein having the same meaning given to it in the Credit Agreement unless otherwise specified):

(a) [In the case of a request for a Revolving Borrowing] All of the statements and calculations set forth in the most recent Borrowing Base Report provided to the Lenders and dated as of , 20 , were true and correct as of the date thereof, and there has been no material reduction in the Borrowing Base since the date of such Borrowing Base Report. In accordance with the terms of the Credit Agreement, as evidenced by such Borrowing Base Report, the maximum aggregate outstanding amount of Revolving Loans for which the Borrower was eligible as of the date of such Borrowing Base Report was $.

(b) The Borrower requests that each Lender advance to the Borrower its Pro Rata Percentage of the aggregate sum of $ by no later than , 20 . Immediately following such Revolving Borrowings, the aggregate outstanding balance of the Revolving Loans shall equal $.

(c) The Type and amount of, and, in the case of any Eurodollar Borrowings to be made hereunder, the Rate Period applicable to, the Loans comprising the borrowing to be made hereunder are:

Eurodollar Borrowings in an aggregate amount of $ with a Rate Period of:

	one (1) month
	two (2) months
	three (3) months
	six (6) months

ABR Borrowings in an aggregate amount of $.

(d) The representations and warranties contained in the Loan Documents are true and correct as of the date hereof and shall be true and correct upon the making of the requested Loans, with the same force and effect as though made on and as of the date hereof and thereof.

(e) No Event of Default or Default has occurred and is continuing.

(f) As of the date hereof, the business and operations of the Borrower, the other Loan Parties and each of their Subsidiaries as conducted at all times relevant to the transactions contemplated by the Credit Agreement to and including the close of business on the Borrowing Date, have been and shall be in compliance with all applicable State and Federal governmental requirements affecting the Borrower, the other Loan Parties and each of their Subsidiaries and the business and operations of any of them.

EXECUTED AND DELIVERED this day of , 20 .

[BORROWER]

By:

Name:

Title: Chief Executive Officer /
Chief Financial Officer

EXHIBIT E

FORM OF
INTEREST ELECTION REQUEST

Borrower Issuing Request: [_____]

The undersigned hereby certifies that he is the Chief Executive Officer or the Chief Financial Officer of [Borrower Issuing Request], a corporation organized under the laws of [State of Incorporation] (the "Requesting Borrower") and that as such he is authorized to execute this Interest Election Request on behalf of the Requesting Borrower. With reference to that certain Credit Agreement dated as of , 2003 (as the same may be amended, modified, increased, supplemented and/or restated from time to time, the "Credit Agreement"), entered into by and among Conn Appliances, Inc. and certain related entities, as borrowers (each a "Borrower" and collectively the "Borrowers"), JPMorgan Chase Bank, as a Lender and as Administrative Agent, Bank of America, N.A., as a Lender and as Documentation Agent, and the Lenders on the signature pages thereto, the undersigned further certifies, represents and warrants on behalf of the Requesting Borrower that to his best knowledge and belief after reasonable and due investigation and review, all of the following statements are true and correct (each capitalized term used herein having the same meaning given to it in the Credit Agreement unless otherwise specified).

(a) Pursuant to Section 2.06 of the Credit Agreement, this Interest Election Request (the "Request") represents the Requesting Borrower's election of [insert one or more of the following]:

[1. Use if converting Eurodollar Borrowings to ABR Borrowings.

Convert $ in aggregate principal amount of Eurodollar Borrowings with a current Interest Period ending on , 20 , to ABR Borrowings on ,20 ; and]

[2. Use if converting ABR Borrowings to Eurodollar Borrowings.

Convert $ in aggregate principal amount of ABR Borrowings to Eurodollar Borrowings on , 20 . The initial Interest Period for such Eurodollar Borrowings is requested to be a [one] [two] [three] [six] (_____) month period.]

[3. Use if continuing the balance as Eurodollar Borrowings.

Continue $ in aggregate principal amount of Eurodollar Borrowings with a current Interest Period ending on , 20 , to a new Interest Period commencing on , 20 , and ending on , 20 .] [If multiple new Interest Periods are selected, revise accordingly.]

(b) The representations and warranties contained in the Loan Documents are true and correct as of the date hereof and shall be true and correct upon the making of the requested conversion/continuation, with the same force and effect as though made on and as of the date hereof and thereof.

(c) No Event of Default or Default has occurred and is continuing.

(d) As of the date hereof, the business and operations of the Requesting Borrower, the other Loan Parties and each of their Subsidiaries as conducted as all times relevant to the transactions contemplated by the Credit Agreement to and including the close of business on the date of the requested conversion/continuation, have been and shall be in compliance with all applicable State and Federal governmental requirements affecting the Requesting Borrower, the other Loan Parties and each of their Subsidiaries and the business and operations of any of them.

EXECUTED AND DELIVERED this _____ day of _____, 20____.

[REQUESTING BORROWER]

By: _____

Name: _____

Title: _____

TERM NOTE

$ _____ , 200_____

FOR VALUE RECEIVED, the undersigned (collectively, the "Borrowers"), HEREBY PROMISE TO PAY to the order of _____ (the "Lender") the principal sum of _____ Dollars ($_____) or the aggregate principal amount of the Term Loans made to each of the several Borrowers pursuant to this Term Note and outstanding as of the maturity hereof, whichever is lesser, in accordance with the terms and provisions of that certain Credit Agreement dated as of _____, 2003, by and among the Borrowers, the Lender, Bank of America, N.A., individually and as Documentation Agent, and JPMorgan Chase Bank, as Administrative Agent (the "Agent") for itself and the other banks or financial institutions (collectively, the "Lenders") that may hereafter become a party to the hereinafter defined Credit Agreement (such agreement, together with any and all amendments and modifications thereof, being hereinafter referred to as the "Credit Agreement"; capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Credit Agreement).

The obligations of the Borrowers hereunder shall be joint and several.

The outstanding principal balance of this Term Note shall be due and payable in installments as provided in the Credit Agreement. Each Borrower promises to pay interest on the unpaid principal balance of this Term Note from the date of any Term Loan evidenced by this Term Note until the principal balance hereof is paid in full. Interest shall accrue on the outstanding principal balance of this Term Note from and including the date of any Term Loan evidenced by this Term Note to but not including the Maturity Date at the rate or rates, and shall be due and payable on the dates, set forth in the Credit Agreement. Any amount not paid when due with respect to principal (whether at stated maturity, by acceleration or otherwise), costs or expenses, or, to the extent permitted by applicable law, interest, shall bear interest from the date when due to and excluding the date the same is paid in full, payable on demand, at the rate provided for in Section 2.11(c) of the Credit Agreement.

Payments of principal and interest, and all amounts due with respect to costs and expenses, shall be made in lawful money of the United States of America in immediately available funds, without deduction, set-off or counterclaim to the Agent for the account of the Lender not later than 10:00 a.m. (Houston time) on the dates on which such payments shall become due pursuant to the terms and provisions set forth in the Credit Agreement.

If any payment of principal or interest on this Term Note shall become due on a Saturday, Sunday, or public holiday on which the Lender is not open for business, such payment shall be made on the next succeeding Business Day and such extension of time shall in such case be included in computing interest in connection with such payment.

In addition to all principal and accrued interest on this Term Note, each Borrower agrees to pay (a) all reasonable costs and expenses incurred by all owners and holders of this Term Note in collecting this Term Note through any probate, reorganization, bankruptcy or any other proceeding and (b) reasonable attorneys' fees when and if this Term Note is placed in the hands of an attorney for collection after default.

All agreements between the Borrowers, the Lenders or the Agent whether now existing or hereafter arising and whether written or oral, are hereby expressly limited so that in no contingency or event whatsoever, whether by reason of demand being made on this Term Note or otherwise, shall the amount paid, or agreed to be paid, to the Lenders or the Agent for the use, forbearance, or detention of the money to be loaned under the Credit Agreement and evidenced by this Term Note or otherwise or for the payment or performance of any covenant or obligation contained in the Credit Agreement, this Term Note or in any other Loan Document exceed the Highest Lawful Rate. If, as a result of any circumstances whatsoever, fulfillment of any provision hereof or of any of such documents, at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by applicable usury law, then, ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, and if, from any such circumstance, the Lender shall ever receive interest or anything which might be deemed interest under applicable law which would exceed the Highest Lawful Rate, such amount which would be excessive interest shall be applied to the reduction of the principal amount owing on account of this Term Note or the amounts owing on other obligations of the Borrowers to the Lenders and the Agent under any Loan Document and not to the payment of interest, or if such excessive interest exceeds the unpaid principal balance of this Term Note and the amounts owing on other obligations of the Borrowers to the Lenders or the Agent under any Loan Documents, as the case may be, such excess shall be refunded to the Borrowers. In determining whether or not the interest paid or payable under any specific contingencies exceeds the Highest Lawful Rate, each applicable Borrower and the Lender shall, to the maximum extent permitted under applicable law, (a) characterize any nonprincipal payment as an expense, fee or premium rather than as interest; (b) exclude voluntary prepayments and the effects thereof; and (c) amortize, prorate, allocate and spread, during the period of the full stated term of this Term Note, all interest at any time contracted for, charged, received or reserved in connection with the indebtedness evidenced by this Term Note.

This Term Note is one of the Notes provided for in, and is entitled to the benefits of the Credit Agreement, which Credit Agreement, among other things, contains provisions for acceleration of the maturity hereof upon the happening of certain stated events, for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions and with the effect therein specified, and provisions to the effect that no provision of the Credit Agreement or this Term Note shall require the payment or permit the collection of interest in excess of the Highest Lawful Rate. The obligations of the Borrowers hereunder are secured by the Security Documents executed by the respective Borrowers and the other Loan Parties.

Except as otherwise specifically provided for in the Credit Agreement, each Borrower and any and all endorsers, guarantors and sureties severally waive grace, demand, presentment

for payment, notice of dishonor or default, protest, notice of protest, notice of intent to accelerate, notice of acceleration and diligence in collecting and bringing of suit against any party hereto, and agree to all renewals, extensions or partial payments hereon, with or without notice, before or after maturity.

THIS TERM NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS AND APPLICABLE FEDERAL LAW.

IN WITNESS WHEREOF, each Borrower has caused this Term Note to be executed and delivered by its officer thereunto duly authorized effective as of the date first above written.

CONN APPLIANCES, INC.

By: ----------

Name: ----------

Title: ----------

CAI CREDIT INSURANCE AGENCY, INC.

By: ----------

Name: ----------

Title: ----------

EXHIBIT F

REVOLVING NOTE

$ _____ , 200___

FOR VALUE RECEIVED, the undersigned (collectively, the "Borrowers"), HEREBY PROMISE TO PAY to the order of _____ (the "Lender") the principal sum of _____ Dollars ($_____), or the aggregate principal amount of Revolving Loans made to each of the several Borrowers pursuant to this Revolving Note and outstanding as of the maturity hereof, whichever is lesser, in accordance with the terms and provisions of that certain Credit Agreement dated as of _____, 2003, by and among the Borrowers, the Lender, Bank of America, N.A., individually and as Documentation Agent, and JPMorgan Chase Bank, as Administrative Agent (the "Agent") for itself and the other banks or financial institutions (collectively, the "Lenders") that may hereafter become a party to the hereinafter defined Credit Agreement (such agreement, together with any and all amendments and modifications thereof, being hereinafter referred to as the "Credit Agreement"; capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Credit Agreement).

The obligations of the Borrowers hereunder shall be joint and several.

The outstanding principal balance of this Revolving Note shall be due and payable as provided in the Credit Agreement. Each Borrower promises to pay interest on the unpaid principal balance of this Revolving Note from the date of any Revolving Loan evidenced by this Revolving Note until the principal balance hereof is paid in full. Interest shall accrue on the outstanding principal balance of this Revolving Note from and including the date of any Revolving Loan evidenced by this Revolving Note to but not including the Maturity Date at the rate or rates, and shall be due and payable on the dates, set forth in the Credit Agreement. Any amount not paid when due with respect to principal (whether at stated maturity, by acceleration or otherwise), costs or expenses, or, to the extent permitted by applicable law, interest, shall bear interest from the date when due to and excluding the date the same is paid in full, payable on demand, at the rate provided for in Section 2.11(c) of the Credit Agreement.

Payments of principal and interest, and all amounts due with respect to costs and expenses, shall be made in lawful money of the United States of America in immediately available funds, without deduction, set-off or counterclaim to the Agent for the account of the Lender not later than 10:00 a.m. (Houston time) on the dates on which such payments shall become due pursuant to the terms and provisions set forth in the Credit Agreement.

If any payment of principal or interest on this Revolving Note shall become due on a Saturday, Sunday, or public holiday on which the Lender is not open for business, such payment shall be made on the next succeeding Business Day and such extension of time shall in such case be included in computing interest in connection with such payment.

In addition to all principal and accrued interest on this Revolving Note, each Borrower agrees to pay (a) all reasonable costs and expenses incurred by all owners and holders of this Revolving Note in collecting this Revolving Note through any probate, reorganization, bankruptcy or any other proceeding and (b) reasonable attorneys' fees when and if this Revolving Note is placed in the hands of an attorney for collection after default.

All agreements between the Borrowers, the Lenders or the Agent whether now existing or hereafter arising and whether written or oral, are hereby expressly limited so that in no contingency or event whatsoever, whether by reason of demand being made on this Revolving Note or otherwise, shall the amount paid, or agreed to be paid, to the Lenders or the Agent for the use, forbearance, or detention of the money to be loaned under the Credit Agreement and evidenced by this Revolving Note or otherwise or for the payment or performance of any covenant or obligation contained in the Credit Agreement, this Revolving Note or in any other Loan Document exceed the Highest Lawful Rate. If, as a result of any circumstances whatsoever, fulfillment of any provision hereof or of any of such documents, at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by applicable usury law, then, ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, and if, from any such circumstance, the Lender shall ever receive interest or anything which might be deemed interest under applicable law which would exceed the Highest Lawful Rate, such amount which would be excessive interest shall be applied to the reduction of the principal amount owing on account of this Revolving Note or the amounts owing on other obligations of the Borrowers to the Lenders and the Agent under any Loan Document and not to the payment of interest, or if such excessive interest exceeds the unpaid principal balance of this Revolving Note and the amounts owing on other obligations of the Borrowers to the Lenders or the Agent under any Loan Documents, as the case may be, such excess shall be refunded to the Borrowers. In determining whether or not the interest paid or payable under any specific contingencies exceeds the Highest Lawful Rate, each applicable Borrower and the Lender shall, to the maximum extent permitted under applicable law, (a) characterize any nonprincipal payment as an expense, fee or premium rather than as interest; (b) exclude voluntary prepayments and the effects thereof; and (c) amortize, prorate, allocate and spread, during the period of the full stated term of this Revolving Note, all interest at any time contracted for, charged, received or reserved in connection with the indebtedness evidenced by this Revolving Note.

This Revolving Note is one of the Notes provided for in, and is entitled to the benefits of the Credit Agreement, which Credit Agreement, among other things, contains provisions for acceleration of the maturity hereof upon the happening of certain stated events, for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions and with the effect therein specified, and provisions to the effect that no provision of the Credit Agreement or this Revolving Note shall require the payment or permit the collection of interest in excess of the Highest Lawful Rate. The obligations of the Borrowers hereunder are secured by the Security Documents executed by the respective Borrowers and the other Loan Parties. It is contemplated that by reason of prepayments or repayments hereon prior to the Maturity Date, there may be times when no indebtedness is owing hereunder prior to such date, but

notwithstanding such occurrences, this Revolving Note shall remain valid and shall be in full force and effect as to Revolving Loans made pursuant to the Credit Agreement subsequent to each such occurrence.

Except as otherwise specifically provided for in the Credit Agreement, each Borrower and any and all endorsers, guarantors and sureties severally waive grace, demand, presentment for payment, notice of dishonor or default, protest, notice of protest, notice of intent to accelerate, notice of acceleration and diligence in collecting and bringing of suit against any party hereto, and agree to all renewals, extensions or partial payments hereon, with or without notice, before or after maturity.

THIS REVOLVING NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS AND APPLICABLE FEDERAL LAW.

IN WITNESS WHEREOF, each Borrower has caused this Revolving Note to be executed and delivered by its officer thereunto duly authorized effective as of the date first above written.

CONN APPLIANCES, INC.

By: ----------

Name: ----------

Title: ----------

CAI CREDIT INSURANCE AGENCY, INC.

By: ----------

Name: ----------

Title: ----------

EXHIBIT G

COMPLIANCE CERTIFICATE

The undersigned hereby certifies that he or she is the _____ of CONN APPLIANCES, INC. (the "Borrower"), and that as such he or she is authorized to execute this certificate on behalf of the Borrower pursuant to the Credit Agreement (the "Agreement") dated as of _____, 2003, by and among Borrower and certain of its affiliates, JPMORGAN CHASE BANK, as Administrative Agent, and the lenders therein named; and that a review of the Borrower and its Subsidiaries has been made under his or her supervision with a view to determining whether the Borrower and its Subsidiaries have fulfilled all of their respective obligations under the Agreement, the Notes and the other Loan Documents; and on behalf of the Borrower further certifies, represents and warrants that to his or her knowledge (each capitalized term used herein having the same meaning given to it in the Agreement unless otherwise specified):

(a) The financial statements delivered to the Administrative Agent concurrently with this Compliance Certificate have been prepared in accordance with GAAP consistently followed throughout the period indicated and fairly present the financial condition and results of operations of the applicable Persons as at the end of, and for, the period indicated (subject, in the case of quarterly financial statements, to normal changes resulting from year-end adjustments and the absence of certain footnotes).

(b) No Default or Event of Default has occurred and is continuing. In this regard, the compliance with the provisions of Sections 6.18 through 6.22 as the effective date of the financial statements delivered to the Administrative Agent concurrently with this Compliance Certificate is as follows (detailed calculations are provided on Schedule I attached hereto):

(i) Section 6.18 - Debt Service Coverage Ratio

Actual	Required
to 1.00	to 1.00

(ii) Section 6.19 - Total Leverage Ratio

Actual	Required
to 1.00	to 1.00

EXHIBIT H

(iii) Section 6.20 - Consolidated Net Worth

Actual	Required
$	$

(iii) Section 6.21(a) - Charge-Off Ratio

Actual	Required
to 1.00	to 1.00

(iii) Section 6.21(b), - Extension Ratio

Actual	Required
to 1.00	to 1.00

(iii) Section 6.21(c) - Delinquency Ratio

Actual	Required
to 1.00	to 1.00

(iv) Section 6.22. -- Capital Expenditures

Actual	Maximum Permitted
$	$

(c) There has been no change in GAAP or in the application thereof since the effective date of the Agreement which would reasonably be expected to affect the calculation of the financial covenants set forth in the Agreement or, if any such change has occurred, the effects of such change on the financial statements of Borrower are specified on an attachment hereto.

EXHIBIT H

(d) Since the date of the Agreement, no event has occurred which would be reasonably likely to have a Material Adverse Effect.

DATED as of _____, 200___.

[SIGNATURE OF AUTHORIZED OFFICER]

EXHIBIT H

1. Section 6.18 - Debt Service Coverage Ratio

		Twelve Months Ending
	Consolidated Net Income	
	Plus(Minus): Consolidated Interest Expense	
	Consolidated Depreciation @ Amortization	
	Consoldated Income Taxes	
	Consolidated Extra-Ordinary (Gains) or Losses	
	Consolidated Non Cash (Income) or Expense - FAS 125/140	
	Non Cash (Income) or Expense - FAS 133	
(A)	Consolidated EBITDA	
	Plus: Consolidated Rent Expense	
	Less: Consolidated Capital Expenditures	
(B)	Consolidated EBITDA plus Consolidated Rent Expense - CAPEX (numerator)	
	Divided By:	
	Consolidated Cash Interest Expense	
	Plus (Minus): FAS 133 - Consolidated Non Cash Interest Expense	
	Plus: Consolidated Rent Expense	
(C)	Total Cash Interest plus Rent Expense (denominator)	
(B)/(C)	Debt Service Coverage Ratio	
	Minimum	

2. Section 6.19 - Total Leverage Ratio

	Total Debt and Loan Guaranties (See Attached Exhibit A)	
	Eight (8) times LTM consolidated rent/lease expense	X 8
(A)	Total Implied Debt (numerator)	
	Consolidated LTM EBITDA	
	Plus: LTM Consolidated Rent Expense	
(B)	Consolidated EBITDA plus Consolidated Rent Expense (denominator)	
(A)/(B)	Total Leverage Ratio	
	Maximum	

Schedule I

3. Section 6.20 - Consolidated Net Worth

	Net Worth as of 04/30/02	65,791,544
	Equity, Ownership or Profit Interest Securities and Convertible into Same Issued	
	Cumulative Net Income Through Most Recent Quarter End (commencing of May 1, 2002)	
	Calculation	
	Base amount	55,000,000
	Plus: 75 % of cumulative Net Income Since May 1, 2002	
	100 % of Equity, Ownership and Profit Securities Issued	
(A)	Required Net Worth	
	Most Recent Quarter End - Consolidated Net Worth	
	Plus: FAS 133 Other Comprehensive Income (Change in GAAP)	
	FAS 125/140 (Gains)/Losses Tax Rate 36.00%	
(B)	Consolidated Net Worth (Adjusted)	
(B)-(A)	Excess over required (Deficit)	

4. Section 6.21 - Extensions, Delinquencies, Charge-Offs

a) Average Quarterly Charge-off Ratio — Maximum Ratio is .05

	CCC Charge-Offs	OFC Charge-Offs	Total Charge-Offs	CCC* Balance	OFC* Balance	Total* Balance
month/year			X			X
month/year			X			X
month/year			X			X
Three Month Average x 4			X			X
Annualized Amounts						
Annualized Ratios						

b) Average Extention Ratio — Maximum Ratio = .04

	CCC Extensions	OFC Extensions	Total Extensions	CCC* IL Balance	OFC* IL Balance	Total* Balance
month/year			X			X
month/year			X			X
month/year			X			X
Three Month Average			X			X
Three Month Ratios						

c) Averge Delinquency Rate (31 Days or More) — Maximum Ratio = .12

	CCC Delinquency	OFC Delinquency	Total Delinquency	CCC* Balance	OFC* Balance	Total* Balance
month/year			X	X	X	X
month/year			X	X	X	X
month/year			X	X	X	X
Three Month Average			X	X	X	X
Three Month Ratios						

* Consistent with historical reporting amount includes unearned interest and excludes accounts in bankruptcy.

Schedule I

5. Section 6.22 - Capital Expenditures

(A)	Capital Expenditures Fiscal Year to Date	----------
(B)	Maximum	----------
(A)-(B)	Excess (Deficit)	----------

Schedule I

Exhibit 10.10

- ---

RECEIVABLES PURCHASE AGREEMENT

Dated as of September 1, 2002

between

CONN FUNDING II, L.P.
as Purchaser,

and

CONN APPLIANCES, INC., and
CAI, L.P.
collectively as Originator and Seller

and

CONN FUNDING I, L.P.
as Initial Seller

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RECEIVABLES PURCHASE AGREEMENT

RECEIVABLES PURCHASE AGREEMENT dated as of September 1, 2002, by and between CONN APPLIANCES, INC. ("Conn"), a Texas corporation, CAI, L.P. ("CAI"), a Texas limited partnership, as originators and sellers (collectively, the "Originator"), CONN FUNDING I, L.P., as initial seller (the "Initial Seller"), and CONN FUNDING II, L.P., a Texas limited partnership, as purchaser (the "Purchaser").

W I T N E S S E T H:

WHEREAS, the Originator intends to sell Receivables to the Purchaser on the terms and subject to the conditions set forth in this Agreement;

WHEREAS, the Initial Seller intends to sell the Initial Receivables on the Initial Closing Date, which were acquired from the Originator, to the Purchaser on the terms and subject to the conditions set forth in this Agreement;

WHEREAS, to obtain the necessary funds to purchase such Initial Receivables and other Receivables, the Purchaser and Wells Fargo Bank Minnesota, National Association, as Trustee ("Trustee"), have entered into the Base Indenture, dated as of the date hereof (the "Indenture");

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements contained herein, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

SECTION 1.1 Certain Defined Terms. Capitalized terms used in this Agreement but not defined herein shall have the meanings assigned to such terms in the Indenture. This Agreement is the Purchase Agreement referred to in the Indenture. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Adjusted Amount Financed" shall mean the amount disclosed for Truth in Lending purposes as the "amount financed" on an Eligible Installment Contract Receivable minus any component of such amount financed that represents any amount refinanced from another Installment Contract Receivable previously transferred to the Purchaser unless such previously transferred Installment Contract Receivable had been repurchased by the Originator pursuant to Section 2.4.

"Authorized Officers" shall mean those officers of the Originator designated in Schedule V hereto (or in such other Schedule as may be delivered to the parties hereto from time to time) as duly authorized to execute and deliver this Agreement and any instruments or documents in connection herewith on behalf of such Originator and to take, from time to time, all other actions on behalf of the Originator in connection herewith.

"Available Cash" shall mean, on any date, without duplication, the amount on deposit in the Principal Account that exceeds the Principal Account Floor on such date; provided that the amount of "Available Cash" shall be deemed to equal zero if a Pay Out or a Potential Pay Out Event has occurred and is continuing.

"Business Day" shall mean a day on which each of Originator and Purchaser is open at its respective address specified in this Agreement for the purpose of conducting its business, except in respect of such performance or rights under this Agreement as involve the Trustee then such term shall have the meaning assigned to it by the Indenture.

"Cash Purchase Price" has the meaning assigned to that term in Section 2.3(a)

"Contingent Liability" means any agreement, undertaking or arrangement by which any Person guarantees, endorses or otherwise becomes or is contingently liable upon (by direct or indirect agreement, contingent or otherwise, to provide funds for payment, to supply funds to, or otherwise to invest in, a debtor, or otherwise to assure a creditor against loss) the indebtedness, obligation or any other liability of any other Person (other than by endorsements of instruments in the course of collection), or guarantees the payment of dividends or other distributions upon the shares of any other Person. The amount of any Person's obligation under any Contingent Liability shall (subject to any limitation set forth therein) be deemed to be the outstanding principal amount (or maximum outstanding principal amount, if larger) of the debt, obligation or other liability guaranteed thereby.

"Date of Processing" means, with respect to any transaction, the date on which such transaction is first recorded in the Originator's computer files (without regard to the effective date of such recordation).

"Governmental Authority" means the United States of America, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Highest Lawful Rate" means the maximum nonusurious interest rate, if any, that at any time or from time to time may be contracted for, taken, reserved, charged or received under this Agreement, under laws applicable to the Originator, the Initial Seller and the Purchaser that are presently in effect or, to the extent allowed by law, under such applicable laws that may hereafter be in effect and that allow a higher maximum nonusurious interest rate than applicable laws now allow.

"Incipient Purchase Termination Event" shall mean any condition, act or event specified in Section 7.1 that, with the giving of notice or the lapse of time, or both, would become a Purchase Termination Event.

"Indenture" has the meaning assigned to that term in the recitals.

"Ineligible Receivables" has the meaning assigned to that term in Section 2.4(a).

"Initial Receivable" shall mean those Receivables owned by the Initial Seller and conveyed to the Purchaser hereunder as of the Initial Closing Date.

"Initiation Date" shall mean, with respect to any Receivable, the date of the transaction that gave rise to the original Outstanding Principal Balance of such Receivable.

"Installment Contract Receivable" shall mean any indebtedness of an Obligor arising under an Installment Contract.

"Inventory Lender" shall mean any lender that shall finance any Originator's inventory purchases and obtain a lien upon such inventory.

"Optional Retail Discount Percentage" shall mean, with respect to a Purchased Receivable, a percentage that Purchaser and Originator have agreed upon in writing at the time of sale of such Purchased Receivable (which shall not exceed 100%).

"Originator Notes" shall have the meaning set forth in Section 9.1(a).

"Purchase Date" has the meaning assigned to that term in Section 2.3(a).

"Purchase Price" has the meaning assigned to that term in Section 2.2.

"Purchase Report" means a report in the form of Exhibit B.

"Purchase Termination Date" shall mean the date on which the Purchaser's obligation to purchase Receivables shall terminate pursuant to Section 7.1.

"Purchase Termination Event" has the meaning assigned to that term in Section 7.1.

"Purchased Receivable" shall mean any Receivable purchased (or purported to be purchased) by the Purchaser pursuant to the terms hereof.

"Receivable" means the indebtedness of any Obligor under a Contract, whether constituting an account, chattel paper, an instrument, a general intangible, payment intangible, promissory note or otherwise, and shall include (i) the right to payment of such indebtedness and any interest or finance charges and other obligations of such Obligor with respect thereto (including, without limitation, the principal amount of such indebtedness, periodic finance charges, late fees and returned check fees), and (ii) all proceeds of, and payments or Collections on, under or in respect of any of the foregoing. If an Installment Contract is rewritten for credit reasons, the indebtedness under the new Installment Contract shall, for purposes of the Transaction Documents, constitute the same Receivable as existed under the original Installment Contract, unless such indebtedness is a Non-Purchased Receivable (in which case, the original Receivable shall cease to be a Receivable for purposes of the Transaction Documents upon payment in accordance with Section 2.5 with respect thereto). If an Installment Contract is refinanced in connection with the purchase of additional Merchandise, the original Receivable shall cease to be a Receivable for purposes of the Transaction Documents upon payment in accordance with Section 2.5 with respect thereto and the indebtedness under the new Installment Contract shall constitute a new Receivable for purposes of the Transaction Documents upon the sale thereof to the Purchaser pursuant to Section 2.1.

"Receivable File" means with respect to a Receivable, (i) the Installment Contract or Revolving Charge Account Agreement related to such Receivable, (ii) each UCC financing statement related thereto, if any, and (iii) the application, if any, of the related Obligor to obtain the financing extended by such Receivable; provided that such Receivable File may be converted to microfilm or other electronic media within six months after the origination date for the related Receivable.

"Receivables Schedule" shall mean the receivables schedule (which may be in the form of a computer file or microfiche list) in the form of Schedule I as supplemented for the addition of Subsequently Purchased Receivables in accordance with Section 2.1(b).

"Repurchase Amount" shall have the meaning assigned to such term in Section 2.4(a).

"Retail Charges" shall mean any credits to a Revolving Charge Receivable representing purchases by an Obligor of Merchandise.

"Solvent" means with respect to any Person that as of the date of determination both (A)(i) the then fair saleable value of the property of such Person is (y) greater than the total amount of liabilities (including Contingent Liabilities) of such Person and (z) not less than the amount that will be required to pay the probable liabilities on such Person's then existing debts as they become absolute and matured considering all financing alternatives and potential asset sales reasonably available to such Person; (ii) such Person's capital is not unreasonably small in relation to its business or any contemplated or undertaken transaction; and (iii) such Person does not intend to incur, or believe (nor should it reasonably believe) that it will incur, debts beyond its ability to pay such debts as they become due; and (B) such Person is "solvent" within the meaning given that term and similar terms under applicable laws relating to fraudulent transfers and conveyances. For purposes of this definition, the amount of any contingent liability at any time shall be computed as the amount that, in light of all of the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

"Subsequently Purchased Receivable" shall mean any Receivable purchased hereunder as of any date after the Initial Closing Date.

SECTION 1.2 Accounting and UCC Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP; and all terms used in Article 9 of the UCC that are used but not specifically defined herein are used herein as defined therein.

ARTICLE II
AMOUNTS AND TERMS OF THE PURCHASES

SECTION 2.1 Purchase of Receivables.

(a) The Originator and, with respect to the Initial Closing Date, the Initial Seller, each hereby sells, assigns, transfers and conveys to the Purchaser on each Purchase Date, on the terms and subject to the conditions specifically set forth herein, all of its respective right, title and interest, in, to and under (i) all Receivables, other than Non-Purchased Receivables, now existing or arising hereafter and prior to the Purchase Termination Date and all payment and enforcement

rights (but not any obligations) to, in and under the related Installment Contracts and Revolving Charge Account Agreements, all Related Security and Receivable Files, (ii) all monies due or to become due with respect to the foregoing received on or after the Cut-Off Date, including any Finance Charges arising in respect thereto, and all collateral security therefor, (iii) all proceeds of the foregoing, including, without limitation, insurance proceeds relating thereto and (iv) all Recoveries.

(b) On any Purchase Date, all of Originator's and, with respect to the Initial Closing Date, the Initial Seller's right, title and interest in and to the Purchased Receivables other than Non-Purchased Receivables shall be sold, assigned, transferred and conveyed to the Purchaser by the sale, assignment, transfer and conveyance set forth in paragraph (a) above without any further action by the Originator. The Originator and, with respect to the Initial Closing Date, the Initial Seller must deliver to the Purchaser and the Servicer an updated Receivable Schedule which shall include all newly Purchased Receivables, which updated Receivable Schedule shall be delivered on the Initial Closing Date and thereafter with each Purchase Report delivered pursuant to Section 6.2(a).

(c) The parties to this Agreement intend that the transactions contemplated hereby shall be, and shall be treated as, a purchase by the Purchaser and a sale by the Initial Seller and the Originator of the Purchased Receivables and not as a lending transaction. All sales of Receivables by the Initial Seller and the Originator hereunder shall be without recourse to, or representation or warranty of any kind (express or implied) by, the Originator, except as otherwise specifically provided herein. The foregoing sale, assignment, transfer and conveyance does not constitute and is not intended to result in a creation or assumption by the Purchaser of any obligation of the Originator, the Initial Seller or any other Person in connection with the Purchased Receivables, the Contracts or any other agreements relating thereto, including, without limitation any obligation to any Obligor.

SECTION 2.2 Purchase Price. (a) The amount payable by the Purchaser (the "Purchase Price") for (a) the Initial Receivables shall be $274,769,443.89, and the assumption of the Initial Seller's note to CAI, L.P. (which note shall be amended and restated), representing a portion of Initial Seller's purchase price of the Initial Receivables and (b) the newly created Purchased Receivables sold on any Purchase Date to the Purchaser under this Agreement shall equal the sum of (i) the Adjusted Amount Financed on all Installment Contract Receivables being purchased, and (ii) the sum of all Retail Charges on all Revolving Charge Receivables being purchased, which sum may be multiplied by the Optional Retail Discount Percentage.

SECTION 2.3 Payment of Purchase Price.

(a) The Purchase Price for Purchased Receivables shall be paid or provided for in the manner provided below on the Initial Closing Date and each day thereafter that a Purchase Report is prepared and delivered to the Purchaser in accordance with Section 6.2 (each a "Purchase Date"). The Purchase Price shall be paid by the Purchaser on each Purchase Date as follows:

(i) (A) in the case of the Initial Receivables, a cash payment made by the Purchaser to the Initial Seller in the amount of $229,344,870.97, and (B) a cash payment

made by the Purchaser to the Originator in an amount not to exceed Available Cash (the amount set forth in clause (A) or clause (B), the "Cash Purchase Price"); and

(ii) the balance of the Purchase Price to the Originator shall be payable by means of an increase in the principal amount of the Originator Note.

(b) All payments hereunder shall be made not later than 4:00 p.m. (New York time) on the date specified therefor in lawful money of the United States of America in same day funds (i) if to the Originator, to the bank account designated in writing by the Originator to the Purchaser and (ii) if to the Purchaser, to the Collection Account. Whenever any payment to be made hereunder shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day.

SECTION 2.4 Repurchase of Ineligible Receivables.

(a) If any of the representations or warranties of the Originator contained in subsection (a) or (b) of Section 4.2 was not true with respect to any Purchased Receivable as of the applicable Purchase Date in any material respect (any such Purchased Receivable, an "Ineligible Receivable"), the purchase of such Ineligible Receivable shall be rescinded, the Originator to repurchase such Ineligible Receivable from the Purchaser for an amount (the "Repurchase Amount") equal to the Outstanding Principal Balance of such Ineligible Receivable on the next Purchase Date or, if the Purchase Termination Date has occurred or if a Pay Out Event or a Potential Pay Out Event has occurred and is continuing, on the next Business Day. Prior to the Purchase Termination Date and if no Pay Out Event or Potential Pay Out Event has occurred and is continuing, such Repurchase Amount shall be paid (i) by reducing the Purchase Price payable by the Purchaser to the Originator on the applicable Purchase Date pursuant to Section 2.2 hereof, and (ii) to the extent such Repurchase Amount exceeds the Purchase Price payable on such Purchase Date, by reducing the amount of the Originator Note on such Purchase Date (or, once the amount of the Originator Note has been reduced to zero, by making a cash payment to the Collection Account). On or subsequent to the Purchase Termination Date or if a Pay Out Event or a Potential Pay Out Event has occurred and is continuing, such Repurchase Amount shall be paid by wire transfer of cash to the Collection Account.

(b) The Purchaser and the Originator agree that after payment of the Repurchase Amount for an Ineligible Receivable as provided in clause (a) above, such Ineligible Receivable shall no longer constitute a Purchased Receivable for purposes of this Agreement.

(c) Except as expressly set forth herein, the Originator shall not have any right under this Agreement, by implication or otherwise, to repurchase from the Purchaser any Purchased Receivables or to rescind or otherwise retroactively affect any purchase of any Purchased Receivables after the Purchase Date relating thereto.

SECTION 2.5 Returns and Refinancings. The Originator may accept a return of Merchandise for full or partial credit to, or make an adjustment (including, without limitation, any adjustment resulting from the exercise of any Cash Option) in, the principal amount or finance or other charges accrued or payable with respect to the related Receivable and may prior to the Purchase Termination Date refinance any Receivable in connection with the purchase of

additional Merchandise or for other reasons, provided that, with respect to Purchased Receivables, such credit, adjustment or refinancing is made in accordance with the Credit and Collection Policy. The aggregate amount of all such credits, adjustments and refinancings made by the Originator subsequent to each Purchase Date in accordance with the Credit and Collection Policy shall be due and payable to the Purchaser on the next Purchase Date following the Date of Processing in respect thereof or, if the Purchase Termination Date has occurred, on the next Business Day following such Date of Processing. The amounts due to the Purchaser pursuant to the preceding sentence shall be paid on the due date therefor (i) by reducing the Purchase Price, if any, payable by the Purchaser on such date, and (ii) to the extent the amount due exceeds the Purchase Price payable on such date, by wire transfer of cash to the Collection Account.

SECTION 2.6 Finance Charges. Finance Charges, whenever created (whether prior to or after the occurrence of a Purchase Termination Event) and whenever received (prior to or after the occurrence of a Purchase Termination Event), accrued in respect of Purchased Receivables shall be the property of the Purchaser and all Collections with respect thereto shall be allocated and treated as Collections in respect of Purchased Receivables.

SECTION 2.7 Allocations of Collections. For purposes of determining the Outstanding Principal Balances of Purchased Receivables at any time, the Purchaser, the Initial Seller and the Originator agree that the Initial Seller and the Originator shall apply all Collections on a Receivable by Receivable basis.

ARTICLE III
CONDITIONS TO PURCHASES

SECTION 3.1 Conditions Precedent to Purchaser's Initial Purchase. The obligation of the Purchaser to purchase Receivables hereunder on the occasion of the Initial Closing Date is subject to the conditions precedent (any one or more of which can be waived by the Purchaser) that (a) the Indenture and the other Transaction Documents shall be in full force and effect and all conditions to the initial advance under the Indenture shall have been satisfied or waived, (b) the Purchaser shall have received on or before such Purchase Date the following, each (unless otherwise indicated) dated the Purchase Date and in form and substance satisfactory to the Purchaser and (c) the conditions set forth in clauses (iii), (iv) and (v) shall have been satisfied:

(i) a copy of duly adopted resolutions of the Board of Directors of the Originator and the Initial Seller (or of its general partner, if applicable) authorizing or ratifying the execution, delivery and performance, respectively, of the Transaction Documents to which it is a party, certified by the Secretary or Assistant Secretary of the Originator or the Initial Seller (or of its general partner, if applicable), as applicable;

(ii) a duly executed certificate of the Secretary or an Assistant Secretary of the Originator and the Initial Seller (or of its general partner, if applicable) certifying the names and true signatures of the Authorized Officers authorized on behalf of the Originator and the Initial Seller to sign the Transaction Documents to which it is a party;

(iii) the Originator and the Initial Seller, as applicable, shall have filed and recorded, at its own expense, UCC-1 financing statements with respect to the Purchased

Receivables in such manner and in such jurisdictions as are necessary or desirable to perfect the Purchaser's ownership interest thereof under the UCC and delivered a file-stamped copy of such UCC-1 financing statements or other evidence of such filings to the Purchaser and the Trustee on or prior to the date hereof; and all other action necessary or desirable, in the opinion of the Purchaser or the Trustee, to establish the Purchaser's ownership of the Purchased Receivables shall have been duly taken;

(iv) the Originator and the Initial Seller, as applicable, shall have delivered to the Purchaser and the Trustee the Receivable Schedule;

(v) the Purchaser and the Trustee shall have received photocopies of reports of UCC searches in the central filing office of the Originator and the Initial Seller and any necessary local offices of the Originator and the Initial Seller with respect to the Purchased Receivables reflecting the absence of Liens thereon, except the Liens created hereunder, pursuant to the Indenture in favor of the Trustee and except for Liens as to which the Purchaser has received UCC termination statements. With respect to Liens on Inventory, the Originator and the Initial Seller shall have furnished evidence that each Inventory Lender shall have no Liens in proceeds from the sale of the Initial Seller's or the Originator's Inventory that constitute Purchased Receivables; and

(vi) the Purchaser, the Trustee and any Notice Person shall have received such other documents, certificates and opinions as the Purchaser, the Trustee or such Notice Person may request.

SECTION 3.2 Conditions Precedent to All Purchases. The obligation of the Purchaser to purchase Receivables hereunder on each Purchase Date (including the Initial Closing Date) shall be subject to the further conditions precedent (any one of which can be waived by the Purchaser) that on such Purchase Date:

(a) the following statements shall be true (and delivery by the Originator of a Purchase Report and the acceptance by the Originator or the Initial Seller, as applicable, of the Purchase Price for any Receivables on any Purchase Date shall constitute a representation and warranty by such Originator or the Initial Seller, as applicable, that on such Purchase Date such statements are true):

(i) the representations and warranties of the Originator and the Initial Seller contained in Sections 4.1 and 4.2 shall be correct on and as of such Purchase Date as though made on and as of such date; and

(ii) no Purchase Termination Event or Incipient Purchase Termination Event shall have occurred and be continuing;

(b) the Originator and the Initial Seller, as applicable, shall have clearly and unambiguously marked its accounting records evidencing the Receivables being purchased hereunder on such Purchase Date with a legend stating that such Receivables have been sold to the Purchaser in accordance with this Agreement;

(c) no Pay Out Event shall have occurred and be continuing under the Indenture;

(d) no material change shall have occurred after the Initial Closing Date with respect to the Originator's or the Initial Seller's systems, computer programs, related materials, computer tapes, disks and cassettes, procedures and record keeping relating to and required for the collection of the Purchased Receivables by the Originator or the Initial Seller which makes them not sufficient and satisfactory in order to permit the purchase and administration and collection of the Purchased Receivables by the Purchaser in accordance with the terms and intent of this Agreement;

(e) the Purchaser shall have received such other approvals, opinions or documents as the Purchaser may reasonably request; and

(f) the Originator and the Initial Seller shall have complied with all of the covenants and satisfied all of its obligations hereunder required to be complied with or satisfied as of such date.

SECTION 3.3 Conditions Precedent to Originator's Initial Sale. The obligation of the Originator and the Initial Seller to make its initial sale hereunder is subject to the conditions precedent that the Originator and the Initial Seller shall have received on or before the date of such sale the following, each (unless otherwise indicated) dated the day of such sale and in form and substance satisfactory to such Originator and the Initial Seller:

(a) a copy of duly adopted resolutions of the sole member of the Purchaser's general partner authorizing this Agreement, the documents to be delivered by the Purchaser hereunder and the transactions contemplated hereby, certified by the Secretary or Assistant Secretary of the Purchaser (or of its general partner, if applicable); and

(b) a duly executed certificate of the Secretary or Assistant Secretary of the Purchaser (or its general partner, if applicable) certifying the names and true signatures of the officers authorized on its behalf to sign this Agreement and the other documents to be delivered by it hereunder.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES

SECTION 4.1 Representations and Warranties of the Parties. The Purchaser, the Initial Seller and the Originator each represents and warrants as to itself as follows:

(a) Each of the Originator, the Initial Seller and the Purchaser has been duly organized and is validly existing and in good standing under the laws of the state of its organization, with full power and authority to own its properties and to conduct its business as presently conducted. Each of the Originator, the Initial Seller and the Purchaser is duly qualified to do business and is in good standing as a foreign entity (or is exempt from such requirements), and has obtained all necessary licenses and approvals, in each jurisdiction in which failure to so qualify or to obtain such licenses and approvals would have a material adverse effect on the conduct of the Originator's, the Initial Seller's or the Purchaser's business.

(b) The sale of Receivables pursuant to this Agreement, the performance of its obligations under this Agreement and the consummation of the transactions herein contemplated

have been duly authorized by all requisite action and will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance (other than pursuant to this Agreement or the other Transaction Documents) upon any of its property or assets or upon that of the Originator, the Initial Seller or the Purchaser, pursuant to the terms of any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which it, the Originator, the Initial Seller or the Purchaser is a party by which it, the Originator, the Initial Seller or the Purchaser is bound or to which any property or assets of it, the Originator, the Initial Seller or the Purchaser is subject, nor will such action result in any violation of the provisions of its organizational documents or of any statute or any order, rule or regulation of any federal or state court or governmental agency or body having jurisdiction over it, the Originator, the Initial Seller or the Purchaser or any of its their respective properties; and no consent, approval, authorization, order, registration or qualification of or with any such court or any such regulatory authority or other such governmental agency or body is required to be obtained by or with respect to the Originator, the Initial Seller or the Purchaser for the sale of Receivables or the consummation of the transactions contemplated by this Agreement.

(c) This Agreement has been duly executed and delivered by the Originator, the Initial Seller and the Purchaser and constitutes a valid and legally binding obligation of the Originator, the Initial Seller and the Purchaser, respectively, enforceable against the Originator, the Initial Seller and the Purchaser, respectively, in accordance with its terms, except that the enforceability thereof may be subject to (a) the effects of any applicable bankruptcy, insolvency, reorganization, receivership, conservatorship or other laws, regulations and administrative orders affecting the rights of creditors generally and (b) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or law).

(d) There is no pending or, to its knowledge after due inquiry, threatened action or proceeding affecting it or any of its Subsidiaries before any court, governmental agency or arbitrator, that may reasonably be expected to materially and adversely affect its condition (financial or otherwise), operations, properties or prospects, or that purports to affect the legality, validity or enforceability of this Agreement. None of the transactions contemplated hereby is or is threatened to be restrained or enjoined (temporarily, preliminarily or permanently).

SECTION 4.2 Additional Representations of the Originator. The Originator and, as applicable, the Initial Seller additionally represent and warrant as follows:

(a) Eligible Receivable. Unless otherwise specified to the Purchaser and Trustee in writing prior to the applicable Purchase Date for each Receivable, all Receivables (including the Initial Receivables, as to which the Originator makes this representation and warranty) sold and assigned to the Purchaser hereunder on the Initial Closing Date are Eligible Receivables as of such Initial Closing Date and all Receivables sold and assigned to the Purchaser hereunder on any Purchase Date subsequent to the Initial Closing Date will be Eligible Receivables as of such Purchase Date.

(b) Sale of Receivables. The Originator is, as of the time of the transfer to the Purchaser of each Receivable being sold to the Purchaser by it hereunder on the Initial Closing Date, and will be, as of the time of the transfer to the Purchaser of each Receivable sold to the

Purchaser hereunder on any subsequent Purchase Date, and the Initial Seller is, with respect to the Initial Receivables being sold to the Purchaser by it, the sole owner of such Receivable free from any Lien other than those released at or prior to such transfer. There is no effective financing statement (or similar statement or instrument of registration under the law of any jurisdiction) now on file or registered in any public office filed by or against the Originator, the Initial Seller or any Subsidiary of the Originator or the Initial Seller or purporting to be filed on behalf of the Originator, the Initial Seller or any Subsidiary of the Originator covering any interest of any kind in any Purchased Receivables and the Originator and the Initial Seller will not execute nor will there be on file in any public office any effective financing statement (or similar statement or instrument of registration under the laws of any jurisdiction) or statements relating to such Purchased Receivables, except (i) in each case any financing statements filed in respect of and covering the purchase of the Purchased Receivables by the Purchaser pursuant to this Agreement and the security interest created pursuant to the Indenture and (ii) financing statements for which a release of Lien has been obtained or that has been assigned to the Purchaser or the Trustee. All filings and recordings (including pursuant to the UCC) required to perfect the title of the Purchaser in each Receivable sold hereunder have been accomplished and are in full force and effect and the Originator and the Initial Seller shall at their expense perform all acts and execute all documents necessary or reasonably requested by the Purchaser, any Notice Person or the Trustee at any time and from time to time to evidence, perfect, maintain and enforce the title or the security interest of the Purchaser or the Trustee in the Purchased Receivables and the priority thereof.

(c) Accuracy of Receivable Schedule/ Information. As of each applicable Purchase Date with respect to Receivables, each Receivable Schedule furnished by Originator will be an accurate and complete listing of all the Purchased Receivables as of that Purchase Date, as the case may be, and the information contained therein with respect to such Purchased Receivables is true and correct as of such date. All information heretofore furnished by, or on behalf of, Originator to the Purchaser or the Trustee in connection with any Transaction Document, or any transaction contemplated thereby, is true and accurate in every material respect (without omission of any information necessary to prevent such information from being materially misleading).

(d) Location of Office and Records. The principal place of business and chief executive office of each of the Originator and the Initial Seller is located at 3295 College Street, Beaumont, Texas 77701. Originals or duplicates of any incidental Records evidencing Purchased Receivables that may be kept by the Originator or the Initial Seller shall be kept at, and only at, said offices, and each of the Originator and the Initial Seller will not move its principal place of business and chief executive office or permit any Records or any books evidencing the Purchased Receivables that it may hold in its possession to be moved unless (i) the Originator or the Initial Seller, as applicable, shall have given to the Purchaser, the Notice Persons and the Trustee not less than 45 days' prior written notice thereof, clearly describing the new location, and (ii) the Originator or the Initial Seller, as applicable, shall have taken such action, satisfactory to the Purchaser and the Trustee, to maintain the title or ownership of the Purchaser and any security interest of, or any filing in respect of title of, the Purchaser or the Trustee in the Purchased Receivables at all times fully perfected and in full force and effect. The Originator or the Initial Seller, as applicable, may not, in any event, move the location where it

conducts any administration of the Purchased Receivables from 3295 College Street, Beaumont, Texas 77701, without the prior written consent of the Notice Persons.

(e) Trade Names. Set forth on Schedule IV hereto is a complete and accurate list of the trade names of the Originator and the Initial Seller for the six-year period preceding the date of this Agreement.

(f) Financial Statements. The Originator has heretofore furnished to the Purchaser and the Trustee copies of its consolidated and consolidating balance sheets and statements of income and changes in financial condition as of and for the fiscal years ended January 31, 2001 and January 31, 2002, audited by and accompanied by the opinion of Ernst & Young independent public accountants. Except as disclosed to the Trustee prior to the date of this Agreement, such financial statements present fairly in all material respects the financial condition and results of operations of Originator and its consolidated subsidiaries as of such dates and for such periods; such balance sheets and the notes thereto disclose all liabilities, direct or contingent, of the Originator and its consolidated subsidiaries as of the dates thereof required to be disclosed by GAAP and such financial statements were prepared in accordance with GAAP applied on a consistent basis. Since January 31, 2002, there has been no material adverse change in the condition (financial or otherwise), operations, properties, assets or prospects of the Originator and its Subsidiaries, taken as a whole except as disclosed in writing to the Trustee on or prior to the date hereof.

(g) No Consent. No action, consent or approval of, registration or filing with or any other action by any Governmental Authority is or will be required in connection with execution, delivery and performance of this Agreement and the consummation of the transactions contemplated by this Agreement, except such as have been made or obtained and are in full force and effect.

(h) Back-Up Servicer Can Perform. Upon the delivery by the Originator to the Back-Up Servicer of the computer tapes, disks, cassettes and related materials (in a generally acceptable readable format) relating to the administration of the Purchased Receivables pursuant to Section 7.2, the Back-Up Servicer shall have been furnished with all materials and data necessary to permit immediate collection of the Purchased Receivables by the Back-Up Servicer without the participation of the Originator or the Initial Seller, in such collection.

(i) Revolving Charge Account Agreements. No part of the Originator's or the Initial Seller's right to payment for goods sold under Revolving Charge Account Agreements and none of the Revolving Charge Receivables are evidenced by a negotiable instrument or any other instrument.

(j) Security Interest of Purchaser. This Agreement and all related documents constitute a valid sale, transfer and assignment to the Purchaser of all right, title and interest in the Purchased Receivables and the proceeds thereof. Upon the filing of the financing statements described in Section 3.1(iii) and, in the case of the Subsequently Purchased Receivables hereafter sold to the Purchaser and the proceeds thereof, upon the transfer thereof to the Purchaser, the Purchaser shall have a first priority perfected ownership interest in all of the property described in Section 2.1(a) (except to the extent such first priority perfected security interest was assigned

to the Trustee pursuant to the Indenture). Except as otherwise provided in this Agreement, neither the Originator nor any Subsidiary of Conn other than Purchaser nor any Person claiming through or under the Originator or any Subsidiary of Conn other than Purchaser has any claim to or interest in any Trust Account or the Post Office Box.

(k) Installment Contract Receivables. With respect to each Purchased Receivable that is an Installment Contract Receivable, the related Installment Contract Receivable (i) arises in connection with a bona fide final sale and delivery of Merchandise by Originator as stated in the ordinary course of business, (ii) is for a liquidated amount as stated in the Records relating thereto, (iii) is enforceable against the Obligor in accordance with its terms, (iv) is not subject to offset, defense, counterclaim or deduction, (v) bears a signature of an Obligor which is genuine and not forged or unauthorized, or (vi) is an Eligible Receivable except as otherwise reported to the Purchaser pursuant to Section 4.2(a).

(l) No Material Adverse Change. Since January 31, 2002, there has been no material adverse change in the collectibility of the Receivables or Originator's ability to perform its obligations under any Transaction Document.

(m) Solvency. Each of the Originator and the Initial Seller is Solvent.

(n) Perfection Representations. Each of the Originator and the Initial Seller agrees that the representations set forth on Schedule VII hereto shall be a part of this Agreement for all purposes.

ARTICLE V
GENERAL COVENANTS

SECTION 5.1 Affirmative Covenants of the Originator and the Initial Seller. So long as the Purchaser shall have any interest in any Purchased Receivable, the Originator and the Initial Seller, as applicable, shall, unless the Purchaser otherwise consents in writing:

(a) Financial Statements, Reports, Etc. Deliver or cause to be delivered to the Purchaser and the Trustee:

(i) as soon as available and in any event within 90 days after the end of each Fiscal Year of the Originator, a balance sheet of the Originator as of the end of such year and statements of income and retained earnings and of source and application of funds of the Originator for the period commencing at the end of the previous Fiscal Year and ending with the end of such year, in each case setting forth comparative figures for the previous Fiscal Year, certified without material qualification in a manner satisfactory to the Purchaser and the Trustee by Ernst & Young or other nationally recognized, independent public accountants acceptable to the Notice Persons, together with a certificate of such accounting firm stating that in the course of the regular audit of the business of the Originator, which audit was conducted in accordance with generally accepted auditing standards in the United States, such accounting firm has obtained no knowledge that a Purchase Termination Event or Incipient Purchase Termination Event has occurred and is continuing, or if, in the opinion of such accounting firm, such a

Purchase Termination Event or Incipient Purchase Termination Event has occurred and is continuing, a statement as to the nature thereof;

(ii) as soon as available and in any event within 45 days after the end of each fiscal quarter, quarterly balance sheets and quarterly statements of source and application of funds and quarterly statements of income and retained earnings of the Originator, certified by the chief financial or executive officer of the Originator (or of its general partner, if applicable) (which certification shall state that such balance sheets and statements fairly present the financial condition and results of operations for such fiscal quarter, subject to year-end audit adjustments), delivery of which balance sheets and statements shall be accompanied by a certificate of such chief financial or executive officer to the effect that no Purchase Termination Event or Incipient Purchase Termination Event has occurred and is continuing; and

(iii) as soon as possible and in any event within three days after any officer of the Originator becomes aware of the occurrence of a Servicer Event of Default, a Purchase Termination Event or Incipient Purchase Termination Event or an event of default under the Retailer Credit Agreement or an event that, with the giving of notice or time elapse, or both, would constitute a Servicer Event of Default, an officer's certificate of the Originator setting forth details of such event and the action that the Servicer or the Originator, as the case may be, proposes to take with respect thereto.

(b) Compliance with Laws, Etc. Comply, and cause all of the Contracts related to Purchased Receivables to comply, in all material respects with all applicable laws, rules, regulations and orders applicable to the Originator or the Initial Seller, and the Purchased Receivables, including, without limitation, rules and regulations relating to truth in lending, retail installment sales, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices, privacy environmental matters, labor, taxation and ERISA, where in any such case failure to so comply could reasonably be expected to have an adverse impact on the Purchased Receivables or the amount of Collections thereunder. It will comply in all material respects with its obligations under the Contracts related to Purchased Receivables.

(c) Preservation of Existence. Preserve and maintain in all material respects its corporate or limited partnership existence, as applicable, corporate or limited partnership rights (charter and statutory) and franchises; provided that Originator may change its corporate structure with the prior written consent of the Notice Persons, which shall not be unreasonably withheld; and, provided, further, that, so long as the Performance Guaranty is in full force and effect at such time, the Initial Seller may be dissolved.

(d) Inspection Rights. Permit the Purchaser, the Trustee, any Notice Person or their duly authorized representatives, attorneys or auditors to inspect the Receivables, the related documents and the related accounts, records and computer systems, software and programs used or maintained by the Originator or the Initial Seller at such times as the Purchaser, the Trustee or any Notice Person may reasonably request. Upon instructions from the Purchaser, the Trustee or any Notice Person, the Originator or the Initial Seller, as applicable, shall provide copies of relevant documents to the Purchaser, the Trustee or any Enhancement Provider, as the case may be.

(e) Keeping of Records and Books of Account. Maintain and implement, or cause to be maintained or implemented, administrative and operating procedures necessary or advisable for the administration of all Purchased Receivables, and, until the delivery to the Purchaser or its designee, keep and maintain, or cause to be kept and maintained, all documents, books, records and other information necessary or advisable for the administration of all Purchased Receivables.

(f) Performance and Compliance. Duly fulfill all obligations on its part to be fulfilled under or in connection with the Purchased Receivables, including complying with all requirements of law applicable thereto, and will do nothing to impair the right, title and interest of the Purchaser in the Purchased Receivables; provided, however, that an adjustment or compromise of a Purchased Receivable pursuant to Section 2.5 shall not be deemed to be a violation of this paragraph.

(g) Location of Records. Keep the chief executive office of the Originator and the Initial Seller located at 3295 College Street, Beaumont, Texas 77701, and keep originals or duplicates of any Records related to Purchased Receivables that it maintains at, and only at, said offices, and neither the Originator nor the Initial Seller will move its chief executive office or permit any Records and books evidencing the Purchased Receivables that it may maintain to be moved unless (i) the Originator or the Initial Seller, as applicable, shall have given to the Purchaser and the Trustee not less than 45 days' prior written notice thereof, clearly describing the new location, and (ii) the Originator or the Initial Seller, as applicable, shall have taken such action, satisfactory to the Purchaser and the Trustee, to maintain the title or ownership of the Purchaser and any security interest of, or any filing in respect of title of, the Purchaser or the Trustee in the Purchased Receivables at all times fully perfected and in full force and effect. Neither the Originator nor the Initial Seller may, in any event, move the location where it conducts any administration of the Receivables from 3295 College Street, Beaumont, Texas 77701, without the prior written consent of the Notice Persons.

(h) Credit and Collection Policy. Comply in all material respects with the Credit and Collection Policy.

(i) Insurance. Keep its insurable properties adequately insured at all times by financially sound and responsible insurers; maintain such other insurance, to such extent and against such risks, including fire and other risks insured against by extended coverage, as is customary with companies of the same or similar size in the same or similar businesses; maintain in full force and effect public liability insurance against claims for personal injury or death or property damage occurring upon, in, about or in connection with the use of any properties owned, occupied or controlled by it or any Subsidiary, as the case may be, in such amounts and with such deductibles as are customary with companies of the same or similar size in the same or similar businesses and in the same geographic area; and maintain such other insurance as may be required by law.

(j) Obligations and Taxes. Pay and discharge promptly when due all material obligations, all sales tax and all material taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits or in respect of its property before the same shall become in default, as well as all material lawful claims for labor, materials and supplies or otherwise which, if unpaid, might become a Lien or charge upon such properties or any part

thereof; provided, however, that it and each Subsidiary shall not be required to pay and discharge or to cause to be paid and discharged any such tax, assessment, charge, levy or claim so long as the validity or amount thereof shall be contested in good faith by appropriate proceedings and for which the Originator or the Initial Seller, as applicable, shall have set aside on its books adequate reserves with respect thereto.

(k) Obligations with Respect to Purchased Receivables. Use all reasonable measures to assist the Purchaser in preventing or minimizing any loss being realized on a Purchased Receivable and take all reasonable steps to assist the Purchaser in recovering the full amount of such loss. The Originator and the Initial Seller shall, at their own expense, take any such steps as are necessary to maintain perfection of the security interest created by each Purchased Receivable in the related goods and merchandise subject thereto; provided, however, that the Originator and the Initial Seller shall not be required to file any UCC financing statement with respect to any Obligor.

(l) Furnishing Copies, Etc. Furnish to the Purchaser and the Trustee (i) upon the Purchaser's or the Trustee's request, a certificate of the chief financial or executive officer of the Originator or the Initial Seller (or of the Originator's or the Initial Seller's general partner, if applicable), as applicable, certifying, as of the date thereof, that no Purchase Termination Event referred to in Section 7.1(b) has occurred and is continuing; (ii) as soon as possible and in any event within one day after the occurrence of any Purchase Termination Event or Incipient Purchase Termination Event, a statement of the chief financial or executive officer of the Originator or the Initial Seller (or of the Originator's or the Initial Seller's general partner, if applicable), as applicable, setting forth details of such Purchase Termination Event or Incipient Purchase Termination Event and the action that the Originator or the Initial Seller, as applicable, proposes to take or has taken with respect thereto; (iii) promptly after obtaining knowledge that a Purchased Receivable was, at the time of the Purchaser's purchase thereof, not an Eligible Receivable (unless specified as such pursuant to Section 4.2(a)), notice thereof; and (iv) promptly following request therefor, such other information, documents, records or reports with respect to the Purchased Receivables or the underlying Contracts or the conditions or operations, financial or otherwise, of the Originator, as the Purchaser or the Trustee may from time to time reasonably request.

(m) Obligation to Record and Report. To the fullest extent permitted by GAAP and by applicable law, record each purchase of Purchased Receivables as a sale on its books and records, reflect each Purchase in its financial statements as a sale and recognize gain or loss, as the case may be, on each Purchase.

(n) Continuing Compliance with the Uniform Commercial Code. At its expense perform all acts and execute all documents necessary or reasonably requested by the Purchaser or the Trustee at any time to evidence, perfect, maintain and enforce the title or the security interest of the Purchaser or the Trustee in the Purchased Receivables and the priority thereof. The Originator and the Initial Seller will execute and deliver financing statements relating to or covering the Purchased Receivables sold to the Purchaser (reasonably satisfactory in form and substance to the Purchaser) and the Originator and the Initial Seller will authorize the Purchaser and the Trustee to file one or more financing statements relating to or covering the Purchased Receivables and the other property described in Section 2.1(a). The Originator and the Initial

Seller shall cause each Contract related to a Purchased Receivable to be stamped in a conspicuous place (other than with respect to Contracts purchased on the Initial Closing Date the originals of which have been copied on microfilm or optically scanned and destroyed), and Records relating to the Purchased Receivables to be marked, with a legend stating that it has been sold, assigned and transferred to the Purchaser; provided that, subject to the immediately preceding parenthetical, in the case of the Purchased Receivables purchased on the Initial Closing Date, the Originator and the Initial Seller shall cause each Contract related to such Purchased Receivables to be stamped on or prior to the date that is sixty (60) days after the Initial Closing Date. The Originator and the Initial Seller shall deliver the Receivable Files related to each Contract to the Custodian; provided that while any Records evidencing Purchased Receivables is in custody of the Originator or the Initial Seller, the Originator or the Initial Seller, as applicable, will hold the same for the benefit of the Purchaser. Neither the Originator nor the Initial Seller will execute any effective financing statement (or similar statement or instrument of registration under the laws of any jurisdiction) or statements relating to any Purchased Receivables, except any financing statements filed or to be filed in respect of and covering the purchase of the Purchased Receivables by the Purchaser pursuant to this Agreement and the security interest created in favor of the Trustee pursuant to the Indenture.

(o) Proceeds of Purchased Receivables. In the event that the Originator or the Initial Seller receives any amounts in respect of Purchased Receivables (including, without limitation, any In-Store Payments), use its best efforts to deposit or otherwise credit, or cause to be deposited or otherwise credited, in accordance with the procedures set forth in Section 2.02 of the Servicing Agreement.

(p) Sales Tax Refunds. Claim all amounts which may be recovered from the States of Texas or Louisiana or any other state as a rebate or refund of sales taxes paid with respect to Purchased Receivables which became Uncollectible Receivables and pay such amounts to the Purchaser as soon as practical upon receipt from the related state refunding such amounts.

(q) Further Action Evidencing Purchases. Provide such cooperation, information and assistance, and prepare and supply the Purchaser, the Servicer and the Trustee with such data regarding the performance by the Obligors of their obligations under the Purchased Receivables and the performance by the Originator or the Initial Seller, as the case may be, of its obligations under the Transaction Documents, as may be reasonably requested by the Purchaser, the Servicer, any Notice Person or the Trustee from time to time.

(r) Financing Statement Changes. Within 30 days after the Originator or Initial Seller makes any change in its, name, identity or corporate structure which would make any financing statement or continuation statement filed in accordance with this Agreement seriously misleading within the meaning of Section 9-506 of the UCC, such Seller shall give the Purchaser notice of any such change and shall file such financing statements or amendments to previously filed financing or continuation statements as may be necessary to continue the perfection of the interest of the Purchaser in the Receivables, the Related Security and the Receivables Files, and the proceeds of the foregoing.

(s) Insurance Premiums. The Originator or the Initial Seller, as applicable, shall, within sixty (60) days following the Initiation Date for any Purchased Receivable, pay to the

appropriate insurance underwriters or agents writing insurance in connection with the Purchased Receivables the amount of insurance premiums financed in accordance with the Credit and Collection Policy with respect to such Purchased Receivable.

SECTION 5.2 Negative Covenants of the Originator and the Initial Seller. So long as the Purchaser shall have any interest in any Purchased Receivables, neither the Originator nor the Initial Seller shall, unless the Purchaser otherwise consents in writing:

(a) Liens. Sell, assign (by operation of law or otherwise) or otherwise dispose of, or create or suffer to exist any Lien upon or with respect to, any Purchased Receivables, or any Contracts with respect thereto, or assign any right to receive proceeds in respect thereof except as created or imposed by this Agreement or the Indenture.

(b) Change in Business. Make any material change in the nature of its business as carried on at the date hereof or engage in or conduct any business or activity that is materially inconsistent with such business.

(c) Extension or Amendment of Purchased Receivables. Extend, amend or otherwise modify, or attempt or purport to extend, amend or, otherwise modify, the terms of any Purchased Receivables, or amend or otherwise modify or waive any term or condition of any underlying Contract with respect thereto, in each case other than in accordance with the Credit and Collection Policy and the terms of the Servicing Agreement and the Indenture.

(d) Change in Payment Instructions to Obligors. Instruct the Obligors on any Purchased Receivables to make any payments with respect to such Purchased Receivables to any place other than the places specified in Section 6.1.

(e) Sale of Receivables. Sell Receivables (other than Non-Purchased Receivables) or transfer any interest therein to any Person other than the Purchaser, without the prior written consent of the Notice Persons.

(f) Cause a Default. Take any action which would cause the Purchaser to be in default under the Indenture, a copy of which has been furnished to each of the Originator and the Initial Seller.

(g) [Reserved].

(h) Current Ratio. Permit the ratio of its current assets (determined on a consolidated basis in accordance with GAAP) to its current liabilities (determined on a consolidated basis in accordance with GAAP) to be less than 1.0:1.0 at the end of any fiscal quarter of the Originator.

(i) Mergers; Sales of Assets. Sell all or substantially all of its property and assets to, or consolidate with or merge into, any other corporation, if the effect of such sale or merger would cause a "default" or an "event of default" under this Agreement or the Indenture. The Originator or the Initial Seller, as applicable, shall promptly provide written notice to each Rating Agency of any such sale, consolidation or merger which would cause a "default" or an "event of default" under this Agreement or the Indenture.

(j) No Amendments. (i) Amend, supplement or otherwise modify this Agreement or (ii) otherwise take or fail to take any action under this Agreement that could adversely affect the Purchaser's interests hereunder or the Trustee's interests under the Indenture.

(k) Accounting Changes. Make any material change (i) in accounting treatment and reporting practices except as permitted or required by GAAP, (ii) in tax reporting treatment except as permitted or required by law, (iii) in the calculation or presentation of financial and other information contained in any reports delivered hereunder, or (iv) in any financial policy of the Originator if such change could have an adverse effect on the Purchased Receivables or the collection thereof.

(l) Maintenance of Separate Existence. (i) Fail to do all things necessary to maintain its existence separate and apart from the Purchaser including, without limitation, maintaining appropriate books and records (including current minute books); (ii) except as required by applicable law, suffer any limitation on the authority of its own directors and officers or partners to conduct its business and affairs in accordance with their independent business judgment, or authorize or suffer any Person other than its own officers and directors or partners to act on its behalf with respect to matters (other than matters customarily delegated to others under powers of attorney) for which a corporation's or limited partnership's own officers and directors or partners would customarily be responsible; (iii) fail to (A) maintain or cause to be maintained by an agent of the Originator or the Initial Seller under the Originator's or the Initial Seller's control physical possession of all its books and records, (B) maintain capitalization adequate for the conduct of its business, (C) account for and manage all of its liabilities separately from those of any other Person, including, without limitation, payment by it of all payroll and other administrative expenses and taxes from its own assets, (D) segregate and identify separately all of its assets from those of any other Person, (E) maintain employees, or pay its employees, officers and agents for services performed for the Originator or the Initial Seller or (F) allocate shared overhead fairly and reasonably; or (iv) commingle its funds with those of the Purchaser or use the Purchaser's funds for other than the uses permitted under the Transaction Documents.

ARTICLE VI
ADMINISTRATION AND COLLECTION OF PURCHASED RECEIVABLES

SECTION 6.1 Collection Procedures.

(a) On or before the Initial Closing Date, the Originator, the Initial Seller and the Purchaser shall have established and shall maintain thereafter the system of collecting and processing Collections of Purchased Receivables in accordance with Section 2.02 of the Servicing Agreement.

(b) Each of the Originator and the Initial Seller shall cause all In-Store Payments to be (i) processed as soon as possible after such payments are received by the Originator or the Initial Seller, as applicable, but in no event later than the Business Day after such receipt, and (ii) delivered to the Servicer or, if a Daily Payment Event has occurred, deposited in the Collection Account no later than the second Business Day following the date of such receipt.

(c) Each of the Originator and the Initial Seller and the Purchaser shall deliver to the Servicer or, if a Daily Payment Event has occurred, deposit into the Collection Account all Recoveries received by it within two Business Days after the Date of Processing for such Recovery.

(d) Any funds held by the Originator or the Initial Seller, as applicable, representing Collections of Purchased Receivables shall, until delivered to the Servicer or deposited in the Collection Account, be held in trust by the Originator or the Initial Seller, as applicable, on behalf of the Trustee as part of the Trust Estate.

(e) Each of the Originator and the Initial Seller hereby irrevocably waives any right to set off against, or otherwise deduct from, any Collections.

(f) Each of the Originator and the Initial Seller acknowledges that neither the Originator nor the Initial Seller shall have any right, title or interest in and to any Trust Account and hereby subordinates its rights in the Post Office Box to the Trustee.

(g) Subject to the consent of the Notice Persons, the Purchaser has the right to suspend In-Store Payments upon one Business Day's notice to the Originator and the Initial Seller. If the Originator and the Initial Seller receive notice from the Purchaser that the Purchaser has suspended In-Store Payments, the Originator and the Initial Seller will inform all Obligors who tender an In-Store Payment at the Originator's or the Initial Seller's locations that the Originator and the Initial Seller can no longer accept In-Store Payments and instruct such Obligors to make their payments at the Purchaser's office or by mail to the Post Office Box. Neither the Originator nor the Initial Seller will accept any In-Store Payments upon receipt of notice of suspension of such right by the Purchaser.

SECTION 6.2 Purchase Information.

(a) On each Business Day, to the extent Receivables have been created, the Originator or, with respect to the Initial Receivables, the Initial Seller shall prepare and deliver, to the Purchaser and the Servicer a Purchase Report with respect to Receivables the Date of Processing of which has occurred since the preceding Business Day. Not later than the Distribution Date for each calendar month, a summary of the Purchase Reports for the preceding Monthly Period shall be delivered to the Trustee and the Back-Up Servicer.

(b) The Purchaser, the Initial Seller and the Originator agree that, upon request of the Purchaser or Servicer, the Originator shall provide the Purchaser or Servicer, as the case may be, with all information required to prepare periodic reports that may be required to be furnished to the Trustee pursuant to the Indenture or the Servicing Agreement, as promptly as possible on each Purchase Date and Business Day, as the case may be, on the basis of the sales and collections figures transmitted the previous day to the Originator's central computer processing center.

(c) Upon discovery of any error in any report furnished to Purchaser or the Trustee, the Trustee, the Notice Persons, the Purchaser, the Originator and the Initial Seller (if relating to the Initial Receivables) shall confer and shall agree upon any necessary adjustments to correct any such errors. Until correction of such error, all Collections relating to such errors shall be

retained in the Collection Account, to the extent such Collections have been deposited in the Collection Account pursuant to the terms hereof. Unless the Trustee has received actual notice of any discrepancy, the Trustee, the Notice Persons and the Purchaser may rely on such reports for all purposes hereunder.

SECTION 6.3 Compliance Statements. Each of the Originator and the Initial Seller shall deliver, or cause to be delivered, to the Purchaser and the Trustee, (i) on or before April 1, 2003 and (ii) on or before each April 1 thereafter, an officer's certificate signed by the Chief Executive Officer, the President, Executive Vice President or any Senior Vice President of the Originator or the Initial Seller (or of the Originator's or the Initial Seller's general partner, if applicable), dated as of January 31 of such year, stating that (a) a review of the activities of the Originator or the Initial Seller, as applicable, during the preceding 12-month period and of its performance under this Agreement has been made under such officer's supervision and (b) to the best of such officer's knowledge, based on such review, the Originator or the Initial Seller, as applicable, has fulfilled its obligations under this Agreement throughout such year and has complied in all respects with the Credit and Collection Policy, or, if there has been a default in the fulfillment of any such obligation, specifying each such default known to such officer and the nature and status thereof.

SECTION 6.4 [Reserved].

SECTION 6.5 Termination. The Originator's obligation to sell Receivables under this Agreement shall terminate on the Purchase Termination Date; provided, however, that finance charges, late charges and other fees, charges and similar items in respect of the Purchased Receivables shall continue to be the property of the Purchaser after the Purchase Termination Date notwithstanding that such amounts may arise or accrue after the Purchase Termination Date.

SECTION 6.6 Limitation on Liability of the Originator, the Initial Seller and Others. No recourse under or upon any obligation or covenant of this Agreement, or the Purchased Receivables, or for any claim based thereon or otherwise in respect thereof, shall be had against any incorporator, shareholder, employee, agent, limited partner, officer or director, in its capacity as such, past, present or future, of the Originator, the Initial Seller or of any successor thereto, either directly or through the Originator or the Initial Seller, whether by virtue of any constitutory statute, or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that this Agreement and the obligations issued hereunder are solely its obligations, and that no such personal liability whatever shall attach to, or is or shall be incurred by the incorporators, shareholders, employees, agents, limited partners, officers or directors, as such, of the Originator, the Initial Seller or of any successor thereto, or any of them, because of the creation of the obligations hereby authorized, or under or by reason of the obligations, covenants or agreements contained in this Agreement or in the Purchased Receivables or implied therefrom; and that any and all such personal liability, either at common law or in equity or by constitution or statute, of, and any and all such rights and claims against, every such incorporator, shareholder, employee, agent, officer or director, as such, because of the creation of the indebtedness hereby authorized, or under or by reason of the obligations or covenants contained in this Agreement or in the Purchased Receivables or implied therefrom, are hereby expressly waived and released as a condition of, and as a consideration for, the execution

of this Agreement. The Originator, the Initial Seller, the Purchaser and the Trustee and any director or officer or employee or agent of the Originator, the Initial Seller, the Purchaser or the Trustee may rely in good faith on any document of any kind prima facie properly executed and submitted by any Person respecting any matters arising hereunder.

SECTION 6.7 Responsibilities of the Originator. Notwithstanding anything herein to the contrary (i) each of the Originator and the Initial Seller shall perform all its obligations under the Credit and Collection Policy related to the Purchased Receivables to the same extent as if such Purchased Receivables had not been transferred to the Purchaser hereunder, (ii) the exercise by the Purchaser of any of its rights hereunder shall not relieve the Originator or the Initial Seller from its obligations with respect to such Purchased Receivables and (iii) except as provided by law, the Purchaser shall not have any obligation or liability with respect to any Purchased Receivables or the underlying Contracts, nor shall the Purchaser be obligated to perform any of the obligations or duties of the Originator or the Initial Seller thereunder.

SECTION 6.8 Repossessed Merchandise. The Originator agrees to purchase Merchandise repossessed by the Purchaser from an Obligor. The purchase price payable by the Originator will be the fair market value of such unit of repossessed Merchandise as mutually agreed upon between the Purchaser and the Originator. Additionally, if any Purchased Receivable becomes a Charged-Off Receivable, the Originator agrees to return to the Purchaser the amount (up to the outstanding balance of such Purchased Receivable) of any premium for service maintenance contracts or credit insurance (unless such amount has been paid directly to the Purchaser by the applicable insurance company). Any amounts due to the Purchaser in accordance with this Section (i) shall be paid in cash by the Originator or, if no Purchase Termination Event or Series Pay Out Event has occurred and is continuing, at the Purchaser's option, credited against the principal amount owing on the Originator Note on the next Business Day following such purchase or cancellation, (ii) shall constitute Recoveries and (iii) shall be deposited in the Collection Account. The Purchaser shall be responsible for delivering repossessed Merchandise to the Originator location.

ARTICLE VII
PURCHASE TERMINATION EVENTS

SECTION 7.1 Purchase Termination Events. If any of the following events (each, a "Purchase Termination Event") shall occur and be continuing:

(a) any representation or warranty made or deemed made by or on behalf of the Originator or the Initial Seller under or in connection with this Agreement or any Purchase Report or other information or report delivered by the Originator or the Initial Seller pursuant hereto shall prove to have been false or incorrect in any material respect when made or deemed made; provided, however, that the falsity or incorrectness of any representation made pursuant to Section 4.2(a) with respect to any Purchased Receivable shall not constitute a Purchase Termination Event so long as the Originator or the Initial Seller, as applicable, has complied with its obligations in respect of such Purchased Receivable pursuant to Section 2.4;

(b) the Originator or the Initial Seller shall fail to (i) perform or observe any term, covenant or agreement contained in Sections 5.1(c), 5.1(d), 5.1(g), 5.1(h), 5.1(i), 5.1(j), 5.1(k),

5.1(l), 5.1 (m), 5.1 (n), 5.1(o), 5.1(p) or 5.2 or (ii) make any payment or deposit to be made by it hereunder within three Business Days after the same became due and payable;

(c) the Originator or the Initial Seller shall fail to perform or observe any other term, covenant or agreement contained in this Agreement on its part to be performed or observed and any such failure shall remain unremedied for ten days;

(d) the Originator or the Initial Seller shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, shall make a general assignment for the benefit of creditors, or shall take any corporate action to authorize any of the actions set forth above in this subsection (d) or the Originator or the Initial Seller shall be the subject of an Event of Bankruptcy;

(e) the Originator or the Initial Seller transfers, sells or otherwise disposes of (whether in one transaction or a series of transactions) all or substantially all of its assets; provided that, so long as the Performance Guaranty is in full force and effect, the Initial Seller may be dissolved; or

(f) the Indenture shall cease to be in full force and effect or a Pay Out Event shall have occurred under the Indenture;

then, and in any such event, the Purchaser may, by notice to the Originator, declare its obligation to purchase Receivables from the Originator to be terminated, whereupon such obligation shall forthwith be terminated; provided, however, that in the case of any event described in subsection (d) above, such termination shall automatically occur upon the happening of such event. No termination under this Section 7.1 of the Purchaser's obligation to purchase Receivables shall affect the then-existing obligations of the Originator or the Initial Seller hereunder (other than the Originator's obligations to sell Receivables to the Purchaser pursuant hereto).

SECTION 7.2 Remedies. If a Purchase Termination Event has occurred and is continuing:

(a) The Purchaser (and its assignees) shall have all of the rights and remedies provided to a secured creditor or a purchaser of accounts or chattel paper under the UCC by applicable law in respect thereto.

(b) The Purchaser (and its assignees) may at any time (i) notify the respective Obligors of the Purchaser's ownership of the Purchased Receivables and may direct that payment of all amounts due or to become due under the Purchased Receivables be made directly to the Purchaser or its designee or (ii) give notice, or require that the Originator and the Initial Servicer, at the Originator's and the Initial Seller's expense, give notice of such ownership to each such Obligor and direct that all payments be made directly to the Purchaser or its designee.

(c) The Purchaser (and its assignees) may elect to (i) sue for collection on any Purchased Receivables or (ii) sell any Purchased Receivables to any Person for a price that is acceptable to the Purchaser (or its assignees). In connection with any such sale, the Purchaser or its assignees shall have the right to assign its rights under this Agreement to a third-party. Any

such Purchased Receivable shall cease to be a Receivable for all purposes under this Agreement as of the effective date of such sale.

(d) The Originator and the Initial Seller shall, upon the Purchaser's (or its assignee's) request and at the Originator's expense (i) assemble all of the Originator's and the Initial Seller's Records, (ii) deliver such documents to the Purchaser or its designee at a place designated by the Purchaser or, at the Purchaser's option, provide the Purchaser or its designee with access thereto and (iii) deliver to the Purchaser, its designees or assignees all computer programs, material and data necessary to the immediate collection of the Purchased Receivables by the Purchaser, or a party designated by the Purchaser, with or without the participation of the Originator or the Initial Seller.

(e) Each of the Originator and the Initial Seller hereby irrevocably authorizes the Purchaser or its designee or assignees to take any and all steps in the Originator's or the Initial Seller's name and on the Originator's or the Initial Seller's behalf necessary or desirable, in the reasonable opinion of the Purchaser, designee or assignee, to collect all amounts due under the Purchased Receivables, including, without limitation, endorsing the Originator's or the Initial Seller's name on checks and other instruments representing Collections, enforcing the Purchased Receivables and the underlying Contracts and exercising all rights and remedies in respect thereof.

(f) The Originator and the Initial Seller will make such arrangements with respect to the collection of the Purchased Receivables as may be reasonably required by the Trustee.

ARTICLE VIII
INDEMNIFICATION

SECTION 8.1 Indemnities by the Originator and the Initial Seller. Without limiting any other rights that the Purchaser may have hereunder or under applicable law, each of the Originator and the Initial Seller hereby agrees to indemnify the Purchaser (and its assignees) and each Indemnified Party from and against any and all claims, losses and liabilities (including reasonable attorneys' fees) (all the foregoing being collectively referred to as "Indemnified Amounts") arising out of or resulting from this Agreement or in respect of any Receivable or any Contract, excluding, however, Indemnified Amounts to the extent resulting from gross negligence or willful misconduct on the part of the Purchaser or such Indemnified Party, as the case may be (BUT EXPRESSLY INCLUDING IN THE INDEMNITY SET FORTH IN THIS SECTION 8.1, INDEMNIFIED AMOUNTS ATTRIBUTABLE TO THE ORDINARY, SOLE OR CONTRIBUTORY NEGLIGENCE OF PURCHASER OR SUCH INDEMNIFIED PARTY, IT BEING THE INTENT OF THE PARTIES THAT, TO THE EXTENT PROVIDED IN THIS SECTION 8.1, PURCHASER AND INDEMNIFIED PARTIES SHALL BE INDEMNIFIED FOR THEIR OWN ORDINARY, SOLE OR CONTRIBUTORY NEGLIGENCE NOT CONSTITUTING GROSS NEGLIGENCE OR WILLFUL MISCONDUCT). Without limiting or being limited by the foregoing, the Originator shall pay on demand to the Purchaser or any Indemnified Party any and all amounts necessary to indemnify such Person from and against any and all Indemnified Amounts relating to or resulting from:

(a) the sale hereunder of any Receivable that is not at the date of such sale an Eligible Receivable;

(b) reliance on any representation or warranty or statement made or deemed made by the Originator or the Initial Seller (or any of their respective officers) under or in connection with this Agreement or in any certificate report or document delivered pursuant hereto that, in any such case, shall have been false or incorrect in any material respect when made or deemed made;

(c) the failure by the Originator or the Initial Seller to comply with any applicable law, rule or regulation with respect to any Receivable or the related Contract, or the nonconformity of any Receivable or the related Contract with any such applicable law, rule or regulation;

(d) the failure to have filed, or any delay in filing, financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction or other applicable laws with respect to the Purchaser's interest in any Purchased Receivables;

(e) any dispute, claim, offset or defense (other than discharge in bankruptcy of the Obligor) of the Obligor to the payment of any Purchased Receivable of the Originator or the Initial Seller (including, without limitation, a defense based on such Receivable or the related Contract not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms), or any other claim resulting from the sale of the merchandise or services related to any such Purchased Receivable or the furnishing or failure to furnish such merchandise or services;

(f) any failure of the Originator or the Initial Seller to perform its duties or obligations under this Agreement or the applicable Contract;

(g) any products liability or warranty claim arising out of or in connection with Merchandise that are the subject of any charge pursuant to any Contract;

(h) the commingling of Collections of Purchased Receivables at any time with other funds of the Originator or the Initial Seller, regardless or whether such commingling shall be permitted by the Transaction Documents;

(i) any investigation, litigation or proceeding related to this Agreement or in respect of any Purchased Receivable or any Contract;

(j) the payment by the Purchaser of any taxes owed by the Originator or the Initial Seller, including, but not limited to, federal, state or local income taxes, excise taxes or business taxes;

(k) the failure to vest, and maintain vested, in the Purchaser a valid and enforceable (A) ownership interest or (B) a first priority perfected security interest in the items described in Section 2.1(a) (except to the extent such first priority perfected security interest was assigned to the Trustee pursuant to the Indenture); or

(l) the Performance Guaranty shall cease to be effective or to be the legally valid, binding and enforceable obligation of Conn, or Conn shall, directly or indirectly, contest in any manner such effectiveness, validity, binding nature or enforceability of its obligations thereunder.

Notwithstanding the foregoing, neither the Originator nor the Initial Seller shall under any circumstances indemnify the Purchaser (or its assignees) for any Indemnified Amounts that result solely from a default by an Obligor with respect to a Purchased Receivable other than as described in clause (e) above or resulting from the circumstances described in clauses (a), (c) or (f) above.

ARTICLE IX
THE ORIGINATOR NOTE

SECTION 9.1 Originator Note.

(a) On the Closing Date, the Purchaser shall issue to the Originator a revolving subordinated note in the form attached hereto as Exhibit A (together with the Initial Seller's note assumed by the Purchaser as amended and restated, collectively, the "Originator Note"). The principal amount of the Originator Note outstanding from time to time shall be determined in accordance with Sections 2.3, 2.4 and 6.8. It is understood and agreed that no cash shall be paid to the Originator in respect of the Originator Note as a result of the principal amount of the Originator Note decreasing pursuant to the calculations in Sections 2.4 and 6.8. Anything to the contrary notwithstanding, the Purchaser shall have the right (but not the obligation) to offset or adjust the Originator Note by any amounts owed by the Originator to the Purchaser under this Agreement.

(b) Until the Issuer Obligations have been indefeasibly paid in full in cash, no payments (whether for principal or interest) may be made, directly or indirectly, by the Purchaser on the Originator Note except from amounts received by the Purchaser under the Indenture. The Originator agrees not to ask, demand, sue for or take or receive from the Purchaser in cash or other property by set-off (including, without limitation, from or by way of collateral), payment of all or any part of the Originator Note, except as permitted by the Indenture. The Originator agrees that upon any distribution of all or any of the assets of the Purchaser to creditors of the Purchaser upon the dissolution, winding up, total or partial liquidation, arrangement, reorganization, adjustment, protection, relief, or composition of the Purchaser or its debts, any payment or distribution of any kind in respect of the Originator Note that otherwise would be payable or deliverable upon or with respect to the Originator Note, directly or indirectly, by set-off or in any other manner, including, without limitation, from or by way of collateral, shall be paid or delivered directly to the Trustee for application (in the case of cash) to or as collateral (in the case of non-cash property or securities) for the payment or prepayment in full of, the Obligations until the obligations shall have been indefeasibly paid in full in cash. All payments or distributions upon or with respect to the Originator Note that are received by the Originator contrary to the provisions of the Indenture or the Originator Note shall be received in trust for the benefit of the Secured Parties, shall be segregated from other funds and property held by the Originator and shall be forthwith paid over to the Trustee in the same form as so received (with any necessary endorsement) to be applied (in the case of cash) to, or held as collateral (in the

case of non-cash property or securities) for the payment or prepayment in full of, the Issuer Obligations until the Issuer Obligations shall have been indefeasibly paid in full in cash. The Originator agrees that no payment or distribution to the Secured Parties pursuant to the provisions of the Originator Note shall entitle the Originator to exercise any rights or subrogation in respect thereof until the Obligations shall have been indefeasibly paid in full in cash. The Originator and the Purchaser each hereby waives promptness, diligence, notice of acceptance and any other notice with respect to any of the Obligations and the Originator Note and any requirement that any Secured Party protect, secure, perfect or insure any security interest or lien on any property subject thereto or exhaust any right or take any action against the Purchaser or any other Person or any Collateral.

(c) The Originator agrees and confirms that the Originator Note represents solely the right to receive certain amounts from funds available to the Purchaser under the Indenture and that the Originator Note does not represent a security interest in the Purchased Receivables or their proceeds. No payments may be received, directly or indirectly, by the Originator (and if received, the Originator agrees to return such payments to the Purchaser) on the Originator Note unless all amounts required pursuant to the Indenture to be paid prior to the payments in respect of the Originator Note have been paid.

(d) The Originator agrees and confirms that the Trustee shall not have any duty whatsoever to the Originator as holder of the Originator Note and that the Trustee shall not be liable to the Originator for any action taken or omitted to be taken with respect to the Originator Note.

SECTION 9.2 Restrictions on Transfer of Originator Note. Neither any Originator Note, nor any right of the Originator to receive payments thereunder, shall be assigned, transferred, exchanged, pledged, hypothecated, participated or otherwise conveyed unless the Trustee shall have received a non-petition letter in substantially the form attached hereto as Exhibit C.

ARTICLE X
MISCELLANEOUS

SECTION 10.1 Amendments, Etc. No amendment, modification or waiver of any provision of this Agreement, or consent to any departure by the Originator or the Initial Seller therefrom, shall in any event be effective unless the same shall be in writing and signed by the Purchaser, the Enhancement Providers, the Notice Persons of each Series and the Trustee and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No material amendment of this Agreement shall be effective unless the Trustee shall have received written confirmation by the Rating Agencies that such amendment shall not cause the rating on the then outstanding Notes to be downgraded or withdrawn. The Purchaser shall, promptly following the effective date thereof, provide a copy of each amendment to or consent or waiver under this Agreement to the Trustee, which shall provide each Rating Agency with a copy thereof.

SECTION 10.2 Notices Etc. All notices and other communications provided for hereunder shall be in writing (including telegraphic, telex, facsimile or cable communication) and mailed, telegraphed, telexed, transmitted, cabled or delivered, if to the Initial Seller, at its

address at 3295 College Street, Beaumont, Texas 77701 Attention: David Atnip; if to the Originator, at its address at 3295 College Street, Beaumont, Texas 77701 Attention: David Atnip; if to the Purchaser, at its address at 3295 College Street, Beaumont, Texas 77701 Attention: David Atnip; or, as to each party, at such other address as shall be designated by such party in a written notice to the other parties. All such notices and communications shall when mailed or telecopied be effective when deposited in the mails, or transmitted by telecopier, respectively, except that notices to the Purchaser pursuant to Article II shall not be effective until received by the Purchaser.

SECTION 10.3 No Waiver; Remedies. No failure on the part of the Purchaser to exercise, and no delay in exercising, any right under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 10.4 Binding Effect; Governing Law. This Agreement shall be binding upon and inure to the benefit of the Originator, the Initial Seller and the Purchaser and their respective successors and assigns, except that the Originator shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Purchaser and the Notice Persons. This Agreement shall create and constitute the continuing obligations of the parties hereto in accordance with its terms, and shall remain in full force and effect until such time, after the Purchase Termination Date, until the Purchaser shall not have any interest in any Purchased Receivables and all obligations of the Originator and the Initial Seller hereunder shall have been paid in full; provided, however, that the indemnification provisions of Article VIII shall be continuing and shall survive any termination of this Agreement. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York without regard to the conflict of laws principles thereof (other than Section 5-1401 of the New York General Obligations Law), except that the parties hereto agree that in order to effectuate their intent that this Agreement evidences a sale, the determination of whether the transfer by the Seller of the Purchased Receivables constitutes a sale or whether it constitutes a grant of a security interest, by means of a pledge or otherwise, shall be governed by, and construed in accordance with, the laws of the State of Texas (without regard to the conflict of laws principles thereof), including without limitation ss.9.109(e) of the Texas UCC.

SECTION 10.5 Costs, Expenses and Taxes. In addition to the rights of indemnification granted to the Purchaser under Article VIII, the Originator and the Initial Seller agree to pay on demand all costs and expenses of the Purchaser and the Trustee in connection with the preparation, execution and delivery of this Agreement, the Indenture and the other agreements and documents to be delivered hereunder and thereunder, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Purchaser and the Trustee with respect thereto and with respect to advising the Purchaser and the Trustee as to their rights and remedies under this Agreement, and all costs and expenses (including, without limitation, reasonable counsel fees and expenses), in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement and the documents to be delivered hereunder. In addition, the Originator and the Initial Seller agree to pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing and recording of this Agreement or the other documents to be

delivered hereunder, and agrees to hold the Purchaser harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omitting to pay such taxes and fees.

SECTION 10.6 No Bankruptcy Petition. Each of the Originator and the Initial Seller covenants and agrees that prior to the date which is one year and one day after the payment in full of all Senior Indebtedness (as defined in the Originator Note) it will not institute against, or join any other Person in instituting against, the Purchaser any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings under any federal or state bankruptcy or similar law. This Section 10.6 shall survive the termination of this Agreement.

SECTION 10.7 Acknowledgment of Assignments. Each of the Originator and the Initial Seller hereby acknowledges and consents to the assignment by the Purchaser of Purchased Receivables and the rights of the Purchaser under this Agreement to the Trustee pursuant to the Indenture. Each of the Originator and the Initial Seller further acknowledges that, in accordance with the terms of the Indenture, the Trustee may, under certain circumstances exercise some or all of the rights of the Purchaser hereunder.

SECTION 10.8 Waiver of Setoff. All payments hereunder by the Originator and the Initial Seller to the Purchaser or by the Purchaser to the Originator or the Initial Seller shall be made without setoff, counterclaim or other defense and each of the Purchaser, the Initial Seller and the Originator hereby waives any and all of its rights to assert any right of setoff, counterclaim or other defense to the making of a payment due hereunder to the Originator, the Initial Seller or the Purchaser, as the case may be; provided, however; that, notwithstanding the foregoing, the Purchaser hereby reserves any and all of its rights to assert any such right of setoff, counterclaim or other defense against the Originator or the Initial Seller with respect to the Purchase Price of Receivables purchased from the Originator or the Initial Seller hereunder in the ordinary course of the Purchaser's business.

SECTION 10.9 Severability. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under such law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

SECTION 10.10 Counterparts. This Agreement and any amendment or supplement hereto or any waiver granted in connection herewith may be executed in any number of counterparts and by the different parties on separate counterparts and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Agreement.

SECTION 10.11 Grant of License to Use Trademarks. For the sole purpose of enabling the Purchaser (or its assignees) to perform the functions of servicing and collecting the Purchased Receivables upon a Purchase Termination Event, each of the Originator and the Initial Seller hereby grants to the Purchaser (or its assignees) an irrevocable, non-exclusive license (exercisable without payment of royalty or other compensation to the Originator or the Initial

Seller) to use, license, or sublicense any copyright, trade name, trademark or similar rights or properties now owned or hereafter acquired by the Originator and the Initial Seller, and wherever the same may be located, and including in such license reasonable access to all media in which any of the licensed items may be recorded or stored and to all computer and automatic machinery software and programs used for the compilation or printout thereof. The aforementioned servicing and collecting functions shall be performed in accordance with customary business practices and in a manner which will not materially adversely affect any of such licenses or licensed items.

SECTION 10.12 Jurisdiction; Consent to Service of Process.

(a) The Originator, the Initial Seller and the Purchaser hereby submit to the nonexclusive jurisdiction of any United States District Court for the Southern District of New York and of any New York state court sitting in New York, New York for purposes of all legal proceedings arising out of, or relating to, the Transaction Documents or the transactions contemplated thereby. The Originator, the Initial Seller and the Purchaser hereby irrevocably waive, to the fullest extent possible, any objection it may now or hereafter have to the venue of any such proceeding and any claim that any such proceeding has been brought in an inconvenient forum. Nothing in this Section 10.12 shall affect the right of the Trustee, any Enhancement Provider or any Noteholder to bring any action or proceeding against the Originator, the Initial Seller and the Purchaser or its property in the courts of other jurisdictions.

(b) TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY HERETO IRREVOCABLY WAIVES ALL RIGHT OF TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF, OR IN CONNECTION WITH, ANY TRANSACTION DOCUMENT OR ANY MATTER ARISING THEREUNDER.

SECTION 10.13 Third Party Beneficiaries. Each of the Secured Parties shall be third-party beneficiaries of this Agreement.

SECTION 10.14 Confirmation of Intent. It is the express intent of the parties hereto that the sale to the Purchaser pursuant to Section 2.1 hereof of all of the Originator's and the Initial Seller's right, title and interest, in, to and under (i) all Purchased Receivables now existing and hereafter arising, all newly created Purchased Receivables and all rights (but not the obligations) to, in and under the related Contract, (ii) all moneys due or to become due with respect to the foregoing, (iii) all proceeds of the foregoing including, without limitation, insurance proceeds relating thereto and (iv) all Recoveries on account of Purchased Receivables, in each case shall be treated under applicable state law and Federal bankruptcy law as a sale by the Originator or the Initial Seller, as applicable, to the Purchaser. However, if it is determined contrary to the express intent of the parties that the transfer is not a sale and that all or any portion of the assets described in Section 2.1(a) continue to be property of the Originator or the Initial Seller, then the Originator and the Initial Seller hereby grant to the Purchaser a security interest in all of the Originator's and the Initial Seller's right, title and interest in, to and under all such assets and this Agreement shall constitute a security agreement under applicable law. The Originator, the Initial Seller, the Purchaser and the Trustee shall, to the extent consistent with the Indenture and this Agreement, take such action as may be necessary to ensure that, if this Agreement were deemed to create a security interest in the assets described in Section 2.1(a), such interest would be

deemed to be a perfected security interest of first priority under applicable law and will be maintained as such throughout the terms of this Agreement and the Indenture.

SECTION 10.15 [Reserved].

SECTION 10.16 Section and Paragraph Headings. Section and paragraph headings used in this Agreement are provided solely for convenience of reference and shall not affect the meaning or interpretation of any provision of this Agreement.

SECTION 10.17 Interpretation. The parties hereto acknowledge and agree that all warranties, covenants, indemnities and other obligations of "the Originator" hereunder shall be the joint and several obligations of each Person which is an Originator hereunder.

SECTION 10.18 Interest. Without limitation to the express intent of the parties set forth in the first sentence of Section 10.14, if the sales contemplated under this Agreement are ever determined to constitute financing arrangements, the parties hereto intend that Purchaser shall conform strictly to usury laws applicable to it, if any. Accordingly, if the transactions contemplated hereby would be usurious under applicable law, if any, then, in that event, notwithstanding anything to the contrary in this Agreement or any other agreement entered into in connection with this Agreement, it is agreed as follows: (i) the aggregate of all consideration which constitutes interest under applicable law that is contracted for, taken, reserved, charged or received by Purchaser under this Agreement or under any other agreement entered into in connection with this Agreement shall under no circumstances exceed the Highest Lawful Rate and any excess shall be canceled automatically and, if theretofore paid, shall at the option of Purchaser be applied on the principal amount due Purchaser or refunded by Purchaser to the Originator or the Initial Seller, as applicable, and (ii) in the event that the maturity of any amount due is accelerated or in the event of any prepayment or repurchase, then such consideration that constitutes interest under law applicable to Purchaser, may never include more than the Highest Lawful Rate and excess interest, if any, to Purchaser, provided for in this Agreement or otherwise shall be canceled automatically as of the date of such acceleration, prepayment or repurchase and, of theretofore paid, shall, at the option of Purchaser be credited by Purchaser on the principal amount due to Purchaser or refunded by Purchaser to Originator or the Initial Seller, as applicable. All sums paid or agreed to be paid to Purchaser for the use, forbearance or detention of sums due hereunder shall, to the extent permitted under applicable law, be amortized, prorated, allocated and spread throughout the full term of the payments until payment in full so that the rate or amount of interest or account of such payments does not exceed the applicable usury ceiling. To the extent that Section 339.004 of the Texas Finance Code is relevant to the Purchasers for purposes of determining the Highest Lawful Rate, Purchaser hereby elects to determine the applicable rate ceiling under such Article by the indicated (weekly) rate ceiling from time to time in effect, subject to Purchaser's right subsequently to change such method in accordance with applicable law and it is the express intent of the parties hereto that Chapter 303 of the Texas Finance Code applies to all Sales occurring under this Agreement.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

CONN FUNDING II, L.P.,
as Purchaser

By: Conn Funding II GP, L.L.C.,
its general partner

By: /s/ David R. Atnip

Name: David R. Atnip
Title: Secretary/Treasurer

CONN APPLIANCES, INC.,
as Originator

By: /s/ Thomas J. Frank

Name: Thomas J. Frank
Title: CEO and Chairman of the Board

CAI, L.P.,
as Originator

By: Conn Appliances, Inc.,
its general partner

By: /s/ Thomas J. Frank

Name: Thomas J. Frank
Title: CEO and Chairman of the Board

CONN FUNDING I, L.P.,
as Initial Seller

By: Conn Funding, L.L.C.,
its general partner

By: /s/ David R. Atnip

Name: David R. Atnip
Title: Secretary/Treasurer

EXHIBIT A

ORIGINATOR NOTE

Beaumont, Texas
September 13, 2002

FOR VALUE RECEIVED, CONN FUNDING II, L.P., a Texas limited partnership ("CFLP") promises to pay to [Conn Appliances, Inc. "Conn")] [CAI, L.P. ("CAI")] at the office of [CAI] at 3295 College Street, Beaumont, Texas 77701, the principal sum equal to the aggregate amount due and owing to [Conn] [CAI] pursuant to Section 2.3 of the Receivables Purchase Agreement as adjusted from time to time pursuant to Section 2.4 and 6.8 of the Receivables Purchase Agreement (as the same may be increased or decreased from time to time), on the Final Maturity Date.

Section 1.01. Receivables Purchase Agreement. This Note is an "Originator Note" described in, and is subject to the terms and conditions set forth in, the Receivables Purchase Agreement, dated as of September 1, 2002 (as amended, supplemented, or otherwise modified from time to time, the "Receivables Purchase Agreement"), between CFLP, as the Purchaser, and Conn Appliances, Inc., and CAI, collectively as Originator, and Conn Funding I, L.P., as the Initial Seller. Reference is hereby made to the Receivables Purchase Agreement for a statement of certain other rights and obligations of CFLP and [Conn] [CAI]. In the case of any conflict between the terms of this Note and the terms of the Receivables Purchase Agreement, the terms of the Receivables Purchase Agreement shall control.

Section 1.02. Definitions. Capitalized terms used (but not defined) herein have the meanings ascribed thereto in the Receivables Purchase Agreement or in the Indenture (as defined in the Receivables Purchase Agreement). In addition, as used herein, the following terms have the following meanings:

"Final Maturity Date" means the date that falls one year and one day after the later of (x) the Purchase Termination Date and (y) the date on which the principal amount of the Notes shall have been reduced to zero and all other amounts payable by CFLP to the Secured Parties under the Transaction Documents shall have been paid in full.

"Junior Liabilities" means all obligations of CFLP to [Conn] [CAI] under this Note.

"Senior Agent" means the Trustee.

"Senior Indebtedness" means all (a) obligations of CFLP under the Indenture dated as of September 1, 2002 (as in effect from time to time, the "Indenture") among CFLP, CAI and Wells Fargo Bank Minnesota, National Association, as Trustee (the "Trustee") and any renewal, extension, restatement or

refunding thereof and together with any Series Supplement (the "Indenture") and (b) all obligations of CFLP to the Senior Interest Holders, howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, now or hereafter existing, or due or to become due on or before the Final Maturity Date.

"Senior Interest Holders" means, collectively, the Senior Agent and the Secured Parties.

"Subordination Provisions" means, collectively, clauses (a) through (k) of Section 1.07 hereof.

Section 1.03. Interest. Subject to the Subordination Provisions, CFLP promises to pay interest on the aggregate unpaid principal amount of this Note outstanding on each day at a variable rate per annum equal to the prime rate as reported by the Wall Street Journal from time to time.

Section 1.04. Interest Payment Dates. Subject to the Subordination Provisions, CFLP shall pay accrued interest on this Note on each Payment Date and on the Final Maturity Date (or, if any such day is not a Business Day, the next succeeding Business Day). CFLP also shall pay accrued interest on the principal amount of each prepayment hereof on the date of each such prepayment.

Section 1.05. Basis of Computation. Interest accrued hereunder shall be computed for the actual number of days elapsed on the basis of a 360-day year.

Section 1.06. Principal Payment Dates. Subject to the Subordination Provisions, any unpaid principal of this Note shall be paid on the Final Maturity Date (or, if such date is not a Business Day, the next succeeding Business Day). Subject to the Subordination Provisions, the principal amount of and accrued interest on this Note may be prepaid on any Business Day without premium or penalty.

Section 1.07. Subordination Provisions. CFLP covenants and agrees, and [Conn] [CAI] and any other holder of this Note, by its acceptance of this Note, likewise covenants and agrees, that the payment of all Junior Liabilities is hereby expressly subordinated in right of payment to the payment and performance of the Senior Indebtedness to the extent and in the manner set forth in the following clauses of this Section 1.07. To the extent this Section 1.07 conflicts with the terms of the Indenture, the terms of the Indenture shall control.

(a) No payment or other distribution of CFLP's assets of any kind or character, whether in cash, securities, or other rights or property, shall be made on account of this Note except to the extent such payment or other distribution is (i) permitted under the Indenture and (ii) made pursuant to Section 1.04 or 1.06 of this Note;

(b) If an Event of Bankruptcy has occurred with respect to CFLP or the Purchase Termination Date has occurred, then the Senior Indebtedness shall first be paid and performed in full and in cash before [Conn] [CAI] or any other holder of this Note shall be entitled to receive and to retain any payment or distribution in respect of the Junior Liabilities. In order to implement the foregoing: (x) all payments and distributions of any kind or character

in respect of the Junior Liabilities to which [Conn] [CAI] or any other holder of this Note would be entitled except for this subsection 1.07(b) shall be made directly to the Senior Agent (for the benefit of the Senior Interest Holders); and (y) [Conn] [CAI] or any other holder of this Note hereby irrevocably agrees that the Senior Agent, in the name of [Conn] [CAI] or any other holder of this Note or otherwise, may demand, sue for, collect, receive and receipt for any and all such payments or distributions, and file, prove and vote or consent in any such proceeding with respect to any and all claims of [Conn] [CAI] or any other holder of this Note relating to the Junior Liabilities, in each case until the Senior Indebtedness shall have been paid and performed in full and in cash.

(c) In the event that [Conn] [CAI] or any other holder of this Note receives any payment or other distribution of any kind or character from CFLP or from any other source whatsoever, in respect of the Junior Liabilities, other than as expressly permitted by the terms of this Note, such payment or other distribution shall be received in trust for the Senior Interest Holders and shall be turned over by [Conn] [CAI] or any other holder of this Note to the Senior Agent (for the benefit of the Senior Interest Holders) forthwith. All payments and distributions received by the Senior Agent in respect of this Note, to the extent received in or converted into cash, may be applied by the Senior Agent (for the benefit of the Senior Interest Holders) first to the payment of any and all reasonable expenses (including, without limitation, reasonable attorneys' fees and other legal expenses) paid or incurred by the Senior Agent or the Senior Interest Holders in enforcing these Subordination Provisions, or in endeavoring to collect or realize upon the Junior Liabilities, and any balance thereof shall, solely as between [Conn] [CAI] or any other holder of this Note and the Senior Interest Holders, be applied by the Senior Agent toward the payment of the Senior Indebtedness in a manner determined by the Senior Agent to be in accordance with the Indenture; but as between the Purchaser and its creditors, no such payments or distributions of any kind or character shall be deemed to be payments or distributions in respect of the Senior Indebtedness.

(d) Upon the final payment in full and in cash of all Senior Indebtedness, [Conn] [CAI] or any other holder of this Note shall be subrogated to the rights of the Senior Interest Holders to receive payments or distributions from CFLP that are applicable to the Senior Indebtedness until the Junior Liabilities are paid in full.

(e) These Subordination Provisions are intended solely for the purpose of defining the relative rights of [Conn] [CAI] or any other holder of this Note, on the one hand, and the Senior Interest Holders, on the other hand. Nothing contained in the Subordination Provisions or elsewhere in this Note is intended to or shall impair, as between CFLP, its creditors (other than the Senior Interest Holders) and [Conn] [CAI] or any other holder of this Note, CFLP's obligation, which is unconditional and absolute, to pay the Junior Liabilities as and when the same shall become due and payable in accordance with the terms hereof and of the Receivables Purchase Agreement or to affect the relative rights of [Conn] [CAI] or any other holder of this Note and creditors of CFLP (other than the Senior Interest Holders).

(f) [Conn] [CAI] or any other holder of this Note shall not, until the Senior Indebtedness have been finally paid and performed in full and in cash, (i) cancel, waive, forgive, transfer or assign, or commence legal proceedings to enforce or collect, or subordinate to any obligation of CFLP, howsoever created, arising or evidenced, whether direct or indirect, absolute

or contingent, or now or hereafter existing, or due or to become due, other than the Senior Indebtedness, the Junior Liabilities, or any rights in respect thereof or (ii) convert the Junior Liabilities into an equity interest in the Purchaser, unless, in the case of each of clauses (i) and (ii) above, [Conn] [CAI] or any other holder of this Note shall have received the prior written consent of the Senior Agent in each case.

(g) [Conn] [CAI] or any other holder of this Note shall not, without the advance written consent of the Senior Agent, commence, or join with any other Person in commencing, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings under any federal or state bankruptcy or similar law, with respect to CFLP until at least one year and one day shall have passed since the Senior Indebtedness shall have been finally paid and performed in full and in cash.

(h) If, at any time, any payment (in whole or in part) made with respect to any Senior Indebtedness is rescinded or must be restored or returned by a Senior Interest Holder (whether in connection with any Event of Bankruptcy or otherwise), these Subordination Provisions shall continue to be effective or shall be reinstated, as the case may be, as though such payment had not been made.

(i) Each of the Senior Interest Holders may, from time to time, to the extent consistent with the Transaction Documents, at its sole discretion, without notice to [Conn] [CAI] or any other holder of this Note, and without waiving any of its rights under these Subordination Provisions, take any or all of the following actions: (i) retain or obtain an interest in any property to secure any of the Senior Indebtedness; (ii) retain or obtain the primary or secondary obligations of any other obligor or obligors with respect to any of the Senior Indebtedness; (iii) extend or renew for one or more periods (whether or not longer than the original period), alter or exchange any of the Senior Indebtedness, or release or compromise any obligation of any nature with respect to any of the Senior Indebtedness; (iv) amend, supplement, or otherwise modify any Transaction Document; and (v) release its security interest in, or surrender, release or permit any substitution or exchange for all or any part of any rights or property securing any of the Senior Indebtedness, or extend or renew for one or more periods (whether or not longer than the original period), or release, compromise, alter or exchange any obligations of any nature of any obligor with respect to any such rights or property.

(j) [Conn] [CAI] or any other holder of this Note hereby waives: (i) notice of acceptance of these Subordination Provisions by any of the Senior Interest Holders; (ii) notice of the existence, creation, non-payment or non-performance of all or any of the Senior Indebtedness; and (iii) all diligence in enforcement, collection or protection of, or realization upon the Senior Indebtedness, or any thereof, or any security therefor.

(k) These Subordination Provisions constitute a continuing offer from CFLP to all Persons who become the holders of, or who continue to hold, Senior Indebtedness; and these Subordination Provisions are made for the benefit of the Senior Interest Holders, and the Senior Agent may proceed to enforce such provisions on behalf of each of such Persons.

Section 1.08. Amendments, Etc. No failure or delay on the part of [Conn] [CAI] or any other holder of this Note in exercising any power or right hereunder shall operate as a

waiver thereof, nor shall any single or partial exercise of any such power or right preclude any other or further exercise thereof or the exercise of any other power or right. No amendment, modification or waiver of, or consent with respect to, any provision of this Note shall in any event be effective unless (a) the same shall be in writing and signed and delivered by CFLP and [Conn] [CAI] or any other holder of this Note, and (b) all consents required for such actions under the Transaction Documents shall have been received by the appropriate Persons.

Section 1.09. Limitation on Interest. Notwithstanding anything in this Note to the contrary, CFLP shall never be required to pay unearned interest on any amount outstanding hereunder, and shall never be required to pay interest on the principal amount outstanding hereunder, at a rate in excess of the maximum interest rate that may be contracted for, charged or received without violating applicable federal or state law.

Section 1.10. No Negotiation. This Note is not negotiable.

Section 1.11. Governing Law. THIS NOTE SHALL GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF TEXAS WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.

Section 1.12. Captions. Paragraph captions used in this Note are provided solely for convenience of reference only and shall not affect the meaning or interpretation of any provision of this Note.

IN WITNESS WHEREOF, the undersigned has caused this Note to be executed by its officer thereunto duly authorized on the date first above written.

CONN FUNDING II, L.P.

By: Conn Funding II GP, L.L.C.,
Its general partner

By:

Name:
Title:

EXHIBIT B

FORM OF PURCHASE REPORT

B-1

[ON FILE WITH CONN]

EXHIBIT C

FORM OF NON-PETITION LETTER

SCHEDULE I

RECEIVABLE SCHEDULE

[ON FILE WITH THE TRUSTEE]

SCHEDULE II

OFFICES WHERE BOOKS, RECORDS, ETC.
EVIDENCING RECEIVABLES ARE KEPT

Conn Appliances, Inc.:

3295 College Street
Beaumont, Texas 77701

CAI, L.P.:

3295 College Street
Beaumont, Texas 77701

Conn Funding I, L.P.

3295 College Street
Beaumont, Texas 77701

SCHEDULE III

[Reserved]

SCHEDULE IV

LIST OF TRADE NAMES

Conn Appliances, Inc., and CAI, L.P.:

"Appliance Parts & Service"
"Conn"
"Conn Appliances"
"Conn Rental"
"Conn Service"
"Conns"
"Conn's"
"Conn's Rental"
"Conn's Service"

Conn Funding I, L.P.:

None.

SCHEDULE V

AUTHORIZED OFFICERS OF ORIGINATOR

Name	Title
Thomas J. Frank	CEO of Conn Appliances, Inc.
William C. Nylin, Jr.	President of Conn Appliances, Inc.
C. W. Frank	Executive Vice President and CFO of Conn Appliances, Inc.
David R. Atnip	Secretary, Treasurer and Senior Vice President of Conn Appliances, Inc.

SCHEDULE VI

FORM OF REVOLVING CHARGE ACCOUNT AGREEMENT
AND INSTALLMENT CONTRACT

[ON FILE WITH THE TRUSTEE]

SCHEDULE VII

PERFECTION REPRESENTATIONS, WARRANTIES AND COVENANTS

In addition to the representations, warranties and covenants contained in the Purchase Agreement, the Originator hereby represents, warrants, and covenants to the Trustee as follows on the Closing Date:

General

1. The Purchase Agreement creates a valid and continuing security interest (as defined in the applicable UCC) in the Purchased Receivables in favor of the Purchaser, which security interest is prior to all other Liens, and is enforceable as such as against creditors of and purchasers from the Originator.

2. The Purchased Receivables constitute "accounts", "tangible chattel paper" or "electronic chattel paper" within the meaning of the UCC as in effect in the States of Texas and New York.

3. The Trust Accounts constitute either a deposit account or a securities account within the meaning of the UCC as in effect in the States of Texas and New York.

Creation

4. The Originator owns and has good and marketable title to the Purchased Receivables free and clear of any Lien, claim or encumbrance of any Person, excepting only liens for taxes, assessments or similar governmental charges or levies incurred in the ordinary course of business that are not yet due and payable or as to which any applicable grace period shall not have expired, or that are being contested in good faith by proper proceedings and for which adequate reserves have been established, but only so long as foreclosure with respect to such a lien is not imminent and the use and value of the property to which the Lien attaches is not impaired during the pendency of such proceeding.

Perfection:

5. The Originator has caused or will have caused, within ten days after the effective date of the Purchase Agreement, the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under applicable law in order to perfect the sale of the Purchased Receivables from the Originator to the Purchaser, and the security interest in the Purchased Receivables granted to the Trustee under the Indenture; and Servicer has in its possession the original copies of such instruments, certificated securities or tangible chattel paper that constitute or evidence the Purchased Receivables, and all financing statements referred to in this paragraph contain a statement that: "A purchase of or security interest in any collateral described in this financing statement will violate the rights of the Trustee."

6. With respect to Purchased Receivables that constitute tangible chattel paper, either:

(i) All original executed copies of each such tangible chattel paper have been delivered to the Trustee;

(ii)(A) Such tangible chattel paper is in the possession of the Custodian and the Trustee has received a written acknowledgment from the Custodian that the Custodian is holding such tangible chattel paper solely on behalf and for the benefit of the Trustee; (B) the Originator has marked on or before the date that is sixty (60) days after the Initial Closing Date the authoritative copy of each Contract or lease that constitutes or evidences the Receivables with a legend to the following effect: "[Conn Appliances, Inc.][CAI, L.P.] has sold all its rights and interest herein to Conn Funding II, L.P."; and (C) such Contracts or leases do not have any other marks or notations indicating that they have been pledged, assigned or otherwise conveyed to any Person other than the Purchaser; or

(iii) A third party custodian received possession of such instruments or tangible chattel paper after the Trustee received a written acknowledgment from such custodian that such custodian is acting solely as agent of the Trustee;

7. With respect to Receivables that constitute electronic chattel paper, either:

(a) The Originator has caused, or will have caused within ten days of the effective date of the Purchase Agreement, the filing of financing statement against the Originator in favor of the Purchaser in connection herewith describing such Receivables and containing a statement that: "A purchase of or security interest in any collateral described in this financing statement will violate the rights of the Purchaser and the Trustee"; or

(b) All of the following are true:

(i) Only one authoritative copy of each such Contract or lease exists; and each such authoritative copy (A) is unique, identifiable and unalterable (other than with the participation of the Purchaser and the Trustee in the case of an addition or amendment of an identified assignee and other than a revision that is readily identifiable as an authorized or unauthorized revision), (B) has been marked with a legend to the following effect: "Authoritative Copy" and (C) has been communicated to and is maintained by the Trustee or a custodian who has acknowledged in writing that it is maintaining the authoritative copy of each electronic chattel paper solely on behalf of and for the benefit of the Purchaser (or the Trustee), or is acting solely as its agent; and

(ii) the Originator has marked the authoritative copy of each Contract or lease that constitutes or evidences the Receivables with a legend to the following effect: "[Conn Appliances, Inc.][CAI, L.P.] has sold all its rights and interest herein to Conn Funding II, L.P." Such Contract or leases do not have any other marks or notations indicating that they have been pledged, assigned or otherwise conveyed to any Person other than the Purchaser or the Trustee; and

(iii) the Originator has marked all copies of each Contract or lease that constitute or evidence the Receivables other than the authoritative copy with a legend to the following effect: "This is not an authoritative copy"; and

(iv) The records evidencing the Receivables have been established in a manner such that (a) all copies or revisions that add or change an identified assignee of the authoritative copy of each such electronic chattel paper must be made with the participation of the Purchaser or the Trustee and (b) all revisions of the authoritative copy of each such electronic chattel paper must be readily identifiable as an authorized or unauthorized revision.

Priority

8. Other than the transfer of the Purchased Receivables to the Purchaser under the Purchase Agreement, the Originator has not pledged, assigned, sold, granted a security interest in, or otherwise conveyed any of the Purchased Receivables or the Trust Accounts. The Originator has not authorized the filing of, or is aware of any financing statements against the Originator that include a description of collateral covering the Purchased Receivables or the Trust Accounts other than those that have been released and any financing statement relating to the sale of the Purchased Receivables to the Purchaser, relating to the security interest granted to the Trustee under the Indenture or that has been terminated.

9. The Originator is not aware of any judgment, ERISA or tax lien filings against the Originator.

10. Neither the Originator nor a custodian holding any Collateral that is electronic chattel paper has communicated an authoritative copy of any loan agreement or lease that constitutes or evidences the Receivables to any Person other than the Purchaser or the Trustee.

11. None of the tangible chattel paper or electronic chattel paper that constitutes or evidences the Purchased Receivables has any marks or notations indicating that it has been pledged, assigned or otherwise conveyed to any Person other than the Purchaser, other than the security interest assigned to the Trustee pursuant to the Indenture.

12. Survival of Perfection Representations. Notwithstanding any other provision of the Purchase Agreement or any other Transaction Document, the Perfection Representations contained in this Schedule shall be continuing, and remain in full force and effect (notwithstanding any replacement of the Servicer or termination of Servicer's rights to act as such) until such time as the Issuer Obligations under the Indenture have been finally and fully paid and performed.

13. No Waiver. The Purchaser shall not, without satisfying the Rating Agency Condition, waive any of the Perfection Representations.

Exhibit 10.11

CONN FUNDING II, L.P.,
as Issuer

and

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION,
as Trustee

BASE INDENTURE

Dated as of September 1, 2002

Asset Backed Notes
(Issuable in Series)

TABLE OF CONTENTS

BASE INDENTURE, dated as of September 1, 2002, between CONN FUNDING II, L.P., a special purpose limited partnership established under the laws of Texas, as issuer (the "Issuer") and WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, a banking association organized and existing under the laws of the United States of America, as Trustee.

W I T N E S S E T H:
- - - - - - - - - - -

WHEREAS, the Issuer has duly executed and delivered this Indenture to provide for the issuance from time to time of one or more series of Notes, issuable as provided in this Indenture; and

WHEREAS, all things necessary to make this Indenture a legal, valid and binding agreement of the Issuer, enforceable in accordance with its terms, have been done, and the Issuer proposes to do all the things necessary to make the Notes, when executed by the Issuer and authenticated and delivered by the Trustee hereunder and duly issued by the Issuer, the legal, valid and binding obligations of the Issuer as hereinafter provided;

NOW, THEREFORE, for and in consideration of the premises and the receipt of the Notes by the Noteholders, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Noteholders and any Enhancement Provider, if applicable, as follows:

GRANTING CLAUSE

The Issuer hereby grants to the Trustee at the Initial Closing Date, for the benefit of the Trustee, the Noteholders, each Enhancement Provider, if any (unless otherwise provided in the related Series Supplement), and any other Person to which any Issuer Obligations are payable (the "Secured Parties"), to secure the Issuer Obligations, a lien on and security interest in all of the Issuer's right, title and interest in, to and under the following property whether now owned or hereafter acquired, now existing or hereafter created and wherever located (a) the Receivables existing on or after the Cut-Off Date that have been or may from time to time be conveyed, sold and/or assigned to the Issuer pursuant to the Purchase Agreement; (b) all Collections thereon received on or after the Cut-Off Date; (c) all Related Security; (d) the Collection Account, any Investor Account, any Series Account and any other account maintained by the Trustee for the benefit of the Secured Parties of any Series of Notes (each such account, a "Trust Account"), all monies from time to time deposited therein and all investment property from time to time credited thereto; (e) all certificates and instruments, if any, representing or evidencing any or all of the Trust Accounts or the funds on deposit therein from time to time; (f) all Permitted Investments made at any time and from time to time with moneys in the Trust Accounts or any subaccount thereof (including income on such investments, unless otherwise specified in a Series Supplement); (g) to the extent set forth in the Series Supplement for a Series, any Enhancement, including any Credit Enhancement; (h) all monies available under the Servicer Letter of Credit and under any Enhancement, including any Credit Enhancement, to be provided for any Series for payment to the Noteholders of such Series; (i) the Issuer's rights, powers and benefits, but

none of its obligations or burdens, under the Servicing Agreement and the Purchase Agreement; (j) all additional property that may from time to time hereafter (pursuant to the terms of any Series Supplement or otherwise) be subjected to the grant and pledge hereof by the Issuer or by anyone on its behalf; and (k) all present and future claims, demands, causes and choses in action and all payments on or under and all proceeds of every kind and nature whatsoever in respect of any or all of the foregoing, including all proceeds of all of the foregoing and the conversion thereof, voluntary or involuntary, into cash or other liquid property, all cash proceeds, accounts, accounts receivable, notes, drafts, acceptances, chattel paper, checks, deposit accounts, insurance proceeds, investment property, rights to payment of any and every kind and other forms of obligations and receivables, instruments and other property which at any time constitute all or part of or are included in the proceeds of any of the foregoing (collectively, the "Trust Estate").

The foregoing Grant is made in trust to secure the payment of principal of and interest on, and any other amounts owing in respect of, the Issuer Obligations, equally and ratably without prejudice, priority or distinction except as set forth herein, and to secure compliance with the provisions of this Indenture, all as provided in this Indenture.

The Trustee, for the benefit of the Secured Parties, hereby acknowledges such Grant, accepts the trusts under this Indenture in accordance with the provisions of this Indenture and the lien on and security interest in the Trust Estate conveyed by the Issuer pursuant to the Grant, declares that it shall maintain such right, title and interest, upon the trust set forth, for the benefit of all Secured Parties, subject to Sections 11.1 and 11.2 and agrees to perform its duties required in this Indenture to the best of its ability to the end that the interests of the Secured Parties may be adequately and effectively protected.

ARTICLE 1.

DEFINITIONS AND INCORPORATION BY REFERENCE

Section 1.1. Definitions. Certain capitalized terms used herein (including the preamble and the recitals hereto) shall have the following meanings:

"Accumulation Period" means, with respect to any Series or any Class within a Series if provided for in the applicable Series Supplement, a period following the Revolving Period, which shall be the accumulation or other period in which Collections of Principal Receivables are accumulated in an account for the benefit of the Noteholders of such Series, or a Class within such Series, in each case as may be defined with respect to such Series in the related Series Supplement and can be either a Controlled Accumulation Period or Rapid Accumulation Period.

"Adverse Claim" means a lien, security interest, charge or encumbrance, or other right or claim in, of or on any Person's assets or properties in favor of any other Person (including any UCC financing statement or any similar instrument filed against such Person's assets or properties), other than a Permitted Encumbrance.

"Affiliate" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person. A Person shall be deemed to control another Person if the controlling Person possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of voting stock, by contract or otherwise.

"Agent" means any Transfer Agent and Registrar or Paying Agent.

"Aggregate Investor Default Amount" has, with respect to any Series of Notes, the meaning specified in the related Series Supplement.

"Aggregate Investor Interests" means, as of any date of determination, the sum of the Investor Interests of all Series of Notes issued and outstanding on such date of determination.

"Aggregate Investor Percentage" with respect to Principal Receivables, Finance Charges and Defaulted Receivables, as the case may be, means, as of any date of determination, the sum of the applicable Investor Percentages of all Series of Notes issued and outstanding on such date of determination; provided, however, that the Aggregate Investor Percentage shall not exceed 100%.

"Aggregate Net Investor Charge-Offs" means, on any date of determination, the sum of the "Net Investor Charge-Offs" or similar amount for each Series.

"Amortization Commencement Date" means, with respect to a Series of Notes, the date on which a Pay Out Event for such Series is deemed to have occurred pursuant to Section 9.1 or the start of an Amortization Period.

"Amortization Period" means, with respect to any Series of Notes, or any Class within a Series, the period following the Revolving Period (as defined in any related Series Supplement) which shall be the Controlled Amortization Period, Principal Amortization Period or the Rapid Amortization Period, each as may be defined in the applicable Series Supplement.

"Applicants" has the meaning specified in subsection 4.2(b).

"Available Servicer Letter of Credit Amount" has the meaning specified in the Servicer Letter of Credit and, if applicable, subsection 5.10(e).

"Back-Up Servicing Agreement" has the meaning specified in the Servicing Agreement.

"Bankruptcy Code" means The Bankruptcy Reform Act of 1978, as amended from time to time, and as codified as 11 U.S.C. Section 101 et seq.

"Base Indenture" means this Base Indenture, dated as of September 1, 2002, between the Issuer and the Trustee, as amended, restated, modified or supplemented from time to time, exclusive of Series Supplements.

"Bearer Notes" has the meaning specified in Section 2.1.

"Bearer Rules" means the provisions of the Code, in effect from time to time, governing the treatment of bearer obligations, including without limitation sections 163(f), 165(j), 871, 881, 1287(a), 1441, 1442 and 4701.

"Book-Entry Notes" means beneficial interests in the Notes, ownership and transfers of which shall be evidenced or made through book entries by a Clearing Agency or a Foreign Clearing Agency as described in Section 2.16; provided that after the occurrence of a condition whereupon book-entry registration and transfer are no longer permitted and Definitive Notes are issued to the Note Owners, such Definitive Notes shall replace Book-Entry Notes.

"Business Day" unless otherwise specified in a Series Supplement, means any day that DTC is open for business at its office in New York City and any day other than a Saturday, Sunday or other day on which banking institutions or trust companies in the State of New York generally, the City of New York, Chicago, Illinois, Beaumont, Texas, Minneapolis, Minnesota or Atlanta, Georgia are authorized or obligated by law, executive order or governmental decree to be closed.

"Business Taxes" means any Federal, state or local income taxes or taxes measured by income, property taxes, excise taxes, franchise taxes or similar taxes.

"Capitalized Lease" of a Person means any lease of property by such Person as lessee which would be capitalized on a balance sheet of such Person prepared in accordance with GAAP.

"Certificated Security" means a "certificated security" within the meaning of the applicable UCC.

"Charged-Off Receivable" means a Receivable which, consistent with the Credit and Collection Policy, would be written off the Issuer's or any Seller's books as uncollectible.

"Class" means, with respect to any Series, any one of the classes of Notes of that Series as specified in the related Series Supplement.

"Clearing Agency" means an organization registered as a "clearing agency" pursuant to Section 17A of the Exchange Act or any successor provision thereto.

"Clearing Agency Participant" means a broker, dealer, bank, other financial institution or other Person for whom from time to time a Clearing Agency or Foreign Clearing Agency effects book-entry transfers and pledges of securities deposited with the Clearing Agency or Foreign Clearing Agency.

"Clearstream, Luxembourg" means Clearstream Banking, societe anonyme.

"Closing Date" means the Initial Closing Date or any New Series Issuance Date.

"Code" means the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

"Collateral Interests" has the meaning, if any, with respect to any Series, specified in the related Series Supplement.

"Collection Account" has the meaning specified in subsection 5.3(a).

"Collections" means, with respect to any Receivable, all cash collections and other cash proceeds of such Receivable, including, without limitation, all Principal Receivables, Finance Charges and Recoveries, if any, and cash proceeds of Related Security with respect to such Receivable and any Deemed Collections in each case, received on or after the applicable Cut-Off Date; provided, however, that, if not otherwise specified, the term "Collections" shall refer to the Collections on all the Receivables collectively together with any Investment Earnings and any other funds received with respect to the Trust Estate.

"Companion Series" means (i) each Series which has been paired with another Series (which Series may be prefunded or partially prefunded), such that the reduction of the outstanding principal balance of the Notes of such Series results in the increase of the outstanding principal balance of the Notes of such other Series, as described in the related Series Supplements, and (ii) such other Series.

"Conn" means Conn Appliances, Inc., a Texas corporation.

"Conn Officer's Certificate" means a certificate signed by any Responsible Officer of the Issuer, a Seller or the Servicer, as the case may be, and delivered to the Trustee.

"Contract" means any Installment Contract or Revolving Charge Account Agreement.

"Contractual Obligation" means, with respect to any Person, any provision of any security issued by that Person or of any indenture, mortgage, deed of trust, contract, undertaking, agreement or other instrument to which that Person is a party or by which it or any of its properties is bound or to which it or any of its properties is subject.

"Controlled Accumulation Period" means, with respect to any Series of Notes, the period specified, if any, in the applicable Series Supplement.

"Controlled Amortization Period" means, with respect to any Series of Notes, the period specified, if any, in the applicable Series Supplement.

"Controlled Distribution Amount" means, with respect to any Series of Notes, the amount (or amounts), if any, specified in the applicable Series Supplement.

"Corporate Trust Office" means the principal office of the Trustee at which at any particular time its corporate trust business shall be administered, which office at the date of the execution of this Base Indenture is located at MAC N9311-161 6/th/ and Marquette, Minneapolis, Minnesota 55479, Attention: Corporate Trust Services/Asset-Backed Administration; provided that for purposes of Sections 5.2, 8.2, and 11.20, the address of any such office shall be in the Borough of Manhattan of the City of New York.

"Coupon" has the meaning specified in Section 2.1.

"Coverage Test" has the meaning specified in subsection 5.4(c).

"Credit Adjustment" has the meaning specified in subsection 5.4(d).

"Credit and Collection Policy" means the Sellers' credit and collection policy or policies relating to Contracts and Receivables existing on the Closing Date and referred to in Exhibit C to the Servicing Agreement, as amended, supplemented or otherwise modified and in effect from time to time in compliance with subsection 2.12(c) of the Servicing Agreement.

"Credit Enhancement" means, with respect to any Series of Notes, the rights and benefits provided to the Noteholders of such Series of Notes pursuant to issuance of subordinated Notes, over-collateralization, a collateral interest, an insurance policy, a cash collateral guaranty or account, a letter of credit, a surety bond, a spread account, a cash reserve account or a yield enhancement account principally for the benefit of the Noteholders of such Series (or Noteholders of a Class within such Series) as designated in the applicable Series Supplement.

"Cut-Off Date" shall mean (i) with respect to Receivables purchased under the Purchase Agreement on the Initial Closing Date, September 11, 2002 and (ii) with respect to Subsequently Purchased Receivables, the related Purchase Date.

"Daily Payment Event" means any of the following events:

(i) the termination of CAI, L.P. as Servicer;

(ii) a Servicer Default shall occur;

(iii) the Servicer shall have failed to make any deposit required by it under the Transaction Documents;

(iv) 35 days (or five Business Days, if the Servicer Letter of Credit Bank does not have letter of credit ratings equal to or higher than P-2 (or the equivalent thereof) from Moody's and, if rated by any other Rating Agency, such Rating Agency) shall have passed from the date the Servicer received notice pursuant to Section 5.10(b) of the downgrading of the letter of credit rating of the Servicer Letter of Credit Bank below the Required Rating and either (A) there shall not have been delivered to the Trustee a substitute Servicer Letter of Credit in accordance with Section 5.10(c) or (B) the Servicer shall not have instructed the Trustee to make a demand for a drawing under the Servicer Letter of Credit pursuant to Section 5.10(b) and in accordance with Section 5.10(e); or

(v) five Business Days remain to the expiry or termination of the Servicer Letter of Credit and there shall not have been delivered to the Trustee a substitute Servicer Letter of Credit in accordance with Section 5.10(c).

"Deemed Collections" means in connection with any Receivable, all amounts payable (without duplication) with respect to such Receivable, by (i) any Seller pursuant to Section 2.4 of the Purchase Agreement, (ii) the Servicer pursuant to Section 2.08 of the Servicing Agreement and/or (iii) the Issuer pursuant to subsection 3.02(d) of the Servicing Agreement.

"Default" means any occurrence that is, or with notice or lapse of time or both would become, an Event of Default.

"Defaulted Receivable" means any Receivable (i) which has been written off as uncollectible by the Servicer in accordance with the Credit and Collection Policies, (ii) as to which, at the end of any Monthly Period, any payment, or part thereof, remains unpaid for two hundred ten (210) days or more past the due date for such payment determined by reference to the contractual payment terms, as amended, of such Receivable or (iii) as to which the Obligor thereon has suffered an Event of Bankruptcy (without giving effect to any grace periods set forth in the definition of "Event of Bankruptcy").

"Definitive Notes" has the meaning specified in subsection 2.16(f).

"Delinquent Receivable" means a Receivable (other than a Defaulted Receivable) as to which all or any part of a scheduled payment remains unpaid for thirty one (31) days or more from the due date for such payment.

"Depository" has the meaning specified in Section 2.16.

"Depository Agreement" means, with respect to each Series, the agreement among the Issuer, the Trustee and the Clearing Agency or Foreign Clearing Agency, or as otherwise provided in the related Series Supplement.

"Determination Date" means, unless otherwise specified in the related Series Supplement, the third Business Day prior to each Series Transfer Date.

"Dollars" and the symbol "$" mean the lawful currency of the United States.

"DTC" means The Depository Trust Company.

"Eligible Installment Contract Receivable" means each Installment Contract Receivable:

(a) which was originated in compliance with all applicable requirements of law (including without limitation all laws, rules and regulations relating to truth in lending, fair credit billing, fair credit reporting, fair debt collection practices and privacy) and which complies with all applicable requirements of law;

(b) with respect to which all consents, licenses, approvals or authorizations of, or registrations or declarations with, any governmental authority required to be obtained, effected or given by the Seller in connection with the creation or the execution, delivery and performance of such Receivable, have been duly obtained, effected or given and are in full force and effect;

(c) as to which, at the time of the sale of such Receivable to Issuer, the Seller or the Initial Seller, as applicable, was the sole owner thereof and had good and marketable title thereto free and clear of all Liens;

(d) which is the legal, valid and binding payment obligation of the Obligor thereon enforceable against such Obligor in accordance with its terms and is not subject to any right of rescission, setoff, counterclaim or defense (including the defense of usury) or to any repurchase obligation or return right;

(e) which constitutes an "account" or "chattel paper", in each case under and as defined in Article 9 of the UCC of all applicable jurisdictions;

(f) which was established in accordance with the Credit and Collection Policies in the regular and ordinary course of the business of the Seller; provided that Installment Contract Receivables representing up to 5% of the aggregate Outstanding Principal Balance of all Installment Contract Receivables may not have been established in accordance with the Credit and Collection Policies and shall be deemed to meet the requirements of this paragraph (f) so long as the credit applications for such Installment Contract Receivables were approved by a senior manager and the related Obligors shall have made at least six consecutive payments by the due date therefor with respect to such Installment Contract Receivables;

(g) which is denominated and payable in Dollars, is only payable in the United States of America and each Obligor in respect of which resides in the United States of America;

(h) other than a Receivable (A) (i) which is a Defaulted Receivable or was, on the related Purchase Date, a Delinquent Receivable (unless such Delinquent Receivable is a Special Receivable), or (ii) as to which, on the related Purchase Date, all of the original Obligors obligated thereon are deceased (unless such Receivable is a Special Receivable), or (iii) as to which, on the related Purchase Date, the Seller or the Parent has received notice that the Obligor thereon has "skipped" or cannot be located (unless such Receivable is a Special Receivable), or (B) which, consistent with the Credit and Collection Policies, has been or should have been written off as uncollectible;

(i) the terms of which have not been modified or waived except as permitted under the Credit and Collection Policies or the Transaction Documents; excluding, however, (i) the aggregate Outstanding Principal Balance of all Eligible Installment Contract Receivables the original final maturity date of which has been extended to the extent exceeding 20% of the Outstanding Principal Balance of all Eligible Receivables, (ii) without duplication, the aggregate Outstanding Principal Balance of all Eligible Installment Contract Receivables the original final maturity date of which has been extended by more than six months to the extent exceeding 2% of the Outstanding Principal Balance of all Eligible Receivables and (iii) without duplication, the aggregate Outstanding Principal Balance of all Eligible Installment Contract Receivables the original final maturity date of which has been extended by more than twelve months;

(j) which was originated in connection with a sale of Merchandise by a Seller;

(k) which has no Obligor thereon that is an officer, director or Affiliate of the Seller, is a Governmental Authority or is an Opportunity Customer; provided, that Receivables any Obligor of which is an Opportunity Customer may be an Eligible Installment Contract Receivable notwithstanding this clause (k) to the extent, and only to the extent, that the Outstanding Principal Balance of all Receivables any Obligor of which is an Opportunity Customer does not exceed 25% of the Outstanding Principal Balance of all Receivables at such time;

(l) the original terms of which provide for (i) repayment in full of the amount financed or the principal balance thereof in equal monthly installments over a maximum term not to exceed 36 months and (ii) stated interest on the principal balance thereof, or the payment of finance charges in respect of the amount financed, at a rate per annum that is not less than 18% (unless otherwise required by law); provided, that Receivables which provide for no payment of principal, interest or finance charges in respect of the amount financed, in each case solely for a period not to exceed twelve months from the origination thereof, and Receivables which provide for interest or finance charges at a rate per annum of less than 18%, may be Eligible Receivables notwithstanding this clause (l) to the extent, and only to the extent, that the Outstanding Principal

Balance of all Installment Contract Receivables and Revolving Charge Receivables which do not require payment of principal, interest or finance charges for up to twelve months or which provide for interest or finance charges at a rate per annum of less than 18%, does not exceed 20% of the Outstanding Principal Balance of all Eligible Receivables at such time;

(m) the assignment of which to Issuer does not contravene or conflict with any law, rule or regulation or any contractual or other restriction, limitation or encumbrance, and the sale or assignment of which does not require the consent of the Obligor thereof; and

(n) which is substantially in the form of one of the contracts attached as Exhibit B hereto (with such changes therein as may be necessary or desirable from time to time in light of local statutes and regulations).

"Eligible Receivable" means an Eligible Revolving Charge Receivable or an Eligible Installment Contract Receivable.

"Eligible Revolving Charge Receivable" means each Revolving Charge Receivable:

(a) which was originated in compliance with all applicable requirements of law (including without limitation all laws, rules and regulations relating to truth in lending, fair credit billing, fair credit reporting, fair debt collection practices and privacy) and which complies with all applicable requirements of law;

(b) with respect to which all consents, licenses, approvals or authorizations of, or registrations or declarations with, any governmental authority required to be obtained, effected or given by the Seller in connection with the creation or the execution, delivery and performance of such Receivable, have been duly obtained, effected or given and are in full force and effect;

(c) as to which, at the time of the sale of such Receivable to Issuer, the Seller or the Initial Seller, as applicable, was the sole owner thereof and had good and marketable title thereto free and clear of all Liens;

(d) which is the legal, valid and binding payment obligation of the Obligor thereon enforceable against such Obligor in accordance with its terms and is not subject to any right of rescission, setoff, counterclaim or defense (including the defense of usury) or to any repurchase obligation or return right;

(e) which constitutes an "account" or "chattel paper", in each case under and as defined in Article 9 of the UCC of all applicable jurisdictions;

(f) which was established in accordance with the Credit and Collection Policies in the regular and ordinary course of the business of the Seller; provided that Revolving Charge Receivables representing up to 5% of the aggregate Outstanding Principal Balance of all

Revolving Charge Receivables may not have been established in accordance with the Credit and Collection Policies and shall be deemed to meet the requirements of this paragraph (f) so long as the credit applications for such Revolving Charge Receivables were approved by a senior manager and the related Obligors shall have made at least six consecutive payments by the due date therefor with respect to such Revolving Charge Receivables;

(g) which is denominated and payable in Dollars, is only payable in the United States of America and each Obligor in respect of which resides in the United States of America;

(h) other than a Receivable (A) (i) which is a Defaulted Receivable or was, on the related Purchase Date, a Delinquent Receivable (unless such Delinquent Receivable is a Special Receivable), or (ii) as to which, on the related Purchase Date, all of the original Obligors obligated thereon are deceased (unless such Receivable is a Special Receivable), or (iii) as to which, on the related Purchase Date, the Seller or the Parent has received notice that the Obligor thereon has "skipped" or cannot be located (unless such Receivable is a Special Receivable), or (B) which, consistent with the Credit and Collection Policies, has been or should have been written off as uncollectible;

(i) the terms of which have not been modified or waived except as permitted under the Credit and Collection Policies or the Transaction Documents; excluding, however, (i) the aggregate Outstanding Principal Balance of all Eligible Revolving Charge Receivables that provide for a minimum monthly payment of less than 1/30 of the highest outstanding balance since the last date on which such outstanding balance was zero to the extent exceeding the difference of 20% of the Outstanding Principal Balance of all Eligible Receivables minus the aggregate Outstanding Principal Balance of all Eligible Installment Contract Receivables the original final maturity date of which has been extended, (ii) without duplication, the aggregate Outstanding Principal Balance of all Eligible Revolving Charge Receivables that provide for a minimum monthly payment of less than 1/36 of the highest outstanding balance since the last date on which such outstanding balance was zero to the extent exceeding the difference of 2% of the Outstanding Principal Balance of all Eligible Receivables minus the aggregate Outstanding Principal Balance of all Eligible Installment Contract Receivables the original final maturity date of which has been extended by more than six months, (iii) without duplication, the aggregate Outstanding Principal Balance of all Eligible Revolving Charge Receivables that provide for a minimum monthly payment of less than 1/42 of the highest outstanding balance since the last date on which such outstanding balance was zero;

(j) which was originated in connection with a sale of Merchandise by a Seller;

(k) which has no Obligor thereon that is an officer, director or Affiliate of the Seller, is a Governmental Authority or is an Opportunity Customer;

(l) which arises under a Revolving Charge Account Agreement the original terms of which provide for (i) the repayment of the balance thereof with a minimum monthly

payment of not less than 1/30 of the highest outstanding balance since the last date on which the outstanding balance in such account was zero and (ii) stated interest on the balance thereof, or the payment of finance charges in respect of the amount financed, at a rate per annum that is not less than 18% (unless otherwise required by law); provided, that Receivables which provide for no payment of principal, interest or finance charges in respect of the amount financed, in each case solely for a period not to exceed twelve months from the origination thereof, and Receivables which provide for interest or finance charges at a rate per annum of less than 18%, may be Eligible Receivables notwithstanding this clause (l) to the extent, and only to the extent, that the Outstanding Principal Balance of all Installment Contract Receivables and Revolving Charge Receivables which do not require payment of principal, interest or finance charges for up to twelve months or which provide for interest or finance charges at a rate per annum of less than 18% does not exceed 20% of the Outstanding Principal Balance of all Receivables at such time;

(m) the assignment of which to Issuer does not contravene or conflict with any law, rule or regulation or any contractual or other restriction, limitation or encumbrance, and the sale or assignment of which does not require the consent of the Obligor thereof; and

(n) which is substantially in the form of one of the contracts attached as Exhibit B hereto (with such changes as may be necessary or desirable from time to time in light of local statutes or regulations).

"Enhancement" means, with respect to any Series of Notes, the rights and benefits provided directly to the Noteholders of such Series of Notes pursuant to any Credit Enhancement, guaranteed rate agreement, maturity liquidity facility, interest rate cap agreement, interest rate swap agreement, currency swap agreement or any other similar arrangement, excluding the Servicer Letter of Credit.

"Enhancement Agreement" means any contract, agreement, instrument or document (other than a Series Supplement) governing the terms of any Enhancement or pursuant to which any Enhancement is issued or outstanding.

"Enhancement Agreement Pay Out Event" means, with respect to any Series of Notes, any Pay Out Event under any Enhancement Agreement specified in the applicable Series Supplement, after giving effect to any applicable cure periods.

"Enhancement Invested Amount" is defined, with respect to any Series of Notes, in the applicable Series Supplement.

"Enhancement Provider" means the Person providing any Enhancement as designated in the applicable Series Supplement, other than any Noteholders the Notes of which are subordinated to any Class or Series of Notes.

"Enhancement Provider Default" is defined, with respect to any Series of Notes, in the applicable Series Supplement.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, supplemented or otherwise modified and in effect from time to time, and the rules and regulations promulgated thereunder.

"ERISA Affiliate" means, with respect to any Person, (i) any corporation which is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Code) as such Person; (ii) a trade or business (whether or not incorporated) under common control (within the meaning of Section 414(c) of the Code) with such Person; or (iii) a member of the same affiliated service group (within the meaning of Section 414(n) of the Code) as such Person, any corporation described in clause (i) above or any trade or business described in clause (ii) above.

"ERISA Event" means any of the following: (i) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Pension Plan; (ii) the receipt by such Person or any ERISA Affiliate from the Pension Benefit Guaranty Corporation or a plan administrator of any notice relating to an intention to terminate any Pension Plan or Pension Plans or to appoint a trustee to administer any Pension Plan; (iii) the incurrence by such Person or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Pension Plan or Multiemployer Plan; (iv) any "reportable event" as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Pension Plan (other than an event for which the 30-day notice period is waived), (v) the incurrence by such Person or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Pension Plan or (vi) the receipt by such Person or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from such Person or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

"Euroclear" means the Euroclear System, as operated by Euroclear Bank S.A./N.V.

"Event of Bankruptcy" shall be deemed to have occurred with respect to a Person if:

(a) a case or other proceeding shall be commenced, without the application or consent of such Person, before any Official Body, seeking the liquidation, reorganization, debt arrangement, dissolution, winding up, or composition or adjustment of debts of such Person, the appointment of a trustee, receiver, custodian, liquidator, assignee, sequestrator or the like for such Person or all or substantially all of its assets, or any similar action with respect to such Person under any law relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, and in the case of any Person, such case or proceeding shall continue undismissed, or unstayed and in effect, for a period of sixty (60) consecutive days; or an

order for relief in respect of such Person shall be entered in an involuntary case under the Federal bankruptcy laws or other similar laws now or hereafter in effect; provided, however, that an "Event of Bankruptcy" for purposes of the definition of Defaulted Receivable with regard to an insurance company shall not include the appointment of a conservator, receiver, etc. for such insurance company; or

(b) such Person shall (i) consent to the institution of (except as described in the proviso to clause (a) above) any proceeding or petition described in clause (a) of this definition, or (ii) commence a voluntary case or other proceeding under any applicable bankruptcy, insolvency, reorganization, debt arrangement, dissolution or other similar law now or hereafter in effect, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) for such Person or for any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall fail to, or admit in writing its inability to, pay its debts generally as they become due, or, if a corporation or similar entity, its board of directors shall vote to implement any of the foregoing.

"Event of Default" has the meaning specified in Section 10.1.

"Excess Spread" is defined, with respect to any Series of Notes, in the applicable Series Supplement.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Exchange Date" has the meaning specified in the related Series Supplement.

"Expected Final Payment Date" means, with respect to any Series of Notes, the date, if any, stated in the applicable Series Supplement as the date on which such Series of Notes is expected to be paid in full.

"FDIC" means the Federal Deposit Insurance Corporation.

"Finance Charge Account" has the meaning specified in subsection 5.3(b).

"Finance Charges" means any finance, interest, late or similar charges or fee owing by an Obligor pursuant to the Contracts (other than with respect to Defaulted Receivables), including all periodic interest payments made on Cash Option Receivables even if credited against the Outstanding Principal Balance of such Cash Option Receivables in accordance with the terms thereof.

"Fiscal Year" means any period of twelve consecutive calendar months ending on January 31.

"Foreign Clearing Agency" means Clearstream and Euroclear.

"Funding Period" has the meaning with respect to any Series of Notes, if applicable, specified in the related Series Supplement.

"GAAP" means those principles of accounting set forth in pronouncements of the Financial Accounting Standards Board, the American Institute of Certified Public Accountants or which have other substantial authoritative support and are applicable in the circumstances as of the date of a report, as such principles are from time to time supplemented and amended.

"Global Note" has the meaning specified in Section 2.19.

"Grant" means the Issuer's grant of a lien on and security interest in, to and under the Trust Estate as set forth in the Granting Clause of this Base Indenture.

"Group" means with respect to any Series, the group of Series in which the related Series Supplement specifies that such Series shall be included, if any.

"Holder" or "Noteholder" means the Person in whose name a Note is registered in the Note Register and, if applicable, the holder of any Bearer Note or Coupon, as the case may be, or such other Person deemed to be a "Holder" or "Noteholder" in any related Series Supplement. Notwithstanding anything to the contrary contained here, in the event that the Noteholders under any Series shall have received all principal, interest and other sums owing to such Noteholders under the Notes and the other Transaction Documents and any sums shall be due to any Enhancement Providers under such Series, then such Enhancement Providers shall be deemed to be the Holders of such Notes for all purposes hereof.

"Indebtedness" means, with respect to any Person, such Person's (i) obligations for borrowed money, (ii) obligations representing the deferred purchase price of property other than accounts payable arising in the ordinary course of such Person's business on terms customary in the trade, (iii) obligations, whether or not assumed, secured by liens on or payable out of the proceeds or production from, property now or hereafter owned or acquired by such Person, (iv) obligations which are evidenced by notes, acceptances, or other instruments, (v) Capitalized Lease obligations and (vi) obligations of another Person of a type described in clauses (i) through (v) above, for which such Person is obligated pursuant to a guaranty, put or similar arrangement.

"Indenture" means the Base Indenture, together with all Series Supplements, as the same maybe amended, restated, modified or supplemented from time to time.

"Indenture Termination Date" has the meaning specified in Section 12.1.

"Independent" means, when used with respect to any specified Person, that the person (a) is in fact independent of the Issuer, any other obligor upon the Notes, each Seller, the Initial

Seller and any Affiliate of any of the foregoing persons, (b) does not have any direct financial interest or any material indirect financial interest in the Issuer, any such other obligor, any Seller, the Initial Seller or any Affiliate of any of the foregoing Persons and (c) is not connected with the Issuer, any such other obligor, any Seller, the Initial Seller or any Affiliate of any of the foregoing Persons as an officer, employee, promoter, underwriter, trustee, partner, director or Person performing similar functions.

"Independent Certificate" means a certificate or opinion to be delivered to the Trustee under the circumstances described in, and otherwise complying with, the applicable requirements of Section 15.1, prepared by an Independent appraiser or other expert appointed by an Issuer Order and approved by the Trustee in the exercise of reasonable care, and such opinion or certificate shall state that the signer has read the definition of "Independent" in this Indenture and that the signer is Independent within the meaning thereof.

"Independent Manager" has the meaning specified in subsection 8.2(p).

"Initial Closing Date" means September 13, 2002.

"Initial Investor Interests" means, with respect to any Series of Notes, the amount stated in the related Series Supplement.

"Initial Seller" has the meaning specified in the Purchase Agreement.

"Installment Contract" means any retail installment sale contract executed by an Obligor in connection with a sale of Merchandise and all amounts due thereunder from time to time.

"Installment Contract Receivable" has the meaning specified in the Purchase Agreement.

"Interest Period" means, with respect to any Series of Notes, the period specified in the applicable Series Supplement.

"Investment Company Act" means the Investment Company Act of 1940, as amended.

"Investment Earnings" means all interest and earnings (net of losses and investment expenses) accrued on funds on deposit in the Trust Accounts (except if otherwise provided with respect to any Series Account in the related Series Supplement).

"Investor Account" means each of the Excess Funding Account (as defined in the Series Supplements), the Finance Charge Account, the Principal Account and each of the Payment Accounts.

"Investor Interests" has, with respect to any Series of Notes, the meaning stated in the related Series Supplement.

"Investor Percentage" has the meaning stated in the related Series Supplement.

"Issuer" has the meaning specified in the preamble of this Base Indenture.

"Issuer Distributions" has the meaning specified in subsection 5.4(c).

"Issuer Interest" means at any time, an amount equal to the aggregate Principal Receivables plus the amounts on deposit in the Collection Account, the Excess Funding Account (as defined in the applicable Series Supplement) and the Principal Account minus the Aggregate Investor Interests.

"Issuer Obligations" means all principal and interest, at any time and from time to time, owing by the Issuer on the Notes and all costs, fees and expenses and other amounts owing or payable by, or obligations of, the Issuer to any Person (other than the Initial Seller, the Sellers or the Parent) under the Indenture and/or the Transaction Documents.

"Issuer Order" and "Issuer Request" means a written order or request signed in the name of the Issuer by any one of its Responsible Officers and delivered to the Trustee.

"Issuer Pay Out Event" with respect to all Series of Notes, has the meaning specified in Section 9.1.

"Law" means any law (including common law), constitution, statute, treaty, regulation, rule, ordinance, order, injunction, writ, decree or award of any Official Body.

"Legal Final Payment Date" is defined, with respect to any Series of Notes, in the applicable Series Supplement.

"Lien" means any mortgage or deed of trust, pledge, hypothecation, assignment, deposit arrangement, lien, charge, claim, security interest, easement or encumbrance, or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including any lease or title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of, or agreement to give, any financing statement perfecting a security interest under the UCC or comparable law of any jurisdiction).

"Liquidation Event" means, with respect to any Series of Notes, one of the events specified in the applicable Series Supplement.

"Luxembourg Agent" has the meaning specified in subsection 2.4(a).

"Material Adverse Effect" means any event or condition which would have a material adverse effect on (i) the collectibility of any material portion of the Receivables, (ii) the condition

(financial or otherwise), businesses or properties of the Issuer, the Servicer or any Seller, (iii) the ability of the Issuer, the Servicer or any Seller to perform its respective obligations under the Transaction Documents to which it is a party and (iv) the interests of the Trustee or any Secured Party in the Trust Estate or under the Transaction Documents.

"Merchandise" means (i) home appliances, electronic goods, computers, telephones and other goods and merchandise of the type sold by the Seller from time to time in the ordinary course of business, which in each case constitute "consumer goods" under and as defined in Article 9 of the UCC of all applicable jurisdictions, (ii) service maintenance contracts and services in respect of any goods or merchandise referred to in clause (i) above, and (iii) credit insurance (including life, disability, property and involuntary unemployment) in respect of any goods or merchandise referred to in clause (i) above or any Obligor's payment obligations in respect of a Receivable.

"Minimum Issuer Interest" has the meaning specified in each Series Supplement.

"Monthly Noteholders' Statement" means, with respect to any Series of Notes, a statement substantially in the form attached in the relevant Series Supplement, with such changes as the Servicer may determine to be necessary or desirable; provided, however, that no such change shall serve to exclude information expressly required by this Base Indenture or any Series Supplement.

"Monthly Period" means, unless otherwise defined in any Series Supplement, the period from and including the first day of a calendar month to and including the last day of a calendar month.

"Monthly Servicer Report" means a report substantially in the form attached as Exhibit A-1 to the Servicing Agreement or in such other form as shall be agreed between the Servicer and the Trustee; provided, however, that no such other agreed form shall serve to exclude information expressly required by this Base Indenture or any Series Supplement.

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" means a "multiemployer plan" as defined in Section 4001(a)(3) of ERISA with respect to which a Seller, the Issuer or any ERISA Affiliate of a Seller or the Issuer is making, is obligated to make, or has made or been obligated to make, contributions on behalf of participants who are or were employed by any of them.

"Net Investor Charge-Offs" means, with respect to each Series, on any date of determination, the excess of (i) the amount described in clause (c) of the definition of Investor Interest on such date over (ii) the amount described in clause (d) of such definition on such date.

"New Series Issuance" means any issuance of a new Series of Notes pursuant to Section 2.2.

"New Series Issuance Date" has the meaning, with respect to any Series issued pursuant to a New Series Issuance, specified in Section 2.2.

"New Series Issuance Notice" has the meaning, with respect to any Series issued pursuant to a New Series Issuance, specified in Section 2.2.

"Non-Purchased Receivables" shall mean those Receivables that (i) were either (A) Receivables which were not originated in accordance with the Credit and Collection Policies, (B) Receivables which were originated under manufacturer-sponsored promotional programs, the terms of which are more favorable to the Obligor than the terms of any non-manufacturer sponsored promotional program being offered by the Seller or (C) Receivables which would not be Eligible Receivables on the related Purchase Date, and (ii) were listed as "Non-Purchased Receivables" on a purchase report delivered on the related Purchase Date.

"Non-U.S. Person" means a person who is not a "U.S. Person" as such term is defined in Regulation S.

"Note Interest" means interest payable in respect of the Notes of any Series pursuant to the Series Supplement for such Series.

"Note Owner" means, with respect to a Book-Entry Note, the Person who is the beneficial owner of such Book-Entry Note, as reflected on the books of the Clearing Agency or Foreign Clearing Agency, or on the books of a Person maintaining an account with such Clearing Agency or Foreign Clearing Agency (directly or as an indirect participant, in accordance with the rules of such Clearing Agency or Foreign Clearing Agency).

"Note Principal" means the principal payable in respect of the Notes of any Series pursuant to Article 5.

"Note Rate" means, with respect to any Series of Notes (or, for any Series with more than one Class, for each Class of such Series), the annual rate at which interest accrues on the Notes of such Series of Notes (or formula on the basis of which such rate shall be determined) as stated in the applicable Series Supplement.

"Note Register" means the register maintained pursuant to subsection 2.6(a), providing for the registration of the Notes and transfers and exchanges thereof.

"Notes" means any one of the notes (including, without limitation, the Global Notes or the Definitive Notes) issued by the Issuer, executed and authenticated by the Trustee substantially in the form (or forms in the case of a Series with multiple classes) of the note attached to the

related Series Supplement or such other obligations of the Issuer deemed to be a "Note" in any related Series Supplement.

"Notice Persons" means, with respect to any Series of Notes, the Persons identified as such in the applicable Series Supplement.

"Obligor" means, with respect to any Receivable, the Person or Persons obligated to make payments with respect to such Receivable, including any guarantor thereof.

"Official Body" means any government or political subdivision or any agency, authority, bureau, central bank, commission, department or instrumentality of any such government or political subdivision, or any court, tribunal, grand jury or arbitrator, in each case whether foreign or domestic.

"Opinion of Counsel" means one or more written opinions of counsel to the Issuer, the Sellers or the Servicer who (except in the case of opinions regarding matters of organizational standing, power and authority, conflict with organizational documents, conflict with agreements other than Transaction Documents, qualification to do business, licensure and litigation or other proceedings) shall be external counsel, satisfactory to the Trustee, which opinions shall comply with any applicable requirements of Section 15.1 and TIA Section 314, and shall be in form and substance satisfactory to the Trustee, and shall be addressed to the Trustee. An Opinion of Counsel may, to the extent same is based on any factual matter, rely on a Conn Officer's Certificate as to the truth of such factual matter.

"Opportunity Customer" means an Obligor which meets the "OFC Underwriting" criteria but fails to meet the "CCC Underwriting" criteria set forth in the Credit and Collection Policy.

"Originator Note" has the meaning specified in the Purchase Agreement.

"Outstanding Principal Balance" means, as of any date with respect to any Purchased Receivable, an amount equal to (i) the original principal balance due on such Purchased Receivable plus (ii) the amount of any additional advances before such date minus (iii) the Principal Collections.

"Parent" shall mean Conn Appliances, Inc.

"Pay Out Event" has the meaning specified in Section 9.1.

"Paying Agent" means any paying agent appointed pursuant to Section 2.7 and shall initially be the Trustee.

"Payment Account" has the meaning specified in subsection 5.3(c).

"Payment Date" means, with respect to each Series, the dates specified in the related Series Supplement.

"Payment Priorities" has the meaning specified in subsection 5.10(e).

"Pension Plan" means a Plan described in Section 3(2) of ERISA.

"Perfection Representations" means the representations, warranties and covenants set forth in Schedule 1 attached hereto.

"Permitted Encumbrance" (a) with respect to the Issuer, any item described in clause (i), (iv) or (vi) of the following, and (b) with respect to Conn, any Seller or the Initial Seller, any item described in clauses (i) through (vi) of the following:

(i) liens, charges or other encumbrances for taxes and assessments which are not yet due and payable or which are being contested in good faith and for which reserves have been established, if required in accordance with GAAP;

(ii) liens of or resulting from any judgment or award, the time for the appeal or petition for rehearing of which shall not have expired, or in respect of which a Seller shall at any time in good faith be prosecuting an appeal or proceeding for a review and with respect to which adequate reserves or other appropriate provisions are being maintained in accordance with GAAP;

(iii) liens, charges or other encumbrances or priority claims incidental to the conduct of business or the ownership of properties and assets (including mechanics', carriers', repairers', warehousemen's and statutory landlords' liens and liens to secure the performance of leases) and deposits, pledges or liens to secure statutory obligations, surety or appeal bonds or other liens of like general nature incurred in the ordinary course of business and not in connection with the borrowing of money, provided in each case, the obligation secured is not overdue, or, if overdue, is being contested in good faith by appropriate actions or proceedings and with respect to which adequate reserves or other appropriate provisions are being maintained in accordance with GAAP;

(iv) liens, charges or encumbrances in favor of the Trustee, or otherwise created by the Issuer, any Seller, the Initial Seller or the Trustee pursuant to the Transaction Documents, and the interests of mortgagees and loss payees under the terms of any Contract;

(v) lien, charges, imperfections in title or other encumbrances which, in the aggregate do not exceed $100,000 and which, individually or in the

aggregate, do not materially interfere with the rights under the Transaction Documents of the Trustee or any Noteholder in any of the Receivables; and

(vi) any lien or security interest created in favor of the Issuer, Conn, such Seller or the Initial Seller in connection with the purchase of any Receivables by the Issuer, Conn, such Seller or the Initial Seller and covering such Receivables, the related Contracts with respect to which are sold or purported to be sold by Conn, such Seller or the Initial Seller to the Issuer pursuant to the Purchase Agreement.

"Permitted Investments" means, unless otherwise provided in the Series Supplement with respect to any Series, any of the following (a) negotiable instruments or securities represented by instruments in bearer or registered or in book-entry form which evidence (i) obligations fully guaranteed by the United States of America; (ii) obligations of any agency of the United States of America; (iii) time deposits in, or bankers acceptances issued by, any depositary institution or trust company incorporated under the laws of the United States of America or any state thereof and subject to supervision and examination by Federal or state banking or depositary institution authorities; provided, however, that at the time of investment or contractual commitment to invest therein, the certificates of deposit or short-term deposits, if any, or long-term unsecured debt obligations (other than such obligation whose rating is based on collateral or on the credit of a Person other than such institution or trust company) of such depositary institution or trust company shall have a credit rating of at least A-1/P-1 (or the equivalent thereof) from Moody's and, if rated by any other Rating Agency, such Rating Agency, in the case of the certificates of deposit or short-term deposits, or a rating not lower than one of the two highest investment categories granted by Moody's and, if rated by any other Rating Agency, such Rating Agency; (iv) certificates of deposit having, at the time of investment or contractual commitment to invest therein, a rating of at least A-1/P-1 (or the equivalent thereof) from Moody's and, if rated by any other Rating Agency, such Rating Agency; or (v) investments in money market funds (including those owned or managed by the Trustee) rated in the highest investment category by Moody's and, if rated by any other Rating Agency, such Rating Agency; (b) demand deposits and cash escrows in any depositary institution or trust company (including those owned or managed by the Trustee) referred to in (a)(iii) above; (c) commercial paper (having original or remaining maturities of no more than thirty (30) days) having, at the time of investment or contractual commitment to invest therein, a credit rating of at least A-1/P-1 (or the equivalent thereof) by Moody's and, if rated by any other Rating Agency, such Rating Agency; (d) Eurodollar time deposits having a credit rating of at least A-1/P-1 (or the equivalent thereof) from Moody's and, if rated by any other Rating Agency, such Rating Agency; (e) repurchase agreements involving any of the Permitted Investments described in clauses (a)(i), (a)(iv) and (d) of this definition so long as the other party to the repurchase agreement has at the time of investment therein, a rating of at least A-1/P-1 (or the equivalent thereof) from Moody's and, if rated by any other Rating Agency, such Rating Agency; and (f) any other investment permitted by the Notice Persons of each Series and which satisfies the Rating Agency Condition.

"Permitted Seller" means the Parent, CAI, L.P. and such other entities as shall be approved by the Notice Persons of each Series.

"Person" means any corporation, limited liability company, natural person, firm, joint venture, partnership, trust, unincorporated organization, enterprise, government or any department or agency of any government.

"Post Office Box" has the meaning specified in the Servicing Agreement.

"Potential Pay Out Event" means any occurrence that is, or with notice or lapse of time or both would become, a Pay Out Event.

"Principal Account" has the meaning specified in subsection 5.3(b).

"Principal Account Floor" means, at any time, the excess, if any, of (i) the sum of (a) interest and fees accrued and unpaid at such time with respect to the Notes and "Enhancement" of all Series (together with, if applicable, interest on any overdue interest and fees at the rate specified in the accompanying series supplements), (b) accrued and unpaid Servicing Fees and Trustee and Back-Up Servicer Fees and Expenses at such time, (c) the aggregate Outstanding Principal Balance of all Receivables that became Defaulted Receivables since the last Business Day of the Monthly Period preceding the most recent Payment Date, (d) any other accrued and unpaid costs, expenses, or liability of the Issuer whatsoever (except for obligations of the Issuer to pay any principal on the Notes outstanding at such time and except for any taxes and fee and indemnity expenses for which cash, other than Collections, are available to the Issuer) and (e) the aggregate, for each Series in an Accumulation Period or Amortization Period, of the full amount to be set aside or distributed for each such Series with respect to principal on the Notes on the next Payment Date, over (ii) the amount on deposit in the Finance Charge Account (plus, so long as no Daily Payment Event shall have occurred, the amount (not to exceed the Available Servicer Letter of Credit Amount) of Collections of Finance Charges held by the Servicer and not deposited in the Finance Charge Account).

"Principal Amortization Period" means, with respect to any Series of Notes, the period specified, if any, in the applicable Series Supplement.

"Principal Collections" means all Collections received in respect of Principal Receivables.

"Principal Receivables" means the principal portion of the Receivables (other than Defaulted Receivables), excluding any Recoveries and any accrued and unpaid Finance Charges.

"Principal Terms" has the meaning with respect to any Series issued pursuant to a New Series Issuance specified in subsection 2.2(b).

"Proceeding" means any suit in equity, action at law or other judicial or administrative proceeding.

"Purchase Agreement" means the Receivables Purchase Agreement, dated as of September 1, 2002, among the Initial Seller, each of the Sellers from time to time party thereto, and the Issuer, as such agreement may be amended, supplemented or otherwise modified and in effect from time to time.

"Purchase Date" has the meaning specified in the Purchase Agreement.

"Purchased Receivable" means any Receivable purchased (or purported to be purchased) by the Issuer pursuant to the terms of the Purchase Agreement.

"Qualified Institution" means a depository institution or trust company, which may include the Trustee, organized under the laws of the United States or any one of the states thereof or the District of Columbia, which either (a) has corporate trust powers and at all times has a certificate of deposit rating of P-1 (or the equivalent thereof) by Moody's and, if rated by any other Rating Agency, such Rating Agency, or a long-term unsecured debt obligation rating of at least A-/A3 (or the equivalent thereof) by Moody's and, if rated by any other Rating Agency, such Rating Agency, and deposit insurance provided by either the Bank Insurance Fund ("BIF") or the Savings Association Insurance Fund ("SAIF"), each administered by the FDIC, or (b) at all times has a certificate of deposit rating of at least A-1/P-1 (or the equivalent thereof) by Moody's and, if rated by any other Rating Agency, such Rating Agency, or a long-term unsecured debt obligation rating of at least A-/A3 (or the equivalent thereof) by Moody's and, if rated by any other Rating Agency, such Rating Agency, and deposit insurance as required by the FDIC or (c) a depository institution, which may include the Trustee, which is acceptable to the Rating Agency.

"Rapid Accumulation Period" means, with respect to any Series of Notes, a period specified, if any, in the applicable Series Supplement.

"Rapid Amortization Period" means, with respect to any Series of Notes, the period specified, if any, in the applicable Series Supplement.

"Rating Agency" means, with respect to each outstanding Series of Notes, the rating agency or agencies, if any, selected by the Issuer to rate all or a portion of such Series of Notes or any Class thereof, as specified in the related Series Supplement, at the request of the Issuer.

"Rating Agency Condition" means, unless otherwise provided in a Series Supplement, with respect to any action requiring rating agency approval or consent, that each Rating Agency rating any Series shall have notified the Issuer and the Trustee in writing that such action will not result in a reduction or withdrawal of the then current rating of any outstanding Series or Class thereof with respect to which it is a Rating Agency. Satisfaction of the Rating Agency Condition shall be an expense of the Issuer unless otherwise provided herein or in any Series Supplement.

"Receivable" means the indebtedness of any Obligor under a Contract (which "Receivable" has been acquired by the Issuer from a Seller or the Initial Seller pursuant to the terms of the Purchase Agreement), whether constituting an account, chattel paper, an instrument, a general intangible, payment intangible, promissory note or otherwise, and shall include (i) the right to payment of such indebtedness and any interest or finance charges and other obligations of such Obligor with respect thereto (including, without limitation, the principal amount of such indebtedness, periodic finance charges, late fees and returned check fees), and (ii) all proceeds of, and payments or Collections on, under or in respect of any of the foregoing. Notwithstanding the foregoing, upon release from the Trust Estate pursuant to Section 2.14, a Removed Receivable shall no longer constitute a Receivable. If an Installment Contract is rewritten for credit reasons, the indebtedness under the new Installment Contract shall, for purposes of the Transaction Documents, constitute the same Receivable as existed under the original Installment Contract, unless such indebtedness is a Non-Purchased Receivable (in which case, the original Receivable shall cease to be a Receivable for purposes of the Transaction Documents upon payment in accordance with Section 2.5 of the Purchase Agreement with respect thereto). If an Installment Contract is refinanced in connection with the purchase of additional Merchandise, the original Receivable shall cease to be a Receivable for purposes of the Transaction Documents upon payment in accordance with Section 2.5 of the Purchase Agreement with respect thereto and the indebtedness under the new Installment Contract shall constitute a new Receivable for purposes of the Transaction Documents upon the sale thereof to the Purchaser pursuant to Section 2.1 of the Purchase Agreement.

"Receivable Files" has the meaning specified in the Purchase Agreement.

"Record Date" means, unless otherwise specified in the applicable Series Supplement, with respect to any Series of Notes and any Payment Date, the last Business Day of the preceding Monthly Period.

"Records" means all Contracts and other documents, books, records and other information (including, without limitation, computer programs, tapes, disks, punch cards, data processing software and related property and rights) maintained with respect to Receivables and the related Obligors.

"Recoveries" means, with respect to any period, all Collections received during such period in respect of Receivables that became Charged-Off Receivables prior to the first day of such period.

"Redemption Date" means (a) in the case of a redemption of the Notes pursuant to Section 14.1, the Payment Date specified by the Servicer or the Issuer pursuant to Section 14.1 or (b) the date specified for a Series pursuant to redemption provisions of the related supplement.

"Redemption Price" means in the case of a redemption of the Notes pursuant to Section 14.1, an amount equal to the unpaid principal amount of the then outstanding principal

amount of each class of Notes being redeemed plus accrued and unpaid interest thereon to but excluding the Redemption Date and any other amounts due to Noteholders.

"Registered Notes" has the meaning specified in Section 2.1.

"Related Security" means, with respect to any Purchased Receivable, all guaranties, indemnities, insurance and other agreements (including the related Receivable File) or arrangement and other collateral of whatever character from time to time supporting or securing payment of such Purchased Receivable or otherwise relating to such Purchased Receivable.

"Removed Receivables" means any Receivable which is purchased or repurchased (i) by the Servicer pursuant to the last paragraph of Section 2.08 of the Servicing Agreement, (ii) by any Seller pursuant to the terms of the Purchase Agreement or (iii) by any other Person pursuant to Section 5.8 of the Indenture.

"Required Noteholders" means Holders of Notes in the VFN Series, voting together without regard to Class or Series, representing in excess of 66 2/3% of the aggregate Maximum Funded Amount (as defined in the applicable Note Purchase Agreement) of all Noteholders in the VFN Series, and the Holders of Notes of all other Series, voting together without regard to Class or Series, representing in excess of 66 2/3% of the aggregate principal balance of all Notes in such other Series outstanding.

"Required Persons" means, with respect to any Series of Notes, the Persons identified as such in the applicable Series Supplement.

"Required Rating" shall mean at least P-1 (or the equivalent thereof) by Moody's and, if rated by any other Rating Agency, such Rating Agency.

"Required Remittance Amount" has the meaning specified in subsection 5.10(a).

"Requirements of Law" means, as to any Person, the organizational documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Official Body, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Responsible Officer" means, with respect to any Person, the Chairman, the President, the Controller, any Vice President, the Secretary, the Treasurer, or any other officer of such Person customarily performing functions similar to those performed by any of the above-designated officers and also, with respect to a particular matter any other officer to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject.

"Restricted Period" has, with respect to any Series of Notes, the meaning designated as the "Restricted Period," if any, in the related Series Supplement.

"Retailer Credit Agreement" means the Credit Agreement dated as of July 14, 1998, by and among Conn, CAI Credit Insurance Agency, Inc., Chase Bank of Texas, National Association, individually and as Administrative Agent for lenders described in such Credit Agreement, Chase Securities, Inc., as arranger, and Bank of America, N.A. (as successor in interest to NationsBank, N.A.), individually and as Documentation Agent for the lenders described in such Credit Agreement, as such Credit Agreement may hereafter be amended from time to time.

"Revolving Charge Account Agreement" means any retail revolving charge account agreement between the Seller or a Permitted Seller and an Obligor pursuant to which such Obligor is obligated to pay for Merchandise purchased under a credit plan and permits such Obligor to purchase such Merchandise on credit.

"Revolving Charge Receivable" means any indebtedness of an Obligor arising under a Revolving Charge Account Agreement.

"Revolving Period" means, with respect to any Series of Notes, the period specified in the applicable Series Supplement.

"Scheduled Payment Date" has the meaning, with respect to any Series of Notes, if any, in the related Series Supplement.

"Secured Parties" has the meaning specified in Granting Clause of this Base Indenture.

"Securities Act" means the Securities Act of 1933, as amended.

"Sellers" means Conn, CAI, L.P. and any additional Sellers approved in writing by the Required Persons of each Series that become a party to the Purchase Agreement pursuant to the terms thereof, and each of their successors and permitted assigns (other than the Initial Seller).

"Series Account" has the meaning specified in subsection 5.3(d).

"Series of Notes" or "Series" means any Series of Notes issued and authenticated pursuant to the Base Indenture and a related Series Supplement, which may include within any Series multiple Classes of Notes, one or more of which may be subordinated to another Class or Classes of Notes.

"Series Pay Out Event" has the meaning, with respect to any Series of Notes, specified in the related Series Supplement.

"Series Supplement" means a supplement to the Base Indenture complying with the terms of Section 2.2 of the Base Indenture or a Supplement.

"Series Temporary Regulation S Global Note" means, with respect to any Series of Notes, the notes designated as such, if any, in the related Series Supplement.

"Series Termination Date" means, with respect to any Series of Notes, the date specified as such in the applicable Series Supplement.

"Series Transfer Date" means, unless otherwise specified in the related Series Supplement, with respect to any Series, the Business Day immediately prior to each Payment Date.

"Servicer" means initially CAI, L.P. and its permitted successors and assigns and thereafter any Person appointed as successor as herein provided to service the Receivables.

"Servicer Default" has the meaning specified in Section 2.04 of the Servicing Agreement.

"Servicer LC Escrow Account" has the meaning specified in subsection 5.10(e).

"Servicer Letter of Credit" shall mean a letter of credit, dated the Initial Closing Date, issued by the Servicer Letter of Credit Bank for the benefit of the Trustee or any substitute therefor in accordance with subsection 5.10(c).

"Servicer Letter of Credit Bank" shall mean SunTrust Bank and the issuer of any substitute Servicer Letter of Credit delivered pursuant to subsection 5.10(c).

"Servicing Agreement" means the Servicing Agreement, dated September 1, 2002, among the Issuer, the Servicer and the Trustee, as the same may be amended or supplemented from time to time.

"Servicing Fee" means (i) for any Monthly Period during which CAI, L.P. or any Affiliate acts as Servicer, an amount equal to the product of (i) 3.00%/12 multiplied by (ii) the average aggregate Principal Receivables plus the average aggregate Defaulted Receivables for such Monthly Period and (ii) for any Monthly Period during which any other successor Servicer acts as Servicer, the Servicing Fee shall be an amount equal to the product of (i) the current market rate for servicing receivables similar to the Receivables divided by 12, multiplied by (ii) the average aggregate Principal Receivables plus the average aggregate Defaulted Receivables for such Monthly Period; provided, however, that in no event shall the current market rate exceed 5.00%.

"Servicing Officer" means any officer of the Servicer involved in, or responsible for, the administration and servicing of the Receivables whose name appears on a list of servicing officers furnished to the Trustee by the Servicer, as such list may from time to time be amended.

"Special Receivable" means a Receivable (other than a Defaulted Receivable or Charged-Off Receivable) as to which as of the Cut-Off Date, all or any part of a scheduled payment remains unpaid for 31, but not more than 210, days from the due date for such payment or all of the original Obligors obligated thereon are deceased or have "skipped" or cannot be located.

"Subsequently Purchased Receivables" has the meaning set forth in the Purchase Agreement.

"Subsidiary" of a Person means any Person more than 50% of the outstanding voting interests of which shall at any time be owned or controlled, directly or indirectly, by such Person or by one or more Subsidiaries of such Person or any similar business organization which is so owned or controlled.

"Supplement" means a supplement to the Base Indenture complying with the terms of Article 13 of the Base Indenture.

"Swap Agreement" means one or more interest rate swap contracts, interest rate cap agreements or similar contracts entered into by the Issuer in connection with the issuance of a Series of Notes, as specified in the related Series Supplement, providing limited protection against interest rate risks.

"Tax Opinion" means with respect to any action or event, an Opinion of Counsel to the effect that, for United States federal income tax purposes (x) in connection with the initial issuance of a Series of Notes, if so specified in the related Series Supplement, such Notes constitute indebtedness and (y) (a) such action or event will not adversely affect the tax characterization of Notes of any outstanding Series or Class of Notes issued to investors as debt and (b) such action or event will not give rise to a taxable event for any Secured Party or the Issuer.

"Title IV Plan" means a Pension Plan (other than a Multiemployer Plan) that is covered by Title IV of ERISA and that a Seller, the Issuer or an ERISA Affiliate maintains, contributes to or has an obligation to contribute to on behalf of participants who are or were employed by any of them.

"Transaction Documents" means, collectively, the Base Indenture, any Series Supplement, the Notes, the Servicing Agreement, the Back-Up Servicing Agreement (as defined in the Servicing Agreement), the Purchase Agreement, any Enhancement Agreement, the Servicer Letter of Credit, the "Note Purchase Agreement" for each Series, and any agreements of the Issuer relating to the issuance or the purchase of any of the Notes.

"Transfer Agent and Registrar" has the meaning specified in Section 2.6 and shall initially be the Trustee's Corporate Trust Office.

"Transition Costs" means all reasonable costs and expenses incurred by the Back-Up Servicer in connection with a transfer of servicing.

"Trust Account" has the meaning specified in the Granting Clause to this Base Indenture.

"Trust Estate" means all money, instruments, rights and other property that are subject or intended to be subject to the lien and security interest of this Indenture for the benefit of the Secured Parties (including all property and interests Granted to the Trustee), including all proceeds thereof, as defined in the Granting Clause to this Base Indenture.

"Trust Indenture Act" or "TIA" means the Trust Indenture Act of 1939 as in force on the date hereof, unless otherwise specifically provided.

"Trust Officer" means any officer within the Corporate Trust Office (or any successor group of the Trustee), including any Vice President, any Managing Director, any Assistant Vice President, any Secretary, any Assistant Treasurer, any Assistant Secretary or any other officer of the Trustee customarily performing functions similar to those performed by any person who at the time shall be an above-designated officer and also, with respect to a particular matter, any other officer to whom any corporate trust matter is referred because of such officer's knowledge of and familiarity with the particular subject.

"Trustee" means initially Wells Fargo Bank Minnesota, National Association, and its successors and any corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee appointed in accordance with the provisions of this Base Indenture.

"Trustee and Back-Up Servicer Fees and Expenses" means, for any Series Transfer Date, (i) the amount of accrued and unpaid fees and reasonable expenses (but not in excess of $50,000 per calendar year (or, if an Event of Default has occurred and is continuing, $150,000 per Series per calendar year)) of the Trustee and Back-up Servicer; (ii) the amount of unpaid fees and reasonable expenses of the paying agent; and (iii) the Transition Costs (but not in excess of $50,000), if applicable.

"UCC" means, with respect to any jurisdiction, the Uniform Commercial Code as the same may, from time to time, be enacted and in effect in such jurisdiction.

"Unfunded Pension Liability" means, at any time, the aggregate amount, if any, of the sum of (a) the amount by which the present value of all accrued benefits under each Title IV Plan exceeds the fair market value of all assets of such Title IV Plan allocable to such benefits, all determined as of the most recent valuation date for each such Title IV Plan using the actuarial

assumptions for funding purposes in effect under such Title IV Plan (and not the assumptions used by the Pension Benefit Guaranty Corporation in calculating such amounts), and (b) for a period of five years following a transaction that might reasonably be expected to be covered by Section 4069 of ERISA, the liabilities (whether or not accrued) that could be avoided by a Seller or any ERISA Affiliate as a result of such transaction.

"U.S." or "United States" means the United States of America and its territories.

"U.S. Government Obligations" means direct obligations of the United States of America, or any agency or instrumentality thereof for the payment of which the full faith and credit of the United States of America is pledged as to full and timely payment of such obligations.

"VFN Series" means Series 2002-A and, with the consent of the "Required Persons" for each outstanding VFN Series, any other Series of variable funding notes.

"Withdrawal Liability" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

"written" or "in writing" means any form of written communication, including, without limitation, by means of telex, telecopier device, telegraph or cable.

Section 1.2. Incorporation by Reference of Trust Indenture Act. Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture, except to the extent that the Trustee has been advised by an Opinion of Counsel that the Indenture does not need to be qualified under the TIA or such provision is not required under the TIA to be applied to this Indenture in light of the outstanding Notes. The following TIA terms used in this Indenture have the following meanings:

"Commission" means the Securities and Exchange Commission.

"indenture securities" means the Notes.

"indenture security holder" means a Noteholder.

"indenture to be qualified" means this Indenture.

"indenture trustee" or "institutional trustee" means the Trustee.

"obligor" on the indenture securities means the Issuer and any other obligor on the indenture securities.

All other TIA terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by Commission rule have the meaning assigned to them by such definitions.

Section 1.3. Cross-References. Unless otherwise specified, references in this Indenture and in each other Transaction Document (other than any Enhancement Agreement) to any Article or Section are references to such Article or Section of this Indenture or such other Transaction Document, as the case may be, and, unless otherwise specified, references in any Article, Section or definition to any clause are references to such clause of such Article, Section or definition.

Section 1.4. Accounting and Financial Determinations; No Duplication. Where the character or amount of any asset or liability or item of income or expense is required to be determined, or any accounting computation is required to be made, for the purpose of this Indenture, such determination or calculation shall be made, to the extent applicable and except as otherwise specified in this Indenture, in accordance with GAAP applied on a consistent basis When used herein, the term "financial statement" shall include the notes and schedules thereto. All accounting determinations and computations hereunder or under any other Transaction Documents (other than any Enhancement Agreement) shall be made without duplication.

Section 1.5. Rules of Construction. In this Indenture, unless the context otherwise requires:

(i) "or" is not exclusive;

(ii) the singular includes the plural and vice versa;

(iii) reference to any Person includes such Person's successors and assigns but, if applicable, only if such successors and assigns are permitted by this Indenture, and reference to any Person in a particular capacity only refers to such Person in such capacity;

(iv) reference to any gender includes the other gender;

(v) reference to any Requirement of Law means such Requirement of Law as amended, modified, codified or reenacted, in whole or in part, and in effect from time to time;

(vi) "including" (and with correlative meaning "include") means including without limiting the generality of any description preceding such term; and

(vii) with respect to the determination of any period of time, "from" means "from and including" and "to" means "to but excluding".

Section 1.6. Other Definitional Provisions.

(a) All terms defined in any Series Supplement or this Base Indenture shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein. Capitalized terms used but not defined herein shall have the respective meaning given to such term in the Servicing Agreement.

(b) The words "hereof," "herein" and "hereunder" and words of similar import when used in this Base Indenture or any Series Supplement shall refer to this Base Indenture or such Series Supplement as a whole and not to any particular provision of this Base Indenture or any Series Supplement; and Section, subsection, Schedule and Exhibit references contained in this Base Indenture or any Series Supplement are references to Sections, subsections, Schedules and Exhibits in or to this Base Indenture or any Series Supplement unless otherwise specified.

ARTICLE 2.

THE NOTES

Section 2.1. Designation and Terms of Notes. Subject to Sections 2.16 and 2.19, the Notes of each Series and any Class thereof may be issued in bearer form (the "Bearer Notes") with attached interest coupons and a special coupon (collectively, the "Coupons") or in fully registered form (the "Registered Notes"), and shall be substantially in the form of exhibits with respect thereto attached to the applicable Series Supplement, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture and may have such letters, numbers or other marks of identification and such restrictions, legends or endorsements placed thereon and shall bear, upon their face, the designation for such Series to which they belong so selected by the Issuer, all as determined by the officers executing such Notes, as evidenced by their execution of the Notes; provided, however, that Bearer Notes shall be issued only in conformity with applicable laws and regulations, including without limitation the applicable Bearer Rules. Any portion of the text of any Note may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Note. All Notes of any Series shall, except as specified in the related Series Supplement, be pari passu and equally and ratably entitled as provided herein to the benefits hereof (except that, unless otherwise provided for in a related Series Supplement, the Enhancement provided for any Series shall not be available for any other Series) without preference, priority or distinction on account of the actual time or times of authentication and delivery, all in accordance with the terms and provisions of this Base Indenture and the related Series Supplement. If specified in the Series Supplement for any Series, the related Notes shall be issued upon initial issuance as a single note as described in Section 2.16 in an original principal amount equal to the Investor Interest of such Series and Class. The aggregate principal amount of Notes which may be authenticated and delivered under this Indenture is unlimited. Each Series of Notes shall be issued in the minimum denominations set forth in the related Series Supplement.

Section 2.2. New Series Issuances. The Notes may be issued in one or more Series. Each Series of Notes shall be created by a Series Supplement.

(a) The Issuer may effect the issuance of one or more Series of Notes on or after the Initial Closing Date (a "New Series Issuance") from time to time by notifying the Trustee in writing at least three (3) days in advance (a "New Series Issuance Notice") of the date upon which the New Series Issuance is to occur (a "New Series Issuance Date"). Any New Series Issuance Notice shall state the designation of any Series (and each Class thereof, if applicable) to be issued on the New Series Issuance Date and, with respect to each such Series: (a) its Initial Investor Interest (or the method for calculating such Initial Investor Interest), which, at any time, may not be greater than the Issuer Interest at such time (taking into account any Subsequently Purchased Receivables that the Issuer will purchase with the proceeds of such New Series Issuance) minus the highest Minimum Issuer Interest specified in the Series Supplement for any outstanding Series, (b) the aggregate initial outstanding principal amount of the Notes thereof (or the method for calculating such amount), and (c) the Enhancement Provider, if any, with respect to such Series. On the related New Series Issuance Date, the Issuer shall execute and the Trustee shall authenticate and deliver any such Series of Notes only upon delivery to it of the following:

(i) an Issuer Order authorizing and directing the authentication and delivery of the Notes of such new Series by the Trustee and specifying the designation of such new Series and the aggregate principal amount of Notes of such new Series (and each Class thereof) to be authenticated with respect to such new Series;

(ii) a Series Supplement in form reasonably satisfactory to the Trustee executed by the Issuer and the Trustee and specifying the Principal Terms of such new Series;

(iii) the related Enhancement, if any;

(iv) the related Enhancement Agreement, if any, executed by each of the parties thereto, other than the Trustee;

(v) unless otherwise specified in the related Series Supplement, a Tax Opinion with respect to the issuance of such Series, subject to the assumptions and qualifications stated therein, and in a form substantially acceptable to the Trustee, dated the applicable New Series Issuance Date;

(vi) written consent from each Notice Person and written confirmation that the Rating Agency Condition shall have been satisfied with respect to such issuance;

(vii) a Conn Officer's Certificate of the Issuer that on such New Series Issuance Date, after giving effect to such New Series Issuance, the Issuer Interest would be at least equal to the highest Minimum Issuer Interest of any outstanding Series;

(viii) evidence that each of the parties to the Transaction Documents (other than any Series Supplement, Enhancement Agreement or other Transaction Document relating solely to another Series of Notes) has covenanted and agreed that, prior to the date which is one year and one day after the payment in full of the latest maturing Note, it will not institute against, or join with any other Person in instituting against, the Issuer any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings, under any Federal or state bankruptcy or similar law;

(ix) an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee as to the Trustee's Lien in and to the Trust Estate;

(x) evidence (which, in the case of the filing of financing statements on form UCC-1, may be telephonic, followed by prompt written confirmation) that the Issuer has delivered the Trust Estate to the Trustee and has caused all filings (including filing of financing statements on form UCC-1) and recordings to be accomplished as may be reasonably required by law to establish, perfect, protect and preserve the rights, titles, interests, remedies, powers and security interest of the Trustee in the Trust Estate for the benefit of the Secured Parties;

(xi) any consents required pursuant to Section 13.1 or otherwise; and

(xii) such other documents, instruments, certifications, agreements or other items as the Trustee may reasonably require.

Upon satisfaction of such conditions, the Trustee shall authenticate and deliver, as provided above, such Series of Notes, and a corresponding reduction in the Issuer Interest will result. There is no limit to the number of New Series Issuances that may be performed under the Indenture.

(b) In conjunction with each New Series Issuance, the parties hereto shall execute a Series Supplement, which shall specify the relevant terms with respect to any newly issued Series of Notes, which may include without limitation, as applicable: (i) its name or designation, (ii) the initial aggregate principal amount of Notes of such Series or a method for calculating the principal and a method for determining principal for any Series with a variable principal amount, (iii) the Initial Investor Interest or a method for calculating the Initial Investor Interest and a method for determining any adjusted Investor Interest, (iv) the portion of the Trust Estate to be allocated with respect to such Series and the provisions governing such allocations, (v) the Note Rate (or the method for calculating such Note Rate) with respect to such Series, (vi) the Closing Date, (vii) each Rating Agency, if any, rating such Series, (viii) the name of the

Clearing Agency, if any, (ix) the rights of the Issuer that have been transferred to the Holders of such Series pursuant to such New Series Issuance (including any rights to allocations of Collections of Finance Charges, Principal Receivables and Recoveries), (x) the Interest Period, the interest payment date or dates and the date or dates from which interest shall accrue, (xi) the periods during which or dates on which principal will be paid or accrued, (xii) the method of allocating Collections with respect to Principal Receivables for such Series and, if applicable, with respect to other Series and the method by which the principal amount of Notes of such Series shall amortize or accrete and the method for allocating Collections with respect to Finance Charges and Recoveries, (xiii) any other Collections with respect to Receivables or other amounts available to be paid with respect to such Series, (xiv) the names of any Series Accounts and the terms governing the operation of any such account and use of moneys therein, (xv) the Servicing Fee and Trustee and Back-Up Servicer Fees and Expenses allocation, (xvi) the Minimum Issuer Interest and the Series Termination Date, (xvii) the terms of any Enhancement with respect to such Series and the Enhancement Provider, (xviii) the Group, if any, applicable to such Series, (xix) the terms on which the Notes of such Series may be repurchased, refinanced, defeased or remarketed to other investors, (xx) any deposit into any Series Account, (xxi) the number of Classes of such Series, and if more than one Class, the rights and priorities of each such Class, including the method of allocating Collections among such Classes, (xxii) the extent to which the Notes will be issuable in temporary or permanent global form, (xxiii) whether the Notes may be issued in bearer form and any limitations imposed thereon, (xxiv) the subordination, if any, of such Series with respect to any other Series, (xxv) whether such Series will or may be a Companion Series and the Series with which it will be paired, (xxvi) transfer restrictions applicable to Notes of such Series and (xxvii) any other relevant terms of such Series of Notes (all such terms, the "Principal Terms" of such Series).

(c) The terms of such Series Supplement may modify or amend the terms of this Indenture solely as applied to such new Series. If on the date of the issuance of such Series there is issued and outstanding one or more Series of Notes and no Series of Notes is currently rated by a Rating Agency, then as a condition to such New Series Issuance a nationally recognized investment banking firm or commercial bank shall also deliver to the Trustee an officer's certificate stating, in substance, that the New Series Issuance will not have an adverse effect on the timing or distribution of payments to such other Series of Notes then issued and outstanding.

Section 2.3. [Reserved].

Section 2.4. Execution and Authentication.

(a) Each Note shall be executed by manual or facsimile signature by the Issuer. Notes bearing the manual or facsimile signature of the individual who was, at the time when such signature was affixed, authorized to sign on behalf of the Issuer shall not be rendered invalid, notwithstanding that such individual has ceased to be so authorized prior to the authentication and delivery of such Notes or does not hold such office at the date of such Notes.

Unless otherwise provided in the related Series Supplement, no Notes shall be entitled to any benefit under this Indenture, or be valid for any purpose, unless there appears on such Note a certificate of authentication substantially in the form provided for herein, duly executed by or on behalf of the Trustee by the manual signature of a duly authorized signatory (and the Luxembourg agent (the "Luxembourg Agent"), if such Notes are listed on Luxembourg Stock Exchange), and such certificate upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly authenticated and delivered hereunder.

(b) Pursuant to Section 2.2, the Issuer shall execute and the Trustee shall authenticate and deliver a Series of Notes having the terms specified in the related Series Supplement, upon the written order of the Issuer, to the purchasers thereof, the underwriters for sale or to the Issuer for initial retention by it. If specified in the related Series Supplement for any Series, the Issuer shall execute and the Trustee shall authenticate and deliver the Global Note that is issued upon original issuance thereof, upon the written order of the Issuer, to the Depository against payment of the purchase price therefor. If specified in the related Series Supplement for any Series, the Issuer shall execute and the Trustee shall authenticate Book-Entry Notes that are issued upon original issuance thereof, upon the written order of the Issuer, to a Clearing Agency or its nominee as provided in Section 2.16 against payment of the purchase price thereof.

(c) All Notes shall be dated and issued as of the date of their authentication except Bearer Notes which shall be dated the applicable issuance date as provided in the related Series Supplement.

(d) Notwithstanding the foregoing, if any Note shall have been authenticated and delivered hereunder but never issued and sold by the Issuer, and the Issuer shall deliver such Note to the Trustee for cancellation as provided in Section 2.13 together with a written statement (which need not comply with Section 15.1 and need not be accompanied by an Opinion of Counsel) stating that such Note has never been issued and sold by the Issuer, for all purposes of this Indenture such Note shall be deemed never to have been authenticated and delivered hereunder and shall not be entitled to the benefits of this Indenture.

Section 2.5. Authenticating Agent.

(a) The Trustee may appoint one or more authenticating agents with respect to the Notes which shall be authorized to act on behalf of the Trustee in authenticating the Notes in connection with the issuance, delivery, registration of transfer, exchange or repayment of the Notes. Whenever reference is made in this Indenture to the authentication of Notes by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication on behalf of the Trustee by an authenticating agent and a certificate of authentication executed on behalf of the Trustee by an authenticating agent. Each authenticating agent must be acceptable to the Issuer.

(b) Any institution succeeding to the corporate agency business of an authenticating agent shall continue to be an authenticating agent without the execution or filing of any paper or any further act on the part of the Trustee or such authenticating agent.

(c) An authenticating agent may at any time resign by giving written notice of resignation to the Trustee and to the Issuer. The Trustee may at any time terminate the agency of an authenticating agent by giving notice of termination to such authenticating agent and to the Issuer. Upon receiving such a notice of resignation or upon such a termination, or in case at any time an authenticating agent shall cease to be acceptable to the Trustee or the Issuer, the Trustee promptly may appoint a successor authenticating agent. Any successor authenticating agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an authenticating agent.

(d) The Issuer agrees to pay each authenticating agent from time to time reasonable compensation for its services under this Section 2.5.

(e) Pursuant to an appointment made under this Section 2.5, the Notes may have endorsed thereon, in lieu of the Trustee's certificate of authentication, an alternate certificate of authentication in substantially the following form:

This is one of the certificates described in the Indenture.

[Name of Authenticating Agent],

as Authenticating Agent
for the Trustee,

By:

Responsible Officer

Section 2.6. Registration of Transfer and Exchange of Notes.

(a) (i) The Trustee shall cause to be kept at the office or agency to be maintained by a transfer agent and registrar (the "Transfer Agent and Registrar"), in accordance with the provisions of subsection 2.6(c) and the Bearer Rules, a register (the "Note Register") in which, subject to such reasonable regulations as it may prescribe, the Transfer Agent and Registrar shall provide for the registration of the Notes of each Series (unless otherwise provided in the related Series Supplement) and registrations of transfers and exchanges of the Notes as herein provided. The Trustee is hereby initially appointed Transfer Agent and Registrar for the purposes of registering the Notes and transfers and exchanges of the Notes as herein provided. If a Person other than the Trustee is appointed by the Issuer as Transfer Agent and Registrar, the Issuer will give the Trustee prompt written notice of the appointment of such Transfer Agent and

Registrar and of the location, and any change in the location, of the Note Register, and the Trustee shall have the right to inspect the Note Register at all reasonable times and to obtain copies thereof, and the Trustee shall have the right to rely upon a certificate executed on behalf of the Transfer Agent and Registrar by a Responsible Officer thereof as to the names and addresses of the Holders of the Notes and the principal amounts and number of such Notes. If any form of Note is issued as a Global Note, the Trustee may, or if and so long as any Series of Notes are listed on the Luxembourg Stock Exchange, and such exchange shall so require, the Trustee shall appoint a co-transfer agent and co-registrar in Luxembourg or another European city. Any reference in this Indenture to the Transfer Agent and Registrar shall include any co-transfer agent and co-registrar unless the context otherwise requires. The Trustee shall be permitted to resign as Transfer Agent and Registrar upon thirty (30) days' written notice to the Servicer and the Issuer. In the event that the Trustee shall no longer be the Transfer Agent and Registrar, the Issuer shall appoint a successor Transfer Agent and Registrar.

(ii) Upon surrender for registration of transfer of any Note at any office or agency of the Transfer Agent and Registrar, if the requirements of Section 8-401(1) of the UCC are met, the Issuer shall execute, subject to the provisions of subsection 2.6(b), and the Trustee shall authenticate and (unless the Transfer Agent and Registrar is different than the Trustee, in which case the Transfer Agent and Registrar shall) deliver and the Noteholder shall obtain from the Trustee, in the name of the designated transferee or transferees, one or more new Notes in authorized denominations of like aggregate principal amount; provided, that the provisions of this paragraph shall not apply to Bearer Notes.

(iii) All Notes issued upon any registration of transfer or exchange of Notes shall be valid obligations of the Issuer, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Notes surrendered upon such registration of transfer or exchange.

(iv) At the option of any Holder of Registered Notes, Registered Notes may be exchanged for other Registered Notes of the same Series of the same Class in authorized denominations of like aggregate principal amounts in the manner specified in the Series Supplement for such Series, upon surrender of the Registered Notes to be exchanged at any office or agency of the Transfer Agent and Registrar maintained for such purpose. Registered Notes may not be exchanged for Bearer Notes. At the option of any Holder of Bearer Notes, subject to applicable laws and regulations (including without limitation, the Bearer Rules), Bearer Notes may be exchanged for other Bearer Notes or Registered Notes of the same Series of the same Class in authorized denominations of like aggregate principal amounts, in the manner specified in the Series Supplement for such Series, upon surrender of the Bearer Notes to be exchanged at an office or agency of the Transfer Agent and Registrar located outside the United States. Each Bearer Note surrendered pursuant to this Section 2.6 shall have attached thereto (or be accompanied by) all unmatured Coupons, provided that any Bearer Note so surrendered after the close of business on the Record Date preceding the relevant Payment Date after the related Series Termination Date need not have attached the Coupons relating to such Payment Date.

(v) Whenever any Notes of any Series are so surrendered for exchange, if the requirements of Section 8-401(1) of the UCC are met the Issuer shall execute and the Trustee shall authenticate and (unless the Transfer Agent and Registrar is different than the Trustee, in which case the Transfer Agent and Registrar shall) deliver and the Noteholders shall obtain from the Trustee, the Notes of such Series which the Noteholder making the exchange is entitled to receive. Every Note presented or surrendered for registration of transfer or exchange shall be accompanied by a written instrument of transfer in a form satisfactory to the Trustee and the Transfer Agent and Registrar duly executed by the Noteholder thereof or his attorney-in-fact duly authorized in writing.

(vi) The preceding provisions of this Section 2.6 notwithstanding, the Trustee or the Transfer Agent and Registrar, as the case may be, shall not be required to register the exchange of any Global Note of any Series for a Definitive Note or the transfer of or exchange any Note of any Series for a period of five (5) Business Days preceding the due date for any payment with respect to the Notes of such Series or during the period beginning on any Record Date and ending on the next following Payment Date.

(vii) Unless otherwise provided in the related Series Supplement, no service charge shall be made for any registration of transfer or exchange of Notes, but the Transfer Agent and Registrar may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer or exchange of Notes.

(viii) All Notes (together with any Coupons attached to Bearer Notes) surrendered for registration of transfer and exchange shall be cancelled by the Transfer Agent and Registrar and disposed of in a manner satisfactory to the Trustee. The Trustee shall cancel and destroy any Global Note upon its exchange in full for Definitive Notes and shall deliver a certificate of destruction to the Issuer. Such certificate shall also state that a certificate or certificates of each Foreign Clearing Agency to the effect referred to in Section 2.19 was received with respect to each portion of the Global Note exchanged for Definitive Notes.

(ix) Upon written direction, the Issuer shall deliver to the Trustee or the Transfer Agent and Registrar, as applicable, Bearer Notes and Registered Notes in such amounts and at such times as are necessary to enable the Trustee to fulfill its responsibilities under this Indenture and the Notes.

(x) Notwithstanding any other provision of this Section 2.6, the typewritten Note or Notes representing Book-Entry Notes for any Series may be transferred, in whole but not in part, only to another nominee of the Clearing Agency or Foreign Clearing Agency for such Series, or to a successor Clearing Agency or Foreign Clearing Agency for such Series selected or approved by the Issuer or to a nominee of such successor Clearing Agency or Foreign Clearing Agency, only if in accordance with this Section 2.6.

(xi) If the Notes are listed on the Luxembourg Stock Exchange, the Trustee or the Luxembourg Agent, as the case may be, shall send to the Issuer upon any transfer or exchange of any Note information reflected in the copy of the register for the Notes maintained by the Registrar or the Luxembourg Agent, as the case may be.

(xii) By its acceptance of a Note, each Noteholder and Note Owner shall be deemed to have represented and warranted that either (i) it is not acquiring the Note with the assets of a benefit plan subject to ERISA or Section 4975 of the Code, or (ii) its purchase and holding of the Note will not, throughout the term of its holding an interest therein, constitute a non-exempt "prohibited transaction" under Section 406(a) of ERISA or Section 4975 of the Code.

(b) Unless otherwise provided in the related Series Supplement, registration of transfer of Registered Notes containing a legend relating to the restrictions on transfer of such Registered Notes (which legend shall be set forth in the Series Supplement relating to such Notes) shall be effected only if the conditions set forth in such related Series Supplement are satisfied.

Whenever a Registered Note containing the legend set forth in the related Series Supplement is presented to the Transfer Agent and Registrar for registration of transfer, the Transfer Agent and Registrar shall promptly seek instructions from the Issuer regarding such transfer. The Transfer Agent and Registrar and the Trustee shall be entitled to receive written instructions signed by a Responsible Officer prior to registering any such transfer or authenticating new Registered Notes, as the case may be. The Issuer hereby agrees to indemnify the Transfer Agent and Registrar and the Trustee and to hold each of them harmless against any loss, liability or expense incurred without negligence or bad faith on their part arising out of or in connection with actions taken or omitted by them in reliance on any such written instructions furnished pursuant to this subsection 2.6(b).

(c) The Transfer Agent and Registrar will maintain at its expense in the Borough of Manhattan, the City of New York (and subject to this Section 2.6, if specified in the related Series Supplement for any Series, any other city designated in such Series Supplement) an office or offices or an agency or agencies where Notes of such Series may be surrendered for registration of transfer or exchange (except that Bearer Notes may not be surrendered for exchange at any such office or agency in the United States, but may be surrendered for exchange at such office or agency outside the United States as shall be specified in the related Supplement). For purposes of this subsection 2.6(c), "United States" includes Puerto Rico, the U.S. Virgin Islands, the Northern Mariana Islands, Guam, Wake Island and American Samoa.

Section 2.7. Appointment of Paying Agent. The Paying Agent shall make payments to the Secured Parties from the appropriate account or accounts maintained for the benefit of the Secured Parties as specified in this Base Indenture or the related Series Supplement for any Series pursuant to Articles 5 and 6. Any Paying Agent shall have the revocable power to

withdraw funds from such appropriate account or accounts for the purpose of making distributions referred to above. The Trustee (or the Servicer on behalf of the Issuer if the Trustee is the Paying Agent) may revoke such power and remove the Paying Agent, if the Trustee (or the Servicer on behalf of the Issuer if the Trustee is the Paying Agent) determines in its sole discretion that the Paying Agent shall have failed to perform its obligations under this Indenture in any material respect or for other good cause. The Trustee (or the Servicer on behalf of the Issuer if the Trustee is the Paying Agent) shall notify each Rating Agency of the removal of any Paying Agent. The Paying Agent, unless the Series Supplement with respect to any Series states otherwise, shall initially be the Trustee. The Trustee shall be permitted to resign as Paying Agent upon thirty (30) days' written notice to the Servicer on behalf of the Issuer. In the event that the Trustee shall no longer be the Paying Agent, the Trustee shall appoint a successor to act as Paying Agent (which shall be a bank or trust company).

If specified in the related Series Supplement for any Series, so long as the Notes of such Series are outstanding, the Issuer shall maintain a co-paying agent in New York City (for Registered Notes only) or any other city designated in such Series Supplement which, if and so long as any Series of Notes is listed on the Luxembourg Stock Exchange or other stock exchange and such exchange so requires, shall be in Luxembourg or the location required by such other stock exchange. Any reference in this Indenture to the Paying Agent shall include any co-paying agent unless the context requires otherwise. For so long as any Bearer Notes are outstanding, the Issuer shall maintain a Paying Agent and a Transfer Agent and Registrar outside the United States (as defined in subsection 2.6(c)).

Section 2.8. Paying Agent to Hold Money in Trust.

(a) The Issuer will cause each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee (and if the Trustee acts as Paying Agent, it hereby so agrees), subject to the provisions of this Section, that such Paying Agent will:

(i) hold all sums held by it for the payment of amounts due with respect to the Issuer Obligations in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as provided herein and in the applicable Series Supplement and pay such sums to such Persons as provided herein and in the applicable Series Supplement;

(ii) give the Trustee written notice of any default by the Issuer (or any other obligor under the Issuer Obligations) of which it (or, in the case of the Trustee, a Trust Officer) has actual knowledge in the making of any payment required to be made with respect to the Notes;

(iii) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent;

(iv) immediately resign as a Paying Agent and forthwith pay to the Trustee all sums held by it in trust for the payment of the Issuer Obligations if at any time it ceases to meet the standards required to be met by a Trustee hereunder; and

(v) comply with all requirements of the Code with respect to the withholding from any payments made by it on any Issuer Obligations of any applicable withholding taxes imposed thereon and with respect to any applicable reporting requirements in connection therewith.

(b) The Issuer may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, by Issuer Order direct any Paying Agent to pay to the Trustee all sums held in trust by such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which the sums were held by such Paying Agent; and upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

(c) Subject to applicable laws with respect to escheat of funds, any money held by the Trustee, any Paying Agent or any Clearing Agency in trust for the payment of any amount due with respect to any Issuer Obligation and remaining unclaimed for two years after such amount has become due and payable shall be discharged from such trust and be paid to the Issuer on Issuer Request; and the holder of such Issuer Obligation shall thereafter, as an unsecured general creditor, look only to the Issuer for payment thereof (but only to the extent of the amounts so paid to the Issuer), and all liability of the Trustee, such Paying Agent or such Clearing Agency with respect to such trust money shall thereupon cease; provided, however, that the Trustee, such Paying Agent or such Clearing Agency, before being required to make any such repayment, may at the expense of the Issuer cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in New York City and, if the related Series of Notes has been listed on the Luxembourg Stock Exchange, and if the Luxembourg Stock Exchange so requires, in a newspaper customarily published on each Luxembourg business day and of general circulation in Luxembourg City, Luxembourg, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than thirty (30) days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Issuer. The Trustee may also adopt and employ, at the expense of the Issuer, any other reasonable means of notification of such repayment.

Section 2.9. Private Placement Legend.

Unless otherwise provided for in a Series Supplement, in addition to any legend required by Section 2.16, each Note shall bear a legend in substantially the following form:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION. THIS NOTE MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) TO A PERSON THE TRANSFEROR REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A")) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, OR (2) IN A TRANSACTION OTHERWISE EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER JURISDICTION AND BASED ON AN OPINION OF COUNSEL IF THE ISSUER AND THE TRANSFER AGENT AND REGISTRAR SO REQUEST, IN EACH CASE IN ACCORDANCE WITH THE INDENTURE AND ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY TRANSFEREE FROM IT OF THE RESALE RESTRICTIONS SET FORTH ABOVE.

BY ACQUIRING THIS NOTE, EACH PURCHASER WILL BE DEEMED TO HAVE REPRESENTED, WARRANTED AND COVENANTED EITHER THAT (A) IT IS NOT AN "EMPLOYEE BENEFIT PLAN" SUBJECT TO THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), A "PLAN" DESCRIBED IN SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, AN ENTITY DEEMED TO HOLD "PLAN ASSETS" OF ANY OF THE FOREGOING BY REASON OF INVESTMENT BY AN "EMPLOYEE BENEFIT PLAN" OR "PLAN" IN SUCH ENTITY, OR A GOVERNMENTAL PLAN SUBJECT TO APPLICABLE LAW THAT IS SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF ERISA OR SECTION 4975 OF THE CODE OR (B) ITS PURCHASE AND HOLDING OF THIS NOTE WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL PLAN, ANY SUBSTANTIALLY SIMILAR APPLICABLE LAW).

Section 2.10. Mutilated, Destroyed, Lost or Stolen Notes.

(a) If (i) any mutilated Note (together, in the case of Bearer Notes, with all unmatured Coupons, if any, appertaining thereto) is surrendered to the Transfer Agent and Registrar, or the Transfer Agent and Registrar receives evidence to its satisfaction of the destruction, loss or theft of any Note, and (ii) there is delivered to the Transfer Agent and Registrar and the Trustee such security or indemnity as may be required by them to hold the Transfer Agent and Registrar and the Trustee harmless, then, in the absence of notice to the Trustee that such Note has been acquired by a bona fide purchaser, and provided that the requirements of Section 8-405 of the UCC (which generally permit the Issuer to impose reasonable requirements) are met, the Issuer shall execute and the Trustee shall authenticate and (unless the Transfer Agent and Registrar is different from the Trustee, in which case the Transfer Agent and Registrar shall) deliver (in compliance with applicable law), in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Note, a replacement Note of like tenor and aggregate principal balance; provided, however, that if any such destroyed, lost or stolen Note, but not a mutilated Note, shall have become or within seven (7) days shall be due and payable or shall have been called for redemption, instead of issuing a replacement Note, the Issuer may pay such destroyed, lost or stolen Note when so due or payable without surrender thereof.

If, after the delivery of such replacement Note or payment of a destroyed, lost or stolen Note pursuant to the proviso to the preceding sentence, a bona fide purchaser for value of the original Note in lieu of which such replacement Note was issued presents for payment such original Note, the Issuer and the Trustee shall be entitled to recover such replacement Note (or such payment) from the Person to whom it was delivered or any Person taking such replacement Note from such Person to whom such replacement Note was delivered or any assignee of such Person, except a bona fide purchaser for value, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Issuer or the Trustee in connection therewith.

(b) Upon the issuance of any replacement Note under this Section 2.10, the Transfer Agent and Registrar or the Trustee may require the payment by the Holder of such Note of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other reasonable expenses (including the fees and expenses of the Trustee and the Transfer Agent and Registrar) connected therewith.

(c) Any duplicate Note issued pursuant to this Section 2.10 shall constitute complete and indefeasible evidence of contractual debt obligation of the Issuer, as if originally issued, whether or not the lost, stolen or destroyed Note shall be found at any time.

(d) Every replacement Note issued pursuant to this Section 2.10 in replacement of any mutilated, destroyed, lost or stolen Note shall constitute an original additional Contractual Obligation of the Issuer, whether or not the mutilated, destroyed, lost or stolen Note

shall be at any time enforceable by anyone and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Notes duly issued hereunder.

(e) The provisions of this Section 2.10 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes.

Section 2.11. Temporary Notes.

(a) Pending the preparation of Definitive Notes, the Issuer may request and the Trustee, upon receipt of an Issuer Order, shall authenticate and deliver temporary Notes of such Series. Temporary Notes shall be substantially in the form of Definitive Notes of like Series but may have variations that are not inconsistent with the terms of this Indenture as the officers executing such Notes may determine, as evidenced by their execution of such Notes.

(b) If temporary Notes are issued pursuant to subsection 2.11(a) above, the Issuer will cause Definitive Notes to be prepared without unreasonable delay. After the preparation of Definitive Notes, the temporary Notes shall be exchangeable for Definitive Notes upon surrender of the temporary Notes at the office or agency of the Issuer to be maintained as provided in Section 8.2, without charge to the Noteholder. Upon surrender for cancellation of any one or more temporary Notes, the Issuer shall execute and at the Issuer's request the Trustee shall authenticate and deliver in exchange therefor a like principal amount of Definitive Notes of authorized denominations. Until so exchanged, the temporary Notes shall in all respects be entitled to the same benefits under this Indenture as Definitive Notes.

Section 2.12. Persons Deemed Owners. Prior to due presentation of a Note for registration of transfer, the Servicer, the Trustee, the Paying Agent, the Transfer Agent and Registrar and any agent of any of them may treat a Person in whose name any Note is registered (as of any date of determination) as the owner of the related Note for the purpose of receiving payments of principal and interest, if any, on such Note and for all other purposes whatsoever whether or not such Note be overdue, and neither the Trustee, the Paying Agent, the Transfer Agent and Registrar nor any agent of any of them shall be affected by any notice to the contrary; provided, however, that in determining whether the requisite number of Holders of Notes have given any request, demand, authorization, direction, notice, consent or waiver hereunder (including under any Series Supplement), Notes owned by any of the Issuer, the Sellers, the Initial Seller, the Servicer or any Affiliate controlled by or controlling Conn shall be disregarded and deemed not to be outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Notes which a Trust Officer in the Corporate Trust Office of the Trustee knows to be so owned shall be so disregarded.

In the case of a Bearer Note, the Trustee, the Paying Agent, the Transfer Agent and Registrar and any agent of any of them may treat the holder of a Bearer Note or Coupon as the

owner of such Bearer Note or Coupon for the purpose of receiving distributions and for all other purposes whatsoever, and neither the Trustee, the Paying Agent, the Transfer Agent and Registrar nor any agent of any of them shall be affected by any notice to the contrary.

Section 2.13. Cancellation. All Notes surrendered for payment, registration of transfer, exchange or redemption shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee and shall be promptly cancelled by the Trustee. The Issuer may at any time deliver to the Trustee for cancellation any Notes previously authenticated and delivered hereunder which the Issuer may have acquired in any manner whatsoever, and all Notes so delivered shall be promptly cancelled by the Trustee. No Notes shall be authenticated in lieu of or in exchange for any Notes cancelled as provided in this Section, except as expressly permitted by this Indenture. All cancelled Notes may be held or disposed of by the Trustee in accordance with its standard retention or disposal policy as in effect at the time unless the Issuer shall direct by an Issuer Order that they be destroyed or returned to it; provided that such Issuer Order is timely and the Notes have not been previously disposed of by the Trustee. The Registrar and Paying Agent shall forward to the Trustee any Notes surrendered to them for registration of transfer, exchange or payment.

Section 2.14. Release of Trust Estate. The Trustee shall (a) in connection with any removal of Removed Receivables from the Trust Estate, release the portion of the Trust Estate securing the Removed Receivables from the Lien created by this Indenture upon receipt of a Conn Officer's Certificate certifying that the Outstanding Principal Balance with respect thereto has been deposited into the Collection Account and (b) on or after the Indenture Termination Date, release any remaining portion of the Trust Estate from the Lien created by this Indenture and in each case deposit in the Collection Account any funds then on deposit in any other Trust Account upon receipt of a Issuer Request accompanied by a Conn Officer's Certificate, and Independent Certificates (if this Indenture is required to be qualified under the TIA) in accordance with TIA Sections 314(c) and 314(d)(1) meeting the applicable requirements of Section 15.1.

Section 2.15. Payment of Principal and Interest.

(a) The principal of each Series of Notes shall be payable at the times and in the amounts set forth in the related Series Supplement and in accordance with Section 8.1.

(b) Each Series of Notes shall accrue interest as provided in the related Series Supplement and such interest shall be payable at the times and in the amounts set forth in the related Series Supplement and in accordance with Section 8.1.

(c) Any installment of interest or principal, if any, payable on any Note which is punctually paid or duly provided for by the Issuer on the applicable Payment Date shall be paid to the Person in whose name such Note is registered at the close of business on any Record Date with respect to a Payment Date for such Note and such Person shall be entitled to receive the

principal and interest payable on such Payment Date notwithstanding the cancellation of such Note upon any registration of transfer, exchange or substitution of such Note subsequent to such Record Date, by check mailed first-class, postage prepaid, to such Person's address as it appears on the Note Register on such Record Date or, if the related investor has provided the Trustee wiring instructions at least three (3) Business Days prior to the related Payment Date, then by wire transfer in immediately available funds to the account designated by the Holder of such Note, except that, unless Definitive Notes have been issued pursuant to Section 2.18, with respect to Notes registered on the Record Date in the name of the nominee of the Clearing Agency (initially, such nominee to be Cede & Co.), payment will be made by wire transfer in immediately available funds to the account designated by such nominee and except for the final installment of principal payable with respect to such Note on a Payment Date or on the Legal Final Payment Date (and except for the Redemption Price for any Note called for redemption pursuant to Section 14.1) which shall be payable as provided herein; except that, any interest payable at maturity shall be paid to the Person to whom the principal of such Note is payable. The funds represented by any such checks returned undelivered shall be held in accordance with Section 2.8.

Section 2.16. Book-Entry Notes.

(a) If provided in the related Series Supplement, the Notes of such Series, upon original issuance, shall be issued in the form of Book-Entry Notes, to be delivered to the depository specified in such Series Supplement (the "Depository,") which shall be the Clearing Agency or Foreign Clearing Agency, by or on behalf of such Series. The Notes of each Series issued as Book-Entry Notes shall, unless otherwise provided in the related Series Supplement, initially be registered on the Note Register in the name of the nominee of the Clearing Agency or Foreign Clearing Agency. Unless otherwise provided in a related Series Supplement, no Note Owner of Notes issued as Book-Entry Notes will receive a definitive note representing such Note Owner's interest in the related Series of Notes, except as provided in Section 2.18.

(b) For each Series of Notes to be issued in registered form, the Issuer shall duly execute, and the Trustee shall, in accordance with Section 2.4 hereof, authenticate and deliver initially, unless otherwise provided in the applicable Series Supplement, one or more Global Notes that shall be registered on the Note Register in the name of a Clearing Agency or Foreign Clearing Agency or such Clearing Agency's or Foreign Clearing Agency's nominee. Each Global Note registered in the name of DTC or its nominee shall bear a legend substantially to the following effect:

> UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION, TO CONN FUNDING II, L.P. OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. ("CEDE") OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT

HEREON IS MADE TO CEDE OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE, HAS AN INTEREST HEREIN.

So long as the Clearing Agency or Foreign Clearing Agency or its nominee is the registered owner or holder of a Global Note, the Clearing Agency or Foreign Clearing Agency or its nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Note for purposes of this Indenture and such Notes. Members of, or participants in, the Clearing Agency or Foreign Clearing Agency shall have no rights under this Indenture with respect to any Global Note held on their behalf by the Clearing Agency or Foreign Clearing Agency, and the Clearing Agency or Foreign Clearing Agency may be treated by the Issuer, the Trustee, any Agent and any agent of such entities as the absolute owner of such Global Note for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Issuer, the Trustee, any Agent and any agent of such entities from giving effect to any written certification, proxy or other authorization furnished by the Clearing Agency or Foreign Clearing Agency or impair, as between the Clearing Agency or Foreign Clearing Agency and its agent members, the operation of customary practices governing the exercise of the rights of a holder of any Note.

(c) Subject to paragraph 2.6(a)(xi), the provisions of the "Operating Procedures of the Euroclear System" and the "Terms and Conditions Governing Use of Euroclear" and such procedures governing the use of such Clearing Agencies as may be enacted from time to time shall be applicable to a Global Note insofar as interests in such Global Note are held by the agent members of Euroclear or Clearstream (which shall only occur in the case of a temporary Regulation S Global Note and a permanent Regulation S Global Note). Account holders or participants in Euroclear and Clearstream shall have no rights under this Indenture with respect to such Global Note and the registered holder may be treated by the Issuer, the Trustee, any Agent and any agent of the Issuer or the Trustee as the owner of such Global Note for all purposes whatsoever.

(d) Title to the Notes shall pass only by registration in the Note Register maintained by the Transfer Agent and Registrar pursuant to Section 2.6.

(e) Any typewritten Note or Notes representing Book-Entry Notes shall provide that they represent the aggregate or a specified amount of outstanding Notes from time to time endorsed thereon and may also provide that the aggregate amount of outstanding Notes represented thereby may from time to time be increased or reduced to reflect exchanges. Any endorsement of a typewritten Note or Notes representing Book-Entry Notes to reflect the amount, or any increase or decrease in the amount, or changes in the rights of Note Owners represented thereby, shall be made in such manner and by such Person or Persons as shall be specified therein or in the Issuer Order to be delivered to the Trustee pursuant to subsection 2.4(b). The Trustee

shall deliver and redeliver any typewritten Note or Notes representing Book-Entry Notes in the manner and upon instructions given by the Person or Persons specified therein or in the applicable Issuer Order. Any instructions by the Issuer with respect to endorsement or delivery or redelivery of a typewritten Note or Notes representing the Book-Entry Notes shall be in writing but need not comply with Section 13.3 hereof and need not be accompanied by an Opinion of Counsel.

(f) Unless and until definitive, fully registered Notes of any Series or any Class thereof ("Definitive Notes") have been issued to Note Owners with respect to any Series of Notes initially issued as Book-Entry Notes pursuant to Section 2.18 or the applicable Series Supplement:

(i) the provisions of this Section 2.16 shall be in full force and effect with respect to each such Series;

(ii) the Issuer, the Sellers, the Servicer, the Paying Agent, the Transfer Agent and Registrar and the Trustee may deal with the Clearing Agency or Foreign Clearing Agency and the Clearing Agency Participants for all purposes of this Indenture (including the making of payments on the Notes of each such Series and the giving of instructions or directions hereunder) as the authorized representatives of such Note Owners;

(iii) to the extent that the provisions of this Section 2.16 conflict with any other provisions of this Indenture, the provisions of this Section 2.16 shall control;

(iv) whenever this Indenture requires or permits actions to be taken based upon instructions or directions of Holders of such Series of Notes evidencing a specified percentage of the outstanding principal amount of such Series of Notes, the Clearing Agency or Foreign Clearing Agency, as applicable, shall be deemed to represent such percentage only to the extent that it has received instructions to such effect from Note Owners and/or their related Clearing Agency Participants owning or representing, respectively, such required percentage of the beneficial interest in such Series of Notes and has delivered such instructions to the Trustee;

(v) the rights of Note Owners of each such Series shall be exercised only through the Clearing Agency or Foreign Clearing Agency and their related Clearing Agency Participants and shall be limited to those established by law and agreements between such Note Owners and the related Clearing Agency or Foreign Clearing Agency and/or the Clearing Agency Participants. Pursuant to the Depository Agreement applicable to a Series, unless and until Definitive Notes of such Series are issued pursuant to Section 2.18, the applicable Clearing Agencies or Foreign Clearing Agencies will make book-entry transfers among their related Clearing Agency Participants and receive and transmit payments of principal and interest on such Series of Notes to such Clearing Agency Participants; and

(vi) Note Owners may receive copies of any reports sent to Noteholders of the relevant Series generally pursuant to the Indenture, upon written request, together with a certification that they are Note Owners and payments of reproduction and postage expenses associated with the distribution of such reports, from the Trustee at the Corporate Trust Office.

Section 2.17. Notices to Clearing Agency. Whenever notice or other communication to the Noteholders is required under this Indenture, unless and until Definitive Notes shall have been issued to Note Owners pursuant to Section 2.18 or the applicable Series Supplement, the Trustee shall give all such notices and communications specified herein to be given to Holders of the Notes to the applicable Clearing Agency or Foreign Clearing Agency for distribution to the Holders of the Notes.

Section 2.18. Definitive Notes.

(a) Conditions for Exchange. If with respect to any Series of Book-Entry Notes (i) (A) the Issuer advises the Trustee in writing that the Clearing Agency or Foreign Clearing Agency is no longer willing or able to discharge properly its responsibilities under the applicable Depository Agreement and (B) neither the Trustee nor the Issuer is able to locate a qualified successor, (ii) the Issuer, at its option, advises the Trustee in writing that it elects to terminate the book-entry system through the Clearing Agency or Foreign Clearing Agency with respect to any Series of Notes or (iii) after the occurrence of a Servicer Default or Event of Default, Note Owners of a Series representing beneficial interests aggregating not less than 50% (or such other percent specified in a related Series Supplement) of the portion of outstanding principal amount of the Notes represented by such Series advise the Trustee and the applicable Clearing Agency or Foreign Clearing Agency through the applicable Clearing Agency Participants in writing that the continuation of a book-entry system through the applicable Clearing Agency or Foreign Clearing Agency is no longer in the best interests of the Note Owners of such Series, the Trustee shall notify all Note Owners of such Series, through the applicable Clearing Agency Participants, of the occurrence of any such event and of the availability of Definitive Notes to Note Owners of such Series requesting the same. Upon surrender to the Trustee of the typewritten Note or Notes representing the Book-Entry Notes of such Series by the applicable Clearing Agency or Foreign Clearing Agency, accompanied by registration instructions from the applicable Clearing Agency or Foreign Clearing Agency for registration, the Trustee shall issue the Definitive Notes of such Series or Class. Neither the Issuer nor the Trustee shall be liable for any delay in delivery of such instructions and may conclusively rely on, and shall be protected in relying on, such instructions. Upon the issuance of Definitive Notes of such Series and upon the issuance of any Series of Notes or any Class thereof in definitive form in accordance with the related Series Supplement, all references herein to obligations imposed upon or to be performed by the applicable Clearing Agency or Foreign Clearing Agency shall be deemed to be imposed upon and performed by the Trustee, to the extent applicable with respect to such Definitive Notes, and the Trustee shall recognize the Holders of

the Definitive Notes of such Series or Classes as Noteholders of such Series or Classes hereunder. Notwithstanding anything in this Indenture to the contrary, Definitive Notes shall not be issued in respect of any Series Temporary Regulation S Global Note unless the applicable Restricted Period has expired and then only upon receipt by the Trustee from the Holder thereof of any certifications required by the relevant Series Supplement.

(b) Transfer of Definitive Notes. Subject to the terms of this Indenture (including the requirements of any relevant Series Supplement), the holder of any Definitive Note may transfer the same in whole or in part, in an amount equivalent to an authorized denomination, by surrendering at the office maintained by the Transfer Agent and Registrar for such purpose in the Borough of Manhattan, the City of New York, such Note with the form of transfer endorsed on it duly completed and executed by, or accompanied by a written instrument of transfer in form satisfactory to the Issuer and the Transfer Agent and Registrar by, the holder thereof and, if applicable, accompanied by a certificate substantially in the form required under the related Series Supplement. In exchange for any Definitive Note properly presented for transfer, the Issuer shall execute and the Trustee shall promptly authenticate and deliver or cause to be executed, authenticated and delivered in compliance with applicable law, to the transferee at such office, or send by mail (at the risk of the transferee) to such address as the transferee may request, Definitive Notes for the same aggregate principal amount as was transferred. In the case of the transfer of any Definitive Note in part, the Issuer shall execute and the Trustee shall promptly authenticate and deliver or cause to be authenticated and delivered to the transferor at such office, or send by mail (at the risk of the transferor) to such address as the transferor may request, Definitive Notes for the aggregate principal amount that was not transferred. No transfer of any Definitive Note shall be made unless the request for such transfer is made by the Holder at such office. Neither the Issuer nor the Trustee shall be liable for any delay in delivery of transfer instructions and each may conclusively rely on, and shall be protected in relying on, such instructions. Upon the issuance of Definitive Notes for such Series, the Trustee shall recognize the Holders of the Definitive Notes as Noteholders of such Series.

Section 2.19. Global Note; Euro-Note Exchange Date. If specified in the related Series Supplement for any Series, (i) the Notes may be initially issued in the form of a single temporary global note (the "Global Note") in registered or bearer form, without interest coupons, in the denomination of the initial aggregate principal amount of the Notes and (ii) a Class of Notes may be initially issued in the form of a single temporary Global Note in registered or bearer form, in the denomination of the portion of the initial aggregate principal amount of the Notes represented by such Class, each substantially in the form attached to the related Series Supplement. Unless otherwise specified in the related Series Supplement, the provisions of this Section 2.19 shall apply to such Global Note. The Global Note will be authenticated by the Trustee upon the same conditions, in substantially the same manner and with the same effect as the Definitive Notes. The Global Note may be exchanged in the manner described in the related Series Supplement for Registered Notes or Bearer Notes in definitive form.

Section 2.20. Tax Treatment. The Issuer has structured this Indenture and any Collateral Interest, and the Notes have been (or will be) issued with the intention that, the Notes and any Collateral Interest will qualify under applicable tax law as indebtedness of the Issuer secured by the Trust Estate and any entity acquiring any direct or indirect interest in any (i) Note by acceptance of its Notes (or, in the case of a Note Owner, by virtue of such Note Owner's acquisition of a beneficial interest therein) agrees to treat the Notes (or beneficial interests therein) or (ii) Collateral Interest or any interest therein agrees to treat the Collateral Interest or any interest therein, for purposes of Federal, state and local and income or franchise taxes and any other tax imposed on or measured by income, as indebtedness. Each Noteholder agrees that it will cause any Note Owner acquiring an interest in a Note through it and each owner of any Collateral Interest or any interest therein agrees that it will cause any Person acquiring any such interest to comply with this Indenture as to treatment as indebtedness for such tax purposes.

ARTICLE 3.

[ARTICLE 3 IS RESERVED AND SHALL BE SPECIFIED IN ANY SUPPLEMENT WITH RESPECT TO ANY SERIES OF NOTES]

ARTICLE 4.

NOTEHOLDER LISTS AND REPORTS

Section 4.1. Issuer To Furnish To Trustee Names and Addresses of Noteholders. The Issuer will furnish or cause the Transfer Agent and Registrar to furnish to the Trustee (a) not more than five (5) days after each Record Date a list, in such form as the Trustee may reasonably require, of the names and addresses of the Holders as of such Record Date, (b) at such other times as the Trustee may request in writing, within thirty (30) days after receipt by the Issuer of any such request, a list of similar form and content as of a date not more than ten (10) days prior to the time such list is furnished; provided, however, that so long as the Trustee is the Transfer Agent and Registrar, no such list shall be required to be furnished. The Trustee will furnish or cause to be furnished by the Transfer Agent and Registrar to the Servicer or the Paying Agent such list for payment of distributions to Noteholders.

Section 4.2. Preservation of Information; Communications to Noteholders.

(a) The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of the Holders contained in the most recent list furnished to the Trustee as provided in Section 4.1 and the names and addresses of Holders received by the Trustee in its capacity as Transfer Agent and Registrar. The Trustee may destroy any list furnished to it as provided in such Section 4.1 upon receipt of a new list so furnished.

(b) Noteholders may communicate (including pursuant to TIA Section 312(b) (if this Indenture is required to be qualified under the TIA)) with other Noteholders with respect

to their rights under this Indenture or under the Notes. Unless otherwise provided in the related Series Supplement, if holders of Notes evidencing in aggregate not less than 20% of the outstanding principal balance of the Notes of any Series (the "Applicants") apply in writing to the Trustee, and furnish to the Trustee reasonable proof that each such Applicant has owned a Note for a period of at least 6 months preceding the date of such application, and if such application states that the Applicants desire to communicate with other Noteholders of any Series with respect to their rights under this Indenture or under the Notes and is accompanied by a copy of the communication which such Applicants propose to transmit, then the Trustee, after having been adequately indemnified by such Applicants for its costs and expenses, shall within five (5) Business Days after the receipt of such application afford or shall cause the Transfer Agent and Registrar to afford such Applicants access during normal business hours to the most recent list of Noteholders held by the Trustee and shall give the Servicer notice that such request has been made within five (5) Business Days after the receipt of such application. Such list shall be as of the most recent Record Date, but in no event more than forty five (45) days prior to the date of receipt of such Applicants' request.

(c) The Issuer, the Trustee and the Transfer Agent and Registrar shall have the protection of TIA Section 312(c) (if this Indenture is required to be qualified under the TIA). Every Noteholder, by receiving and holding a Note, agrees with the Issuer and the Trustee that neither the Issuer, the Trustee, the Transfer Agent and Registrar, nor any of their respective agents shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Noteholders in accordance with this Section 4.2, regardless of the source from which such information was obtained.

Section 4.3. Reports by Issuer.

(a) The Servicer on behalf of the Issuer shall:

(i) deliver to the Trustee, at least two (2) Business Days prior to the date, if any, the Issuer is required to file the same with the Commission, hard and electronic copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Issuer may be required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act;

(ii) file with the Trustee and the Commission in accordance with rules and regulations prescribed from time to time by the Commission such additional information, documents and reports, if any, with respect to compliance by the Issuer with the conditions and covenants of this Indenture as may be required from time to time by such rules and regulations;

(iii) supply to the Trustee (and the Trustee shall transmit by mail to all Noteholders) such summaries of any information, documents and reports required to be

filed by the Issuer (if any) pursuant to clauses (i) and (ii) of this subsection 4.3(a) as may be required by rules and regulations prescribed from time to time by the Commission; and

(iv) prepare and distribute any other reports required to be prepared by the Servicer under any Transaction Documents.

(b) Unless the Issuer otherwise determines, the fiscal year of the Issuer shall end on January 31 of each year.

Section 4.4. Reports by Trustee. If this Indenture is required to be qualified under the TIA, within sixty (60) days after each March 1, beginning with March 1, 2003, the Trustee shall mail to each Noteholder as required by TIA Section 313(c) a brief report dated as of such date that complies with TIA Section 313(a). The Trustee also shall comply with TIA Section 313(b).

A copy of each report at the time of its mailing to Noteholders shall be filed by the Trustee with the Commission and each stock exchange, if any, on which the Notes are listed. The Issuer shall notify the Trustee if and when the Notes are listed on any stock exchange.

Section 4.5. Reports and Records for the Trustee and Instructions.

(a) Unless otherwise stated in the related Series Supplement with respect to any Series and subject to the requirements of Section 4.4, on each Determination Date the Servicer shall forward to the Trustee a Monthly Servicer Report prepared by the Servicer.

(b) Unless otherwise specified in the related Series Supplement, on each Payment Date, the Trustee or the Paying Agent shall forward to each Noteholder of record of each outstanding Series the Monthly Noteholders' Statement with respect to such Series, with a copy to the Rating Agencies and each Enhancement Provider with respect to such Series.

ARTICLE 5.

ALLOCATION AND APPLICATION OF COLLECTIONS

Section 5.1. Rights of Noteholders. Each Series of Notes shall be secured by the entire Trust Estate, including the benefits of any Enhancement issued with respect to such Series and the right to receive the Collections and other amounts at the times and in the amounts specified in this Article 5 to be deposited in the Investor Accounts and any other Series Account (if so specified in the related Series Supplement) or to be paid to the Noteholders of such Series. In no event shall the grant of a security interest in the entire Trust Estate be deemed to entitle any Noteholder to receive Collections or other proceeds of the Trust Estate in excess of the amounts described in Article 5.

Section 5.2. Collection of Money. Except as otherwise expressly provided herein, the Trustee may demand payment or delivery of, and shall receive and collect, directly and without intervention or assistance of any fiscal agent or other intermediary, all money and other property payable to or receivable by the Trustee pursuant to this Indenture. The Trustee shall apply all such money received by it as provided in this Indenture. Except as otherwise expressly provided in this Indenture, if any default occurs in the making of any payment or performance under any agreement or instrument that is part of the Trust Estate, the Trustee may take such action as may be appropriate to enforce such payment or performance, including the institution and prosecution of appropriate Proceedings. Any such action shall be without prejudice to any right to claim a Default or Event of Default under this Indenture and any right to proceed thereafter as provided in Article 9.

Section 5.3. Establishment of Accounts.

(a) The Collection Account. On or prior to the Initial Closing Date, the Issuer shall cause the Servicer and the Servicer, for the benefit of the Secured Parties, shall establish and maintain in the city in which the Corporate Trust Office is located, with a Qualified Institution or as a segregated trust account with the corporate trust department of a depository institution or trust company having corporate trust powers and acting as trustee for funds deposited in the Collection Account, in the name of the Trustee, a non-interest bearing segregated account (the "Collection Account") bearing a designation clearly indicating that the funds deposited therein are held in trust for the benefit of the Secured Parties. Pursuant to authority granted to it pursuant to subsection 2.02(a) of the Servicing Agreement, the Servicer shall have the revocable power to withdraw funds from the Collection Account for the purposes of carrying out its duties thereunder. The Trustee shall be the entitlement holder of the Collection Account, and shall possess all right, title and interest in all moneys, instruments, securities and other property on deposit from time to time in the Collection Account and the proceeds thereof for the benefit of the Secured Parties. Initially, the Collection Account will be established with the Trustee. Funds on deposit in the Collection Account that are not both deposited and to be withdrawn on the same day shall be invested in Permitted Investments.

(b) The Finance Charge and Principal Accounts. The Trustee, for the benefit of the Secured Parties, shall establish and maintain in the city in which the Corporate Trust Office is located, with a Qualified Institution, in the name of the Trustee, two non-interest bearing segregated trust accounts (the "Finance Charge Account" and the "Principal Account" respectively), each bearing a designation clearly indicating that the funds therein are held for the benefit of the Secured Parties. The Trustee shall possess all right, title and interest in all funds on deposit from time to time in the Finance Charge Account and the Principal Account and in all proceeds thereof. The Trustee shall be the entitlement holder of both the Finance Charge Account and the Principal Account and, subject to the next sentence, the Finance Charge Account and the Principal Account shall be under the sole dominion and control of the Trustee for the benefit of the Secured Parties. Pursuant to authority granted to it hereunder and in the Servicing Agreement, the Servicer shall have the revocable power to instruct the Trustee to

withdraw funds from the Finance Charge Account and Principal Account for the purpose of carrying out the Servicer's duties under the Servicing Agreement. The Trustee at all times shall maintain accurate records reflecting each transaction in the Principal Account and the Finance Charge Account and that funds held therein shall at all times be held in trust for the benefit of the Secured Parties.

(c) The Payment Accounts. For each Series, the Trustee, for the benefit of the Secured Parties of such Series, shall establish and maintain in the State of New York or in the city in which the Corporate Trust Office is located, with one or more Qualified Institutions, in the name of the Trustee, a non-interest bearing segregated trust account (each, a "Payment Account" and collectively, the "Payment Accounts") bearing a designation clearly indicating that the funds deposited therein are held in trust for the benefit of the Secured Parties of such Series. The Trustee shall possess all right, title and interest in all funds on deposit from time to time in the Payment Accounts and in all proceeds thereof. The Payment Accounts shall be under the sole dominion and control of the Trustee for the benefit of the Secured Parties of such Series.

(d) Series Accounts. If so provided in the related Series Supplement, the Trustee or the Servicer, for the benefit of the Secured Parties of such Series, shall cause to be established and maintained, in the name of the Trustee, one or more accounts (each, a "Series Account" and, collectively, the "Series Accounts"). Each such Series Account shall bear a designation clearly indicating that the funds deposited therein are held for the benefit of the Secured Parties of such Series. Each such Series Account will be a trust account, if so provided in the related Series Supplement, and will have the other features and be applied as set forth in the related Series Supplement.

(e) Administration of the Finance Charge and Principal Accounts. Funds on deposit in the Principal Account and the Finance Charge Account that are not both deposited and to be withdrawn on the same date shall be invested in Permitted Investments. Any such investment shall mature and such funds shall be available for withdrawal on or prior to the Series Transfer Date related to the Monthly Period in which such funds were received or deposited, or if so specified in the related Series Supplement, immediately preceding a Payment Date. The Trustee shall: (i) hold each Permitted Investment (other than such as are described in clause (c) of the definition thereof) that constitutes investment property through a securities intermediary, which securities intermediary shall (I) agree that such investment property shall at all times be credited to a securities account of which the Trustee is the entitlement holder, (II) comply with entitlement orders originated by the Trustee without the further consent of any other person or entity, (III) agree that all property credited to such securities account shall be treated as a financial asset, (IV) waive any lien on, security interest in, or right of set-off with respect to any property credited to such securities account, and (V) agree that its jurisdiction for purposes of Section 8-110 and Section 9-305(a)(3) of the UCC shall be New York, and that such agreement shall be governed by the laws of the State of New York; and (ii) maintain for the benefit of the Secured Parties, possession or control of each other Permitted Investment (including any negotiable instruments, if any, evidencing such Permitted Investments) not described in clause (i)

above (other than such as are described in clause (c) of the definition thereof); provided that no Permitted Investment shall be disposed of prior to its maturity date if such disposition would result in a loss. Terms used in clause (i) above that are defined in the New York UCC and not otherwise defined herein shall have the meaning set forth in the New York UCC. At the end of each month, all interest and earnings (net of losses and investment expenses) on funds on deposit in the Principal Account and the Finance Charge Account shall be deposited in the Collection Account and treated as Investment Earnings. If at the end of a month losses and investment expenses on funds on deposit in either of the Principal Account and the Finance Charge Account exceed interest and earnings on such funds during such month, losses and expenses to the extent of such excess will be allocated, with respect to any Series, among the Noteholders of such Series and the Issuer as provided in the related Series Supplement. Subject to the restrictions set forth above, the Issuer, or a Person designated in writing by the Holder of the Issuer Interest, of which the Trustee shall have received written notification thereof, shall have the authority to instruct the Trustee with respect to the investment of funds on deposit in the Principal Account and the Finance Charge Account.

(f) Qualified Institution. If, at any time, the institution holding any account established pursuant to this Section 5.3 ceases to be a Qualified Institution, the Trustee shall notify each Rating Agency and within ten (10) Business Days establish a new account or accounts, as the case may be, meeting the conditions specified above with a Qualified Institution, and shall transfer any cash or any investments to such new account or accounts, as the case may be.

Section 5.4. Collections and Allocations.

(a) Collections in General. Subject to the last paragraph of this Section 5.4(a), until this Indenture is terminated pursuant to Section 12.1, the Issuer shall or shall cause the Servicer under the Servicing Agreement to cause all Collections due and to become due, as the case may be, to be paid directly into the Collection Account as promptly as possible after the date of receipt of such Collections, but in no event later than the second Business Day following such date of receipt. All monies, instruments, cash and other proceeds received by the Servicer in respect of the Trust Estate pursuant to this Indenture shall be deposited in the Collection Account as specified herein and shall be applied as provided in this Article 5 and Article 6.

The Servicer shall allocate such amounts to each Series of Notes and to the Issuer in accordance with this Article 5 and shall withdraw the required amounts from the Collection Account or pay such amounts to the Issuer in accordance with this Article 5, in both cases as modified by any Series Supplement. The Servicer shall make such deposits or payments on the date indicated therein by wire transfer or as otherwise provided in the Series Supplement for any Series of Notes with respect to such Series.

Notwithstanding anything in this Base Indenture or the Servicing Agreement to the contrary, and in consideration of and reliance upon the Issuer and the Servicer securing the Servicer Letter of Credit, for so long as, and only so long as, no Daily Payment Event shall have occurred and the aggregate amount of Collections then held by the Servicer or otherwise commingled with its general funds does not exceed the Available Servicer Letter of Credit Amount under the Servicer Letter of Credit, the Issuer shall not be required to cause the Servicer to make daily deposits of Collections into the Collection Account in the manner provided in this Article 5 or as required under the Servicing Agreement or, with respect to any Series, make daily payments from and daily deposits into the Finance Charge Account, the Principal Account or any Series Account as provided in any applicable Series Supplement prior to the close of business on the day any Collections are deposited in the Collection Account as provided in this Article 5, but instead, the Servicer may commingle such Collections with its general funds or otherwise during each Monthly Period and make a single deposit in the Collection Account in immediately available funds not later than 12:00 p.m., New York City time, on each Series Transfer Date immediately preceding the related Payment Date in an amount equal to the lesser of (A) Collections received in the immediately preceding Monthly Period allocable to the Aggregate Investor Interests for each Group and (B) the amount required to be deposited in the Finance Charge Account, the Principal Account or any Series Account or, without duplication, distributed on or prior to the related Payment Date to the Secured Parties.

If a Daily Payment Event shall have occurred or the aggregate amount of Collections then held by the Servicer or otherwise commingled with its general fund exceeds the Available Servicer Letter of Credit Amount, the Issuer shall or shall cause the Servicer under the Servicing Agreement to cause all Collections due and to become due, as the case may be, to be paid directly into the Collection Account as promptly as possible after the date of receipt of such Collections, but in no event later than the second Business Day following such date of receipt.

(b) Allocation of Collections Between Finance Charges and Principal Receivables. At all times and for all purposes of this Base Indenture, the Servicer shall allocate Collections received in respect of any Receivables for any Monthly Period to Finance Charges and to Principal Receivables in the manner specified in subsection 3.02(b) of the Servicing Agreement.

(c) Issuer Distributions. Prior to the commencement of the Rapid Amortization Period with respect to each Series of Notes, amounts on deposit in the related Principal Account in excess of the related Principal Account Floor may on each Business Day (other than a Series Transfer Date or Payment Date) be paid to the Issuer ("Issuer Distributions") provided that (i) the Coverage Test is satisfied; (ii) such payment to the Issuer shall be limited to the extent used by the Issuer to pay the Sellers for Subsequently Purchased Receivables or to repay any Originator Notes solely to the extent of any increase in the principal of such Originator Note since the preceding Payment Date; (iii) there shall not exist on such Business Day, and such payment and the application thereof shall not result in the occurrence of, a Pay Out Event, a Potential Pay Out Event, a Servicer Default, an Event of Default or a Default. The Issuer will

meet the " Coverage Test" if, on any date of determination, (i) the Issuer Interest as of such date exceeds the largest required "Minimum Issuer Interest" of any outstanding Series (such excess being herein called the " Available Issuer Interest") as of such date (determined by the Servicer taking into account any increases, decreases and status changes of the Receivables and any increases or decreases in the outstanding notes including those scheduled to occur on such date) and (ii) the Aggregate Net Investor Charge-Offs is zero as of such date.

(d) Adjustments to Issuer Interest. The Issuer shall cause the Servicer to deduct, on or prior to each Determination Date, on a net basis for each Monthly Period from the aggregate amount of Principal Receivables used to calculate the Issuer Interest the portion of each Principal Receivable which is reduced by the Servicer by any rebate, refund, chargeback or adjustment (including due to Servicer errors) made by the Servicer (a "Credit Adjustment").

(e) Disqualification of Institution Maintaining Collection Account. Upon and after the establishment of a new Collection Account with a Qualified Institution, the Servicer shall deposit or cause to be deposited all Collections as set forth in subsection 5.3(a) into the new Collection Account, and in no such event shall deposit or cause to be deposited any Collections thereafter into any account established, held or maintained with the institution formerly maintaining the Collection Account (unless it later becomes a Qualified Institution or qualified corporate trust department maintaining the Collection Account).

(f) Sharing Collections. In the manner described in the related Series Supplement, to the extent that Collections allocated to Principal Receivables that are allocated to any Series are not needed to make payments to the Secured Parties of such Series or required to be deposited in a cash reserve account or a Payment Account for such Series, such Collections may be applied to cover payments due to or for the benefit of the Secured Parties of another Series. Any such reallocation will not result in a reduction in the Investor Interest of the Series to which such Collections were initially allocated.

Section 5.5. Determination of Monthly Interest. Monthly interest with respect to each Series of Notes shall be determined, allocated and distributed in accordance with the procedures set forth in the applicable Series Supplement.

Section 5.6. Determination of Monthly Principal. Monthly principal with respect to each Series of Notes shall be determined, allocated and distributed in accordance with the procedures set forth in the applicable Series Supplement. However, all principal or interest with respect to any Series of Notes shall be due and payable no later than the Legal Final Payment Date with respect to such Series.

Section 5.7. General Provisions Regarding Accounts. Subject to subsection 11.1(c), the Trustee shall not in any way be held liable by reason of any insufficiency in any of the Trust Estate resulting from any loss on any Permitted Investment included therein except for losses attributable to the Trustee's failure to make payments on such Permitted Investments issued by

the Trustee, in its commercial capacity as principal obligor and not as trustee, in accordance with their terms.

Section 5.8. Removed Receivables. Upon satisfaction of the conditions and the requirements of any of (i) subsection 8.3(a) and Section 15.1 hereof (to the extent applicable), (ii) Section 2.08 of the Servicing Agreement or (iii) Section 2.4 of the Purchase Agreement, as applicable, the Issuer shall execute and deliver and the Trustee shall acknowledge an instrument in the form attached hereto as Exhibit C evidencing the Trustee's release of the related Removed Receivables and Related Security, and the Removed Receivables and Related Security shall no longer constitute a part of the Trust Estate. No party relying upon an instrument executed by the Trustee as provided in this Article 5 shall be bound to ascertain the Trustee's authority, inquire into the satisfaction of any conditions precedent or see to the application of any moneys.

Section 5.9. [Reserved].

Section 5.10. Servicer Letter of Credit. The following provisions shall apply so long as CAI, L.P. is the Servicer under the Servicing Agreement.

(a) Servicer Letter of Credit. If with respect to any Series Transfer Date the Issuer shall have failed to cause the Servicer to make in full, the remittance of Collections required to be remitted by it pursuant to the Servicing Agreement and Section 5.4 (the "Required Remittance Amount") the Trustee shall draw (prior to making a draw on any Enhancement) on the Servicer Letter of Credit, in accordance with the terms thereof, in the amount of the difference between (i) the Required Remittance Amount, and (ii) the amount of funds actually so remitted. Any such draw on the Servicer Letter of Credit shall be made on or before 2:00 P.M. (New York City time) on the applicable Series Transfer Date. Upon receipt of the proceeds of any drawing under the Servicer Letter of Credit, the Trustee shall deposit such proceeds into the Collection Account and such proceeds shall, for all purposes of this Indenture, be deemed to be Collections and shall be distributed accordingly. The Servicer shall include in each Monthly Servicer Report, the Stated Amount (as defined in the Servicer Letter of Credit) of the Servicer Letter of Credit as of the last day of the immediately preceding calendar month. In the event that a successor Servicer is appointed and acting as such as a result of a failure by the Servicer to prepare and deliver a Monthly Servicer Report, the successor Servicer shall prepare and deliver such statement to the Trustee as promptly as practicable, and the Trustee shall make a drawing on the basis of such statement on the next succeeding Series Transfer Date.

(b) Downgrade of Servicer Letter of Credit Bank or Expiration of Term of Servicer Letter of Credit.

(i) On the fifteenth day prior to the expiry date of the Servicer Letter of Credit (as such letter of credit may have been renewed or extended), the Trustee shall give written notice thereof to the Issuer, the Servicer and each Rating Agency.

(ii) In the event that the Trustee receives notice that the letter of credit rating of the Servicer Letter of Credit Bank has been withdrawn or reduced below the Required Rating, the Trustee shall promptly give written notice thereof to the Issuer and the Servicer. Within 35 days (or five Business Days, if the Servicer Letter of Credit Bank does not have letter of credit ratings equal to or higher than P-2 (or the equivalent thereof) from Moody's and, if rated by any other Rating Agency, such Rating Agency) of receipt of such notice, the Servicer shall either (x) deliver to the Trustee a substitute Servicer Letter of Credit in accordance with clause (c) below, (y) instruct the Trustee in writing to make a demand for a drawing under the Servicer Letter of Credit in accordance with Section 5.10(e) or (z) commence depositing Collections including any Collections then held by it, into the Collection Account in the manner described in the first paragraph of Section 5.4(a).

(c) Substitute Servicer Letter of Credit. The Trustee shall accept delivery of a letter of credit in substitution for the Servicer Letter of Credit and shall deliver the Servicer Letter of Credit to the Servicer Letter of Credit Bank for cancellation upon the satisfaction of the following conditions:

(i) The substitute letter of credit shall be irrevocable and shall be issued by a bank or other financial institution whose letter of credit or short-term deposit or other debt obligations have the Required Rating, and the substitute letter of credit shall provide that drawings thereunder may be made on substantially the same terms and conditions as the initial Servicer Letter of Credit, and the substitute letter of credit shall have been delivered to the Trustee.

(ii) The amount available to be drawn under, and the Stated Amount of, the substitute letter of credit shall be at least equal to the amount which was available to be drawn under, and the Stated Amount of, the Servicer Letter of Credit being replaced.

(iii) The Trustee shall have received written opinions of counsel (acceptable to the Trustee) (including domestic and foreign counsel, if applicable) from the issuer of the substitute letter of credit, which opinions shall be reasonably satisfactory to the Trustee and its respective counsel, as to the enforceability of the substitute Servicer letter of credit.

(iv) The Servicer shall have delivered to the Trustee a certificate from a Responsible Officer of the Servicer confirming the items set forth in (i) and (ii) above.

Upon the delivery to the Trustee of a substitute letter of credit in accordance with this section, such substitute letter of credit shall be the Servicer Letter of Credit and the issuer thereof shall be the Servicer Letter of Credit Bank for all purposes hereof.

(d) Regular Remittances. If the Servicer elects to begin regular remittances of Collections to the Collection Account in accordance with the first paragraph of subsection 5.4(a), the Servicer shall instruct the Trustee in writing to submit the Servicer Letter of Credit to the Servicer Letter of Credit Bank for cancellation and the Servicer shall begin such regular remittances in accordance with the first paragraph of subsection 5.4(a).

(e) Special Drawing. On the Closing Date, the Trustee shall establish or cause to be established in the name of the Trustee a segregated trust account (the "Servicer LC Escrow Account"), bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Secured Parties. If the Servicer elects to instruct the Trustee to make a drawing as described in clause (b)(ii)(y) above, the Servicer shall provide two Business Days notice to the Servicer Letter of Credit Bank and shall instruct the Trustee in writing to promptly draw upon the Servicer Letter of Credit to the full extent of the Available Servicer Letter of Credit Amount thereunder and deposit such amount into the Servicer LC Escrow Account. All funds on deposit in the Servicer LC Escrow Account shall, at the direction of the Servicer, be invested by the Trustee in Permitted Investments which will be held to maturity and which will mature so that all funds on deposit therein will be available prior to the Series Transfer Date next following the date of such investment. The Trustee shall: (i) hold each Permitted Investment (other than such as are described in clause (c) of the definition thereof) that constitutes investment property through a securities intermediary, which securities intermediary shall (I) agree that such investment property shall at all times be credited to a securities account of which the Trustee is the entitlement holder, (II) comply with entitlement orders originated by the Trustee without the further consent of any other person or entity, (III) agree that all property credited to such securities account shall be treated as a financial asset, (IV) waive any lien on, security interest in, or right of set-off with respect to any property credited to such securities account, and (V) agree that its jurisdiction for purposes of Section 8-110 and Section 9-305(a)(3) of the UCC shall be New York, and that such agreement shall be governed by the laws of the State of New York; and (ii) maintain for the benefit of the Secured Parties, possession or control of each other Permitted Investment (including any negotiable instruments, if any, evidencing such Permitted Investments) not described in clause (i) above (other than such as are described in clause (c) of the definition thereof); provided that no Permitted Investment shall be disposed of prior to its maturity date if such disposition would result in a loss. Terms used in clause (i) above that are defined in the New York UCC and not otherwise defined herein shall have the meaning set forth in the New York UCC. Until the Indenture Termination Date, if a drawing under the Servicer Letter of Credit is called for under subsection (a) above, a withdrawal in the same amount from the Servicer LC Escrow Account shall instead be made and the related funds applied as provided therein. From and after the date of such Special Drawing, the term "Available Servicer Letter of Credit Amount" with respect to the Servicer Letter of Credit shall be deemed to refer to the amount on deposit in the Servicer LC Escrow Account (excluding any investment earnings thereon). On the first Business Day after the Indenture Termination Date, all funds in the Servicer LC Escrow Account shall be paid, first, to the Servicer Letter of Credit Bank to the extent of any amounts payable thereto under the reimbursement agreement for the Servicer Letter

of Credit, second, to the Excess Funding Account to the extent of any payments by the Issuer to the Servicer Letter of Credit Bank under such reimbursement agreement and, third, to the Servicer (the "Payment Priorities"). Any investment earnings on the Servicer LC Escrow Account shall be remitted on each Series Transfer Date in accordance with the Payment Priorities. All funds on deposit in the Servicer LC Escrow Account shall be the sole and exclusive property of the Trustee, subject to the rights of the Servicer as provided herein. Neither the Issuer nor the Servicer shall at any time have any ownership or other interest in such funds or any right to withdraw or to receive such funds except as described in the third preceding sentence. In the event that, notwithstanding the intention of the parties hereto, such funds are deemed to be the property of the Issuer or the Servicer, each of the Issuer and the Servicer hereby grants to the Trustee, a security interest in and to all of the Issuer's or the Servicer's (as the case may be) right, title and interest in such funds for the purpose of securing the rights of the Trustee hereunder.

In the event that the Servicer delivers to the Trustee a substitute letter of credit meeting the requirements of subsection (c) above, the Trustee shall release any funds on deposit in the Servicer LC Escrow Account in accordance with the Payment Priorities.

(f) Reimbursement. If any amounts are payable by the Issuer to the Servicer Letter of Credit Bank under the reimbursement agreement for the Servicer Letter of Credit, the Trustee shall pay such amounts on behalf of the Issuer in accordance with each Series Supplement.

(g) Notices. If the Servicer Letter of Credit is amended, replaced or terminated, the Issuer shall promptly provide written notice thereof to each Rating Agency.

[THE REMAINDER OF ARTICLE 5 IS RESERVED AND SHALL BE SPECIFIED IN ANY SERIES SUPPLEMENT WITH RESPECT TO ANY SERIES.]

ARTICLE 6.

[ARTICLE 6 IS RESERVED AND SHALL BE SPECIFIED IN ANY SUPPLEMENT WITH RESPECT TO ANY SERIES]

ARTICLE 7.

[ARTICLE 7 IS RESERVED AND SHALL BE SPECIFIED IN ANY SUPPLEMENT WITH RESPECT TO ANY SERIES]

ARTICLE 8.

COVENANTS

Section 8.1. Money for Payments To Be Held in Trust. At all times from the date hereof to the Indenture Termination Date, unless the Required Persons of each Series shall otherwise consent in writing, all payments of amounts due and payable with respect to any Notes that are to be made from amounts withdrawn from the applicable Payment Account shall be made on behalf of the Issuer by the Trustee or by another Paying Agent, and no amounts so withdrawn from such Payment Account for payments of such Notes shall be paid over to the Issuer except as provided in this Indenture.

Section 8.2. Affirmative Covenants of Issuer. At all times from the date hereof to the Indenture Termination Date, unless the Required Persons of each Series shall otherwise consent in writing, the Issuer shall:

(a) Payment of Notes. Duly and punctually pay or cause to be paid principal of (and premium, if any) and interest on the Notes pursuant to the provisions of this Base Indenture and any applicable Series Supplement. Principal and interest shall be considered paid on the date due if the Trustee or the Paying Agent holds on that date money designated for and sufficient to pay all principal and interest then due. Amounts properly withheld under the Code by any Person from a payment to any Noteholder of interest and/or principal shall be considered as having been paid by the Issuer to such Noteholder for all purposes of this Indenture.

(b) Maintenance of Office or Agency. Maintain in the Borough of Manhattan, the City of New York, an office or agency (which may be an office of the Trustee, Transfer Agent and Registrar or co-registrar) where Notes may be surrendered for registration of transfer or exchange, where notices and demands to or upon the Issuer in respect of the Notes and this Indenture may be served, and where, at any time when the Issuer is obligated to make a payment of principal and premium upon the Notes, the Notes may be surrendered for payment. The Issuer hereby initially appoints the Trustee to serve as its agent for the foregoing purposes. The Issuer will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Issuer shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Issuer hereby appoints the Trustee as its agent to receive all such surrenders, notices and demands.

The Issuer may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations. The Issuer will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

The Issuer hereby designates the Corporate Trust Office of the Trustee as one such office or agency of the Issuer.

(c) Compliance with Laws, Etc. Comply in all material respects with all applicable Laws (including those which relate to the Purchased Receivables).

(d) Preservation of Existence. Preserve and maintain its existence rights, franchises and privileges in the jurisdiction of its incorporation or organization, and qualify and remain qualified in good standing as a foreign entity in the jurisdiction where its principal place of business and its chief executive office are located and in each other jurisdiction where the failure to preserve and maintain such existence, rights, franchises, privileges and qualifications would have a Material Adverse Effect.

(e) Performance and Compliance with Purchased Receivables. Timely and fully perform and comply with all provisions, covenants and other promises required to be observed by it under the Purchased Receivables and all other agreements related to such Purchased Receivables.

(f) Collection Policy. Comply in all material respects with the Credit and Collection Policy in regard to each Purchased Receivable.

(g) Reporting Requirements of The Issuer. Until the Indenture Termination Date, furnish to the Trustee:

(i) Financial Statements.

(A) as soon as available, and in any event within ninety (90) days after the end of each Fiscal Year of the Issuer, a copy of the annual audited report for such Fiscal Year of the Issuer including a copy of the balance sheet of the Issuer, in each case, as at the end of such Fiscal Year, together with the related statements of earnings and cash flows for such Fiscal Year, certified without material qualification in a manner satisfactory to the Trustee by Ernst & Young or other nationally recognized independent public accountants acceptable to the Trustee, together with a certificate of such accounting firm stating that in the course of the regular audit of the business of the Issuer, which audit was conducted in accordance with GAAP, such accounting firm has obtained no knowledge that an Event of Default, Default, Pay Out Event or Potential Pay Out Event has occurred and is continuing, or if, in the opinion of such accounting firm, such an Event of Default, Default, Pay Out Event or Potential Pay Out Event has occurred and is continuing, a statement as to the nature thereof; provided, that if the Issuer is consolidated with the Parent for financial reporting purposes in accordance with GAAP, then the requirements of (B) below will satisfy this section;

(B) as soon as available and in any event within ninety (90) days after the end of each Fiscal Year of Parent, a balance sheet of Parent as of the end of such year and statements of income and retained earnings and of source and application of funds of Parent, along with consolidating statements, for the period commencing at the end of the previous Fiscal Year and ending with the end of such year, in each case setting forth comparative figures for the previous Fiscal Year, certified without material qualification in a manner satisfactory to the Trustee by Ernst & Young or other nationally recognized independent public accountants acceptable to the Trustee, together with a certificate of such accounting firm stating that in the course of the regular audit of the business of Parent, which audit was conducted in accordance with GAAP, such accounting firm has obtained no knowledge that an Event of Default, Default, Pay Out Event or Potential Pay Out Event has occurred and is continuing, or if, in the opinion of such accounting firm, such an Event of Default, Default, Pay Out Event or Potential Pay Out Event has occurred and is continuing, a statement as to the nature thereof; and

(C) as soon as available and in any event within forty five (45) days after the end of each fiscal quarter, quarterly balance sheets and quarterly statements of source and application of funds and quarterly statements of income and retained earnings of Parent, certified by the Responsible Officer of Parent (which certification shall state that such balance sheets and statements fairly present the financial condition and results of operations for such fiscal quarter, subject to year-end audit adjustments), delivery of which balance sheets and statements shall be accompanied by a Conn Officer's Certificate to the effect that no Event of Default, Default, Pay Out Event or Potential Pay Out Event has occurred and is continuing.

(ii) Notice of Default, Event of Default, Pay Out Event or Potential Pay Out Event. Immediately, and in any event within one (1) Business Day after the Issuer obtains knowledge of the occurrence of each Default, Event of Default, Pay Out Event or Potential Pay Out Event, a statement of the Responsible Officer of the Issuer setting forth details of such Default, Event of Default, Pay Out Event or Potential Pay Out Event and the action which the Issuer proposes to take with respect thereto;

(iii) Change in Credit and Collection Policy. Within ten (10) Business Days after the date any material change in or amendment to the Credit and Collection Policy is made, a copy of the Credit and Collection Policy then in effect indicating such change or amendment;

(iv) ERISA. Promptly after the filing or receiving thereof, copies of all reports and notices with respect to any reportable event as defined in Section 4043 of ERISA (other than an event for which the 30-day notice period is waived) which either (i) the

Issuer or any ERISA Affiliate of the Issuer files under ERISA with the Internal Revenue Service, the Pension Benefit Guaranty Corporation or the U.S. Department of Labor or (ii) the Issuer or any ERISA Affiliates of the Issuer receives from the Internal Revenue Service, the Pension Benefit Guaranty Corporation or the U.S. Department of Labor. The Issuer shall give the Trustee and each Noteholder prompt written notice of any event that could result in the imposition of a Lien under Section 412 of the Code or Section 302 or 4068 of ERISA;

(v) If a Responsible Officer of the Issuer shall have actual knowledge of the occurrence of a Servicer Default, notice thereof to the Trustee, and the Rating Agencies thereof in accordance with Section 15.4, which notice shall specify the action, if any, the Issuer is taking in respect of such default. If a Servicer Default shall arise from the failure of the Servicer to perform any of its duties or obligations under the Servicing Agreement, the Issuer shall take all reasonable steps available to it to remedy such failure, including any action reasonably requested by the Trustee; and

(vi) On or before April 1, 2003 and on or before April 1 of each year thereafter, and otherwise in compliance with the requirements of TIA Section 314(a)(4) (if this Indenture is required to be qualified under the TIA), a Conn Officer's Certificate stating, as to the Responsible Officer signing such Conn Officer's Certificate, that

(A) a review of the activities of the Issuer during such year and of performance under this Indenture has been made under such Responsible Officer's supervision; and

(B) to the best of such Responsible Officer's knowledge, based on such review, the Issuer has complied with all conditions and covenants under this Indenture throughout such year, or, if there has been a Default, Event of Default, Pay Out Event or Potential Pay Out Event, specifying each such Default, Event of Default, Pay Out Event or Potential Pay Out Event known to such Responsible Officer and the nature and status thereof.

(h) Use of Proceeds. Use the proceeds of the Notes solely in connection with the acquisition or funding of Receivables or the repayment of amounts owed under the Originator Note in connection therewith.

(i) Protection of Trust Estate. At its expense, perform all acts and execute all documents reasonably requested by the Trustee at any time to evidence, perfect, maintain and enforce the title or the security interest of the Trustee in the Trust Estate and the priority thereof. The Issuer will, at the reasonable request of the Trustee, prepare, deliver and authorize the filing of financing statements relating to or covering the Trust Estate sold to the Issuer and subsequently conveyed to the Trustee. The Issuer shall cause each Contract with respect to a Receivable to be stamped in a conspicuous place (other than with respect to Contracts purchased

on the Initial Closing Date the originals of which have been copied on microfilm and destroyed), and its Records relating to the Purchased Receivables to be marked, with a legend stating that it has been pledged to the Trustee for the benefit of the Noteholders; provided that, subject to the immediately preceding parenthetical, in the case of the Receivables purchased on the Initial Closing Date, the Issuer shall cause each Contract related to such Receivables to be stamped on or prior to the date that is sixty (60) days after the Initial Closing Date.

(j) Inspection of Records. Permit the Trustee, any one or more of the Notice Persons or their duly authorized representatives, attorneys or auditors to inspect the Receivables, the Receivable Files and the Records at such times as such Person may reasonably request. Upon instructions from the Trustee, any one or more of the Notice Persons or their duly authorized representatives, attorneys or auditors, the Issuer shall release any document related to any Receivables to such Person.

(k) Furnishing of Information. Provide such cooperation, information and assistance, and prepare and supply the Trustee and the Notice Persons of each Series with such data regarding the performance by the Obligors of their obligations under the Purchased Receivables and the performance by the Issuer and Servicer of their respective obligations under the Transaction Documents, as may be reasonably requested by the Trustee or any Notice Person from time to time.

(l) Accounts. Not maintain any bank accounts other than the Trust Accounts. Except as set forth in the Servicing Agreement the Issuer shall not make, nor will it permit any Seller, the Initial Seller or Servicer to make, any change in its instructions to Obligors regarding payments to be made to the Post Office Box. The Issuer shall not add any additional Trust Accounts unless the Trustee shall have consented thereto and received a copy of any documentation with respect thereto. The Issuer shall not terminate any Trust Accounts or close any Trust Accounts unless the Trustee shall have received at least thirty (30) days prior notice of such termination and shall have consented thereto.

(m) Performance and Compliance with Receivables and Contracts. At its expense, timely and fully perform and comply with all material provisions, covenants and other promises, if any, required to be observed by the Issuer under the Contracts related to the Receivables.

(n) Collections Received. Hold in trust, and immediately (but in any event no later than two (2) Business Days following its receipt thereof) transfer to the Servicer for deposit into the Collection Account (subject to Section 5.4(a)) all Collections, if any, received from time to time by the Issuer.

(o) Enforcement of Transaction Documents. Use its best efforts to enforce all rights held by it under any of the Transaction Documents, shall not amend, supplement or otherwise modify any of the Transaction Documents and shall not waive any breach of any

covenant contained thereunder without the prior written consent of the Required Persons for each Series. The Issuer shall take all actions reasonably requested by the Trustee to enforce the Issuer's rights and remedies under the Transaction Documents. The Issuer agrees that it will not waive timely performance or observance by the Servicer, the Initial Seller or any Seller of their respective duties under the Transaction Documents if the effect thereof would adversely affect any of the Secured Parties.

(p) Separate Legal Entity. The Issuer hereby acknowledges that the Trustee and the Noteholders are entering into the transactions contemplated by this Base Indenture and the other Transaction Documents in reliance upon the Issuer's identity as a legal entity separate from any other Person. Therefore, from and after the date hereof, the Issuer shall take all reasonable steps to continue the Issuer's identity as a separate legal entity and to make it apparent to third Persons that the Issuer is an entity with assets and liabilities distinct from those of any other Person, and is not a division of any other Person. Without limiting the generality of the foregoing and in addition to and consistent with the covenant set forth herein, the Issuer shall take such actions as shall be required in order that:

(i) The Issuer will be a limited purpose limited partnership whose primary activities are restricted in a partnership agreement to owning financial assets and financing the acquisition thereof and conducting such other activities as it deems necessary or appropriate to carry out its primary activities;

(ii) At least two managers of the general partner of the Issuer (the "Independent Managers") shall be individuals who are not present or former directors, officers, employees or 5% beneficial owners of the outstanding common stock of any Person or entity beneficially owning any outstanding shares of common stock of Conn or any Affiliate thereof; provided, however, that an individual shall not be deemed to be ineligible to be an Independent Manager solely because such individual serves or has served in the capacity of an "independent manager" or similar capacity for special purpose entities formed by Parent or any of its Affiliates. The partnership agreement of the Issuer shall provide that (i) the general partner of the Issuer shall not approve, or take any other action to cause the filing of, a voluntary bankruptcy petition with respect to the Issuer unless the Independent Managers shall approve the taking of such action in writing prior to the taking of such action, and (ii) such provision cannot be amended without the prior written consent of the Independent Managers;

(iii) Any employee, consultant or agent of the Issuer will be compensated from funds of the Issuer, as appropriate, for services provided to the Issuer;

(iv) The Issuer will allocate and charge fairly and reasonably overhead expenses shared with any other Person. To the extent, if any, that the Issuer and any other Person share items of expenses such as legal, auditing and other professional services, such expenses will be allocated to the extent practical on the basis of actual use or the

value of services rendered, and otherwise on a basis reasonably related to the actual use or the value of services rendered;

(v) The Issuer's operating expenses will not be paid by any other Person except as permitted under the terms of this Indenture or otherwise consented to by the Trustee and the Required Persons;

(vi) The Issuer's books and records will be maintained separately from those of any other Person;

(vii) All audited financial statements of any Person that are consolidated to include the Issuer will contain notes clearly stating that (A) all of the Issuer's assets are owned by the Issuer, and (B) the Issuer is a separate entity;

(viii) The Issuer's assets will be maintained in a manner that facilitates their identification and segregation from those of any other Person;

(ix) The Issuer will strictly observe appropriate formalities in its dealings with all other Persons, and funds or other assets of the Issuer will not be commingled with those of any other Person, other than temporary commingling in connection with servicing the Receivables to the extent explicitly permitted by this Indenture and the other Transaction Documents;

(x) The Issuer shall not, directly or indirectly, be named or enter into an agreement to be named, as a direct or contingent beneficiary or loss payee, under any insurance policy with respect to any amounts payable due to occurrences or events related to any other Person;

(xi) Any Person that renders or otherwise furnishes services to the Issuer will be compensated thereby at market rates for such services it renders or otherwise furnishes thereto. Except as expressly provided in the Transaction Documents, the Issuer will not hold itself out to be responsible for the debts of any other Person or the decisions or actions respecting the daily business and affairs of any other Person; and

(xii) comply with all material assumptions of fact set forth in the opinion with respect to certain bankruptcy matters delivered by Andrews & Kurth L.L.P. on the date hereof, relating to the Issuer, its obligations hereunder and under the other Transaction Documents to which it is a party and the conduct of its business with Conn, any other Seller, the Initial Seller or any other Person.

(q) Minimum Net Worth. Have a net worth (in accordance with GAAP) of at least 1% of the outstanding principal amount of the Notes.

(r) Servicer's Obligations. Cause the Servicer to comply with subsection 2.02(c) and Sections 2.09 and 2.10 of the Servicing Agreement.

(s) Income Tax Characterization. For purposes of federal income, state and local income and franchise and any other income taxes, unless otherwise required by the relevant governmental authority, the Issuer will treat the Notes as indebtedness.

Section 8.3. Negative Covenants. So long as any Notes are outstanding, the Issuer shall not, unless the Required Persons of each Series shall otherwise consent in writing:

(a) Sales, Liens, Etc. Except pursuant to, or as contemplated by, the Transaction Documents, the Issuer shall not sell, assign (by operation of law or otherwise) or otherwise dispose of, or create or suffer to exist voluntarily or, for a period in excess of thirty (30) days, involuntarily any Adverse Claims upon or with respect to any of its assets, including, without limitation, the Collateral, any interest therein or any right to receive any amount from or in respect thereof.

(b) Claims, Deductions. Claim any credit on, or make any deduction from the principal or interest payable in respect of, the Notes (other than amounts properly withheld from such payments under the Code) or assert any claim against any present or former Noteholder by reason of the payment of the taxes levied or assessed upon any part of the Trust Estate; or

(c) Mergers, Acquisitions, Sales, Subsidiaries, etc. The Issuer shall not:

(i) be a party to any merger or consolidation, or directly or indirectly purchase or otherwise acquire all or substantially all of the assets or any stock of any class of, or any partnership or joint venture interest in, any other Person, except for Permitted Investments, or sell, transfer, assign, convey or lease any of its property and assets (or any interest therein) other than pursuant to, or as contemplated by, this Indenture or the other Transaction Documents;

(ii) make, incur or suffer to exist an investment in, equity contribution to, loan or advance to, or payment obligation in respect of the deferred purchase price of property from, any other Person, except for Permitted Investments or pursuant to the Transaction Documents;

(iii) create any direct or indirect Subsidiary or otherwise acquire direct or indirect ownership of any equity interests in any other Person other than pursuant to the Transaction Documents; or

(iv) enter into any transaction with any Affiliate except for the transactions contemplated by the Transaction Documents and other transactions upon fair and

reasonable terms materially no less favorable to the Issuer than would be obtained in a comparable arm's length transaction with a Person not an Affiliate.

(d) Change in Business Policy. The Issuer shall not make any change in the character of its business which would impair in any material respect the collectibility of any Receivable.

(e) Other Debt. Except as provided for herein, the Issuer shall not create, incur, assume or suffer to exist any Indebtedness whether current or funded, other than (i) the Notes, (ii) Indebtedness of the Issuer representing fees, expenses and indemnities arising hereunder or under the Purchase Agreement (including the Originator Notes) for the purchase price of the Receivables under the Purchase Agreement, (iii) any Credit Enhancement, and (iv) other Indebtedness permitted pursuant to subsection 8.3(h).

(f) Certificate of Limited Partnership and Limited Partnership Agreement. The Issuer shall not amend its certificate of limited partnership or limited partnership agreement unless the Trustee shall have received written confirmation by the Rating Agencies that after such amendment the Rating Agency Condition will be met.

(g) Financing Statements. The Issuer shall not authorize the filing of any financing statement (or similar statement or instrument of registration under the laws of any jurisdiction) or statements relating to the Trust Estate other than the financing statements authorized and filed in connection with and pursuant to the Transaction Documents.

(h) Business Restrictions. The Issuer shall not (i) engage in any business or transactions, or be a party to any documents, agreements or instruments, other than the Transaction Documents or those incidental to the purposes thereof, or (ii) make any expenditure for any assets (other than Receivables) if such expenditure, when added to other such expenditures made during the same calendar year would, in the aggregate, exceed Ten Thousand Dollars ($10,000); provided, however, that the foregoing will not restrict the Issuer's ability to pay servicing compensation as provided herein and, so long as no Default, Event of Default, Pay Out Event or Potential Pay Out Event shall have occurred and be continuing, the Issuer's ability to pay amounts due on the Originator Note or other payments or distributions legally made to the Issuer's equity owners.

(i) ERISA Matters.

(i) To the extent applicable, the Issuer will not (A) engage or permit any of its respective ERISA Affiliates to engage in any prohibited transaction (as defined in Section 4975 of the Code and Section 406 of ERISA) for which an exemption is not available or has not previously been obtained from the U.S. Department of Labor; (B) fail to make any payments to any Multiemployer Plan that the Issuer or any ERISA Affiliate of the Issuer is required to make under the agreement relating to such Multiemployer Plan or any law

pertaining thereto; (C) terminate any Pension Plan so as to result in any liability to Issuer or any ERISA Affiliate; or (D) permit to exist any occurrence of any reportable event described in Title IV of ERISA, if such prohibited transactions, failures to make payment, terminations and reportable events described in clauses (A), (B), (C) and (D) above would in the aggregate have a Material Adverse Effect.

(ii) To the extent applicable, the Issuer will not permit to exist any accumulated funding deficiency (as defined in Section 302(a) of ERISA and Section 412(a) of the Code) or funding deficiency with respect to any Title IV Plan other than a Multiemployer Plan.

(iii) To the extent applicable, the Issuer will not cause or permit any of its ERISA Affiliates to cause or permit the occurrence of an ERISA Event with respect to Title IV Plans of the Issuer or its ERISA Affiliates that have an aggregate Unfunded Pension Liability equal to or greater than $1,000,000.

(j) Name, Principal Office. The Issuer will not change its name, its jurisdiction of organization or the location of its chief executive office or principal place of business (within the meaning of the applicable UCC) without prior written notice to the Trustee sufficient to allow the Trustee to make all filings (including filings of financing statements on form UCC-1) and recordings necessary to maintain the perfection of the interest of the Trustee in the Trust Estate pursuant to this Indenture. The Issuer further agrees that it will not become or seek to become organized under the laws of more than one jurisdiction. In the event that the Issuer desires to so change its jurisdiction of incorporation or its office or change its name, the Issuer will make any required filings and prior to actually making such change the Issuer will deliver to the Trustee (i) a Conn Officers' Certificate and (except with respect to a change of the location of the Issuer's chief executive office or principal place of business to a new location in the same county) an Opinion of Counsel confirming that all required filings have been made to continue the perfected interest of the Trustee in the Trust Estate in respect of such change and (ii) copies of all such required filings with the filing information duly noted thereon by the office in which such filings were made.

Section 8.4. Further Instruments and Acts. Upon request of the Trustee, the Issuer will execute and deliver such further instruments, furnish such other information and do such further acts as may be reasonably necessary or proper to carry out more effectively the purpose of this Indenture.

Section 8.5. Appointment of Successor Servicer. If the Trustee has given notice of termination to the Servicer of the Servicer's rights and powers pursuant to Section 2.01 of the Servicing Agreement, as promptly as possible thereafter, the Trustee shall appoint a successor servicer in accordance with Section 2.01 of the Servicing Agreement.

Section 8.6. Perfection Representations. The parties hereto agree that the Perfection Representations shall be a part of this Indenture for all purposes.

ARTICLE 9.

PAY OUT EVENTS AND REMEDIES

Section 9.1. Pay Out Events. If any one of the following events shall occur during the Revolving Period, the Accumulation Period, the Controlled Amortization Period or the Principal Amortization Period, with respect to any Series of Notes (each, a "Pay Out Event"):

(a) an Event of Bankruptcy shall occur with respect to any Seller, the Initial Seller or the Servicer;

(b) all of the Sellers shall become unable for any reason to transfer Receivables to the Issuer in accordance with the provisions of the Purchase Agreement and such inability shall continue for three (3) Business Days after the Issuer or any Seller shall have notice or knowledge thereof;

(c) the Issuer, the Initial Seller or any Seller shall have become an "investment company" or shall have become under the "control" of an "investment company" under the Investment Company Act of 1940, as amended;

(d) the aggregate amount on deposit in the Trust Accounts exceeds 66 2/3% of the aggregate Principal Receivables at any time; or

(e) any other event shall occur which may be specified in any Series Supplement as a "Series Pay Out Event";

then, in the case of any event described in clause (a) through (d) above (collectively, an "Issuer Pay Out Event"), a Pay Out Event with respect to all Series of Notes shall occur and (ii) unless otherwise specified in the related Series Supplement, in the case of any event described in clause (e) above, a Pay Out Event with respect to only Notes of the related Series shall occur, in each case, unless otherwise specified in a related Series Supplement, without any notice or other action on the part of the Trustee or the affected Noteholders immediately upon the occurrence of such event. Upon the occurrence of a Pay Out Event, the Rapid Amortization Period, or, if specified in a Series Supplement, the Rapid Accumulation Period will commence for each affected Series.

ARTICLE 10.

REMEDIES

Section 10.1. Events of Default. Unless otherwise specified in a Series Supplement, an "Event of Default", wherever used herein, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(i) default in the payment of any interest on any Class of Notes of any Series (other than the most subordinated Class of any Series as specified in a Series Supplement, if such subordinated Class is retained by the Issuer or any of its Affiliates) when the same becomes due and payable, and such default shall continue (and shall not have been waived by the Required Persons of each affected Series) for a period of five (5) Business Days after receipt of notice thereof from the Trustee;

(ii) default in the payment of the principal of or any installment of the principal of any Class of Notes of any Series (other than the most subordinated Class of any Series as specified in a Series Supplement, if such subordinated Class is retained by the Issuer or any of its Affiliates) when the same becomes due and payable on the related Legal Final Payment Date;

(iii) the filing of a decree or order for relief by a court having jurisdiction in the premises in respect of the Issuer or any substantial part of the Trust Estate in an involuntary case under any applicable Federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer or for any substantial part of the Trust Estate, or ordering the winding-up or liquidation of the Issuer's affairs, and such decree or order shall remain unstayed and in effect for a period of sixty (60) consecutive days; or

(iv) the commencement by the Issuer of a voluntary case under any applicable Federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or the consent by the Issuer to the entry of an order for relief in an involuntary case under any such law, or the consent by the Issuer to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer or for any substantial part of the Trust Estate, or the making by the Issuer of any general assignment for the benefit of creditors, or the failure by the Issuer generally to pay its debts as such debts become due, or the taking of action by the Issuer in furtherance of any of the foregoing.

Section 10.2. Rights of the Trustee Upon Events of Default.

(a) If and whenever an Event of Default (other than in clause (iii) and (iv) of Section 10.1) shall have occurred and be continuing, the Trustee may, and, at the written direction of the Required Noteholders shall, cause the principal amount of all Notes of all Series outstanding to be immediately due and payable at par, together with interest thereon. If an Event of Default with respect to the Issuer specified in clause (iii) and (iv) of Section 10.1 shall occur, all unpaid principal of and accrued interest on all the Notes of all Series outstanding shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Noteholder. If an Event of Default shall have occurred and be continuing, the Trustee may exercise from time to time any rights and remedies available to it under applicable law and Section 10.4. Any amounts obtained by the Trustee on account of or as a result of the exercise by the Trustee of any right shall be held by the Trustee as additional collateral for the repayment of the Issuer Obligations and shall be applied as provided in Article 5 hereof. If so specified in the applicable Series Supplement, the Trustee may agree to limit its exercise of rights and remedies available to it as a result of the occurrence of an Event of Default to the extent set forth therein.

(b) If an Event of Default shall have occurred and be continuing, then at any time after such declaration of acceleration of maturity has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article 10 provided, the Required Noteholders, by written notice to the Issuer and the Trustee, may rescind and annul such declaration and its consequences if:

(i) the Issuer has paid to or deposited with the Trustee a sum sufficient to pay

(A) all payments of principal of and interest on all Notes and all other amounts that would then be due hereunder or upon such Notes if the Event of Default giving rise to such acceleration had not occurred; and

(B) all sums paid by the Trustee hereunder and the reasonable compensation, expenses, disbursements of the Trustee and its agents and counsel; and

(ii) all Events of Default, other than the nonpayment of the principal of the Notes that has become due solely by such acceleration, have been cured or waived as provided in Section 10.6.

No such rescission shall affect any subsequent default or impair any right consequent thereto.

(c) Additional Remedies. In addition to any rights and remedies now or hereafter granted hereunder or under applicable law with respect to the Trust Estate, the Trustee

shall have all of the rights and remedies of a secured party under the UCC as enacted in any applicable jurisdiction.

Section 10.3. Collection of Indebtedness and Suits for Enforcement by Trustee.

(a) The Issuer covenants that if (i) default is made in the payment of any interest on any Note when the same becomes due and payable, and such default continues for a period of five (5) days, or (ii) default is made in the payment of the principal of or any installment of the principal of any Note when the same becomes due and payable, and such default continues for a period of five (5) days, the Issuer will, upon demand of the Trustee, pay to it, for the benefit of the Holders of the Notes, the whole amount then due and payable on such Notes for principal and interest, with interest upon the overdue principal, and, to the extent payment at such rate of interest shall be legally enforceable, upon overdue installments of interest, at the applicable Note Rate and in addition thereto such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee and its agents and counsel.

(b) If an Event of Default occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Secured Parties by such appropriate Proceedings as the Trustee shall deem most effective to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy or legal or equitable right vested in the Trustee by this Indenture or by law.

(c) In any Proceedings brought by the Trustee (and also any proceedings involving the interpretation of any provision of this Indenture), the Trustee shall be held to represent all the Secured Parties, and it shall not be necessary to make any such Person a party to any such proceedings.

(d) In case there shall be pending, relative to the Issuer or any other obligor upon the Notes or any Person having or claiming an ownership interest in the Trust Estate, proceedings under Title 11 of the United States Code or any other applicable Federal or state bankruptcy, insolvency or other similar law, or in case a receiver, assignee or trustee in bankruptcy or reorganization, liquidator, sequestrator or similar official shall have been appointed for or taken possession of the Issuer or its property or such other obligor or Person, or in case of any other comparable judicial proceedings relative to the Issuer or other obligor upon the Notes, or to the creditors or property of the Issuer or such other obligor, the Trustee, irrespective of whether the principal of any Notes shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the provisions of this Section, shall be entitled and empowered, by intervention in such proceedings or otherwise:

(i) to file and prove a claim or claims for the whole amount of principal and interest owing and unpaid in respect of the Notes and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for reasonable compensation to the Trustee and each predecessor Trustee, and their respective agents, attorneys and counsel, and for reimbursement of all expenses and liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee, except as a result of negligence, bad faith or willful misconduct) and of the Secured Parties allowed in such proceedings;

(ii) unless prohibited by applicable law and regulations, to vote on behalf of the Secured Parties in any election of a trustee, a standby trustee or person performing similar functions in any such proceedings;

(iii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute all amounts received with respect to the claims of the Secured Parties and of the Trustee on their behalf; and

(iv) to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee or the Secured Parties allowed in any judicial proceedings relative to the Issuer, its creditors and its property;

and any trustee, receiver, liquidator, custodian or other similar official in any such proceeding is hereby authorized by each of such Secured Parties to make payments to the Trustee, and, in the event that the Trustee shall consent to the making of payments directly to such Secured Parties, to pay to the Trustee such amounts as shall be sufficient to cover reasonable compensation to the Trustee, each predecessor Trustee and their respective agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee except as a result of negligence, bad faith or willful misconduct.

(e) Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or vote for or accept or adopt on behalf of any Secured Party any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Secured Party or to authorize the Trustee to vote in respect of the claim of any Secured Party in any such proceeding except, as aforesaid, to vote for the election of a trustee in bankruptcy or similar person.

(f) All rights of action and of asserting claims under this Indenture or under any of the Notes, may be enforced by the Trustee without the possession of any of the Notes or the production thereof in any trial or other proceedings relative thereto, and any such action or proceedings instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment, subject to the payment of the expenses, disbursements and

compensation of the Trustee, each predecessor Trustee and their respective agents and attorneys, shall be for the Secured Parties.

Section 10.4. Remedies. If an Event of Default shall have occurred and be continuing, the Trustee may do one or more of the following:

(a) institute Proceedings in its own name and as trustee of an express trust for the collection of all amounts then payable under the Transaction Documents, enforce any judgment obtained, and collect from the Issuer and any other obligor under the Transaction Documents moneys adjudged due;

(b) institute Proceedings from time to time for the complete or partial foreclosure of this Indenture with respect to the Trust Estate;

(c) subject to the limitations set forth in clause (d) below, exercise any remedies of a secured party under the UCC and take any other appropriate action to protect and enforce the rights and remedies of the Trustee and the Secured Parties; and

(d) sell the Trust Estate or any portion thereof or rights or interest therein, at one or more public or private sales called and conducted in any manner permitted by law; provided, however, that the Trustee may not sell or otherwise liquidate the Trust Estate following an Event of Default unless:

(i) the Holders of 100% of all of the outstanding Notes and, unless otherwise specified in the applicable Series Supplement, the Enhancement Providers of each Series of all outstanding Series consent thereto,

(ii) the Investor Percentage of the proceeds of such sale or liquidation distributable to the Noteholders and Enhancement Providers of each Series are sufficient to discharge in full all amounts then due and unpaid with respect to all outstanding Notes and to the Enhancement Providers of all outstanding Series at such date for principal and interest and any other amounts due Noteholders, or

(iii) the Trustee determines that the Investor Percentage of the proceeds of the Trust Estate will not continue to provide sufficient funds for the payment of principal of and interest on the outstanding Notes of all outstanding Series as such amounts would have become due if the Notes had not been declared due and payable, and the Trustee obtains the consent of the Required Noteholders and the Enhancement Providers.

In determining such sufficiency or insufficiency with respect to clauses (d)(ii) and (d)(iii), the Trustee may, but need not, obtain and rely upon an opinion of an Independent investment banking or accounting firm of national reputation as to the feasibility of such proposed action and as to the sufficiency of the Receivables in the Trust Estate for such purpose.

The Trustee may maintain a Proceeding even if it does not possess any of the Notes or does not produce any of them in the Proceeding, and any such Proceeding instituted by the Trustee shall be in its own name as trustee. All remedies are cumulative to the extent permitted by law.

Section 10.5. [Reserved].

Section 10.6. Waiver of Past Events. If an Event of Default shall have occurred and be continuing, prior to the declaration of the acceleration of the maturity of the Notes as provided in subsection 10.2(a), the Required Persons of each Series may waive any past Default or Event of Default and its consequences except a Default in payment of principal (or premium, if any) of or interest on any of the Notes. In the case of any such waiver, the Issuer, the Trustee and the Holders of the Notes shall be restored to their former positions and rights hereunder, respectively; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereto.

Upon any such waiver, such Default shall cease to exist and be deemed to have been cured and not to have occurred, and any Event of Default arising therefrom shall be deemed to have been cured and not to have occurred, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereto.

Section 10.7. Limitation on Suits. No Secured Party shall have any right to institute any Proceeding, judicial or otherwise, with respect to this Base Indenture and related Series Supplement, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

(i) such Secured Party previously has given written notice to the Trustee of a continuing Event of Default;

(ii) the Holders of not less than 25% in principal amount of the outstanding Notes of all affected Series have made written request to the Trustee to institute such Proceeding in respect of such Event of Default in its own name as Trustee hereunder;

(iii) such Secured Party has offered and, if requested, provided to the Trustee indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred in complying with such request;

(iv) the Trustee for sixty (60) days after its receipt of such notice, request and offer of indemnity has failed to institute such Proceedings; and

(v) no direction inconsistent with such written request has been given to the Trustee during such sixty (60)-day period by the Required Noteholders;

it being understood and intended that no one or more Secured Parties shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Secured Parties or to obtain or to seek to obtain priority or preference over any other Secured Parties or to enforce any right under this Indenture, except in the manner herein provided.

In the event the Trustee shall receive conflicting or inconsistent requests and indemnity from two or more groups of Secured Parties, each representing less than the Required Noteholders, the Trustee shall proceed in accordance with the request of the greater majority of the outstanding principal amount of the Notes, as determined by reference to such requests.

Section 10.8. Unconditional Rights of Holders to Receive Payment; Withholding Taxes.

(a) Notwithstanding any other provision of this Indenture, the right of any Noteholder of a Note to receive payment of principal and interest, if any, on the Note, on or after the respective due dates expressed in the Note or in this Indenture (or, in the case of redemption, on or after the Redemption Date), or to bring suit for the enforcement of any such payment on or after such respective dates, is absolute and unconditional and shall not be impaired or affected without the consent of the Noteholder.

(b) The Paying Agent shall (or if the Trustee is not the Paying Agent, the Trustee shall cause the Paying Agent to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee that such Paying Agent shall) comply with all requirements of the Code regarding the withholding of payments in respect of Federal income taxes due from Noteholders and otherwise comply with the provisions of this Indenture applicable to it.

Section 10.9. Restoration of Rights and Remedies. If any Noteholder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason or has been determined adversely to the Trustee or to such Noteholder, then and in every such case the Issuer, the Trustee and the Noteholders shall, subject to any determination in such Proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Trustee and the Noteholders shall continue as though no such proceeding had been instituted.

Section 10.10. The Trustee May File Proofs of Claim. The Trustee is authorized to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Secured Parties allowed in any judicial proceedings relative to the Issuer (or any other obligor upon the Notes), its creditors or its property, and shall be entitled and empowered to collect, receive and distribute any money or other property payable or deliverable on any such claim and any custodian in any

such judicial proceeding is hereby authorized by each Secured Party to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Secured Parties, to pay the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 11.6. To the extent that the payment of any such compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 11.6 out of the estate in any such proceeding, shall be denied for any reason, payment of the same shall be secured by a Lien on, and shall be paid out of, any and all distributions, dividends, money, notes and other properties which the Secured Parties may be entitled to receive in such proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Secured Party any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Noteholder thereof, or to authorize the Trustee to vote in respect of the claim of any Noteholder in any such proceeding.

Section 10.11. Priorities. Following the declaration of a Pay Out Event or an Event of Default pursuant to Section 9.1 or 10.2, all amounts in any Payment Account, including any money or property collected pursuant to Section 10.4, shall be applied by the Trustee on the related Payment Date in accordance with the provisions of Article 5 and the applicable Series Supplement.

The Trustee may fix a record date and payment date for any payment to Secured Parties pursuant to this Section. At least fifteen (15) days before such record date the Issuer shall mail to each Secured Party and the Trustee a notice that states the record date, the payment date and the amount to be paid.

Section 10.12. Undertaking for Costs. All parties to this Indenture agree, and each Secured Party shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to (a) any suit instituted by the Trustee, (b) any suit instituted by any Noteholder, or group of Noteholders, in each case holding in the aggregate more than 10% of the aggregate outstanding principal balance of the Notes on the date of the filing of such action or (c) any suit instituted by any Noteholder for the enforcement of the payment of principal of or interest on any Note on or after the respective due dates expressed in such Note and in this Indenture (or, in the case of redemption, on or after the Redemption Date).

Section 10.13. Rights and Remedies Cumulative. No right or remedy herein conferred upon or reserved to the Trustee or to the Secured Parties is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 10.14. Delay or Omission Not Waiver. No delay or omission of the Trustee or any Secured Party to exercise any right or remedy accruing upon any Default or Event of Default shall impair any such right or remedy or constitute a waiver of any such Default or Event of Default or an acquiescence therein. Every right and remedy given by this Article 10 or by law to the Trustee or to the Secured Parties may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Secured Parties, as the case may be.

Section 10.15. Control by Noteholders. The Required Noteholders shall have the right to direct the time, method and place of conducting any Proceeding for any remedy available to the Trustee with respect to the Notes or exercising any trust or power conferred on the Trustee; provided that:

(i) such direction shall not be in conflict with any rule of law or with this Indenture;

(ii) subject to the express terms of Section 10.4, any direction to the Trustee to sell or liquidate the Receivables shall be by the Holders of Notes representing not less than 100% of the aggregate outstanding principal balance of all the Notes of all Series; and

(iii) the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction;

provided, however, that, subject to Section 11.1, the Trustee need not take any action that it determines might involve it in liability or might materially adversely affect the rights of any Noteholders not consenting to such action.

Section 10.16. Waiver of Stay or Extension Laws. The Issuer covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead or in any manner whatsoever, claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture; and the Issuer (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 10.17. Action on Notes. The Trustee's right to seek and recover judgment on the Notes or under this Indenture shall not be affected by the seeking, obtaining or application of any other relief under or with respect to this Indenture. Neither the lien of this Indenture nor any rights or remedies of the Trustee or the Secured Parties shall be impaired by the recovery of any judgment by the Trustee against the Issuer or by the levy of any execution under such judgment upon any portion of the Trust Estate or upon any of the assets of the Issuer.

Section 10.18. Performance and Enforcement of Certain Obligations.

(a) Promptly following a request from the Trustee to do so the Issuer agrees to take all such lawful action as the Trustee may reasonably request to compel or secure the performance and observance by the Sellers, the Initial Seller, the Parent and the Servicer, as applicable, of each of their obligations to the Issuer under or in connection with the Transaction Documents in accordance with the terms thereof, and to exercise any and all rights, remedies, powers and privileges lawfully available to the Issuer under or in connection with the Transaction Documents to the extent and in the manner directed by the Trustee, including the transmission of notices of default on the part of the Sellers, the Initial Seller, the Parent or the Servicer thereunder and the institution of legal or administrative actions or proceedings to compel or secure performance by the Sellers, the Initial Seller, the Parent or the Servicer of each of their obligations under the Transaction Documents.

(b) If an Event of Default has occurred and is continuing, the Trustee may, and, at the direction (which direction shall be in writing or by telephone (confirmed in writing promptly thereafter)) of the Required Noteholders shall, subject to subsection 10.2(b), exercise all rights, remedies, powers, privileges and claims of the Issuer against the Sellers, the Initial Seller, the Parent or the Servicer under or in connection with the Transaction Documents, including the right or power to take any action to compel or secure performance or observance by the Sellers, the Initial Seller, the Parent or the Servicer of each of their obligations to the Issuer thereunder and to give any consent, request, notice, direction, approval, extension or waiver under the Transaction Documents, and any right of the Issuer to take such action shall be suspended.

Section 10.19. Reassignment of Surplus. Promptly after termination of this Indenture and the payment in full of the Issuer Obligations, any proceeds of all the Receivables and other assets in the Trust Estate received or held by the Trustee shall be turned over to the Issuer and the Receivables and other assets in the Trust Estate shall be released to the Issuer by the Trustee without recourse to the Trustee and without any representations, warranties or agreements of any kind.

ARTICLE 11.

THE TRUSTEE

Section 11.1. Duties of the Trustee.

(a) If an Event of Default has occurred and is continuing, and of which a Trust Officer of the Trustee has knowledge, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs; provided, however, that the Trustee shall have no liability in connection with any action or inaction taken, or not taken, by it upon the deemed occurrence of an Event of Default of which a Trust Officer has not received written notice; and provided, further that the preceding sentence shall not have the effect of insulating the Trustee from liability arising out of the Trustee's negligence or willful misconduct.

(b) Except during the occurrence and continuance of an Event of Default:

(i) the Trustee undertakes to perform only those duties that are specifically set forth in this Indenture and no others, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of negligence and bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; provided, however, in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture and, if applicable, the Transaction Documents to which the Trustee is a party, provided, further, that the Trustee shall not be responsible for the accuracy or content of any of the aforementioned documents and the Trustee shall have no obligation to verify or recompute any numeral information provided to it pursuant to the Transaction Documents.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct or for the breach of the express terms of the Indenture, except that:

(i) this clause does not limit the effect of clause (b) of this Section 11.1;

(ii) the Trustee shall not be personally liable for any error of judgment made in good faith by a Trust Officer or Trust Officers of the Trustee, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts;

(iii) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 10.15;

(iv) the Trustee shall not be charged with knowledge of any failure by the Servicer referred to in clauses (a), (b) or (c) of Section 2.04 of the Servicing Agreement unless a Trust Officer of the Trustee obtains actual knowledge of such failure or the Trustee receives written notice of such failure from an Enhancement Provider, the Servicer or any Holders of Notes evidencing not less than 10% of the aggregate outstanding principal balance of the Notes of any Series adversely affected thereby.

(d) Notwithstanding anything to the contrary contained in this Indenture or any of the Transaction Documents, no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights and powers, if there is reasonable ground (as determined by the Trustee in its sole discretion) for believing that the repayment of such funds or adequate indemnity against such risk is not reasonably assured to it by the security afforded to it by the terms of this Indenture.

(e) Every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section and to the provisions of the TIA (if this Indenture is required to be qualified under the TIA).

(f) The Trustee shall, and hereby agrees that it will, perform all of the obligations and duties required of it under the Servicing Agreement.

(g) Except for actions expressly authorized by this Indenture, the Trustee shall take no action reasonably likely to impair the interests of the Issuer in any asset of the Trust Estate now existing or hereafter created or to impair the value of any asset of the Trust Estate now existing or hereafter created.

(h) Except as provided in this subsection 11.1(h), the Trustee shall have no power to vary the corpus of the Trust Estate including, without limitation, the power to (i) accept any substitute obligation for an asset of the Trust Estate assigned by the Issuer under the Granting Clause except for actions expressly authorized by this Indenture or (ii) release any assets from the Trust Estate, except in each case as permitted or contemplated by the Transaction Documents permitted under Sections 5.8, 10.19, 12.1, 12.4, 15.1 or Article 5 and Section 2.08 of the Servicing Agreement.

(i) The Trustee, upon receipt of all resolutions, certificates, statements, opinions, reports, documents, orders or other instruments furnished to the Trustee which are specifically required to be furnished pursuant to any provision of this Indenture, shall examine them to determine whether they substantially conform to the requirements of this Indenture.

(j) Without limiting the generality of this Section 11.1 and subject to the other provisions of this Indenture, the Trustee shall have no duty (i) to see to any recording, filing or depositing of this Indenture or any agreement referred to herein, or to see to the maintenance of any such recording or filing or depositing or to any recording, refiling or redepositing of any thereof, (ii) to see to the payment or discharge of any tax, assessment or other governmental Lien owing with respect to, assessed or levied against any part of the Issuer, (iii) to confirm or verify the contents of any reports or certificates delivered to the Trustee pursuant to this Indenture or the Servicing Agreement believed by the Trustee to be genuine and to have been signed or presented by the proper party or parties, or (iv) to inspect the Receivables at any time or ascertain or inquire as to the performance or observance of any of the Issuer's, the Sellers', the Initial Seller's, the Parent's or the Servicer's representations, warranties or covenants or the Servicer's duties and obligations as Servicer and as Custodian of the Receivable Files under the Transaction Documents.

(k) Subject to subsection 11.1(d), in the event that the Paying Agent or the Transfer Agent and Registrar (if other than the Trustee) shall fail to perform any obligation, duty or agreement in the manner or on the day required to be performed by the Paying Agent or the Transfer Agent and Registrar, as the case may be, under this Indenture, the Trustee shall be obligated as soon as practicable upon actual knowledge of a Trust Officer thereof and receipt of appropriate records and information, if any, to perform such obligation, duty or agreement in the manner so required.

(l) No provision of this Indenture shall be construed to require the Trustee to perform, or accept any responsibility for the performance of, the obligations of the Servicer hereunder until it shall have assumed such obligations in accordance with this Section 11.1 and the provisions of the Servicing Agreement.

(m) Subject to Section 11.4, all moneys received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by law or the Transaction Documents.

(n) Except as otherwise required or permitted by the TIA (if this Indenture is required to be qualified under the TIA), nothing contained herein shall be deemed to authorize the Trustee to engage in any business operations or any activities other than those set forth in this Indenture. Specifically, the Trustee shall have no authority to engage in any business operations, acquire any assets other than those specifically included in the Trust Estate under this Indenture or otherwise vary the assets held by the Issuer. Similarly, the Trustee shall have no discretionary

duties other than performing those ministerial acts set forth above necessary to accomplish the purpose of this Indenture.

(o) The Trustee shall not be required to take notice or be deemed to have notice or knowledge of any Default or Event of Default unless a Trust Officer of the Trustee shall have received written notice thereof. In the absence of receipt of such notice, the Trustee may conclusively assume that there is no Default or Event of Default.

(p) Anything in this Indenture to the contrary notwithstanding, in no event shall the Trustee be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Trustee has been advised of the likelihood of such loss or damage regardless of the form of action.

Section 11.2. Rights of the Trustee. Except as otherwise provided by Section 11.1:

(a) The Trustee may conclusively rely on and shall be protected in acting upon or refraining from acting upon and in accord with, without any duty to verify the contents or recompute any calculations therein, any document (whether in its original or facsimile form), including any assignment of Subsequently Purchased Receivables, the initial report, the Monthly Servicer Report, the annual Servicer's certificate, the monthly payment instructions and notification to the Trustee, the Monthly Noteholders' Statement, any resolution, Conn Officer's Certificate, certificate of auditors or any other certificate, statement, instrument, opinion, report, notice, request, consent, order, appraisal, bond or other paper or document, believed by it to be genuine and to have been signed by or presented by the proper person. Subject to Section 11.1, the Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, the Trustee may require a Conn Officer's Certificate or consult with counsel of its selection and the Conn Officer's Certificate or the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection from liability in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(c) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys, custodians and nominees and the Trustee shall not be liable for any misconduct or negligence on the part of, or for the supervision of, any such agent or attorneys, custodian or nominee so long as such agent, custodian or nominee is appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers conferred upon it by this Indenture; provided, however, that the Trustee's conduct does not constitute willful misconduct, negligence or bad faith or a breach of the express terms of this Indenture.

(e) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Base Indenture, any Series Supplement or any Enhancement Agreement, or to institute, conduct or defend any litigation hereunder or in relation hereto, at the request, order or direction of any of the Noteholders or any Enhancement Provider, pursuant to the provisions of this Base Indenture or any Series Supplement, unless such Noteholders or the Enhancement Provider shall have offered to the Trustee reasonable security or indemnity satisfactory to the Trustee against the costs, expenses and liabilities which may be incurred therein or thereby; nothing contained herein shall, however, relieve the Trustee of the obligations, upon the occurrence of an Event of Default (which has not been cured or waived), to exercise such of the rights and powers vested in it by this Base Indenture or any Series Supplement and any Enhancement, and to use the same degree of care and skill in their exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(f) The Trustee shall not be bound to make any investigation into the facts of matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, bond or other paper or document (including, any assignment of Subsequently Purchased Receivables, the initial report, the Monthly Servicer's Report, the annual Servicer's certificate, the monthly payment instructions and notification to the Trustee or the Monthly Noteholders' Statement), unless requested in writing so to do by the Holders of Notes evidencing not less than 25% of the aggregate outstanding principal balance of Notes of any Series or any Enhancement Provider which could be materially adversely affected if the Trustee does not perform such acts, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Issuer, personally or by agent or attorney at the sole cost of the Issuer and shall incur no liability or additional liability of any kind by reason of such inquiry or investigation; provided, however, that if the payment within a reasonable time to the Trustee of the costs, expenses or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Trustee, not reasonably assured to the Trustee by the security afforded to it by the terms of this Indenture, the Trustee may require reasonable indemnity against such cost, expense or liability as a condition to so proceeding; the reasonable expense of every such examination shall be paid by the Person making such request, or, if paid by the Trustee, shall be reimbursed by the Person making such request upon demand.

(g) The Trustee shall have no liability for the selection of Permitted Investments and shall not be liable for any losses or liquidation penalties in connection with Permitted Investments, unless such losses or liquidation penalties were incurred through the Trustee's own willful misconduct or negligence. The Trustee shall have no obligation to invest or reinvest any amounts except as provided in this Indenture or as directed by the Issuer (or the Servicer on its behalf).

(h) The Trustee shall not be liable for the acts or omissions of any successor to the Trustee so long as such acts or omissions were not the result of the negligence, bad faith or willful misconduct of the predecessor Trustee.

(i) The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and to each agent, custodian and other Person employed to act hereunder.

(j) Except as may be required by paragraph 11.1(b)(ii) and subsections 11.1(i), 11.2(a) and 11.2(f), the Trustee shall not be required to make any initial or periodic examination of any documents or records related to the Trust Estate for the purpose of establishing the presence or absence of defects, the compliance by any Seller, the Initial Seller, the Parent or the Servicer with their respective representations and warranties or for any other purpose.

Section 11.3. Trustee Not Liable for Recitals in Notes. The Trustee assumes no responsibility for the correctness of the recitals contained in this Indenture and in the Notes (other than the signature and authentication of the Trustee on the Notes). Except as set forth in Section 11.16, the Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Notes (other than the signature and authentication of the Trustee on the Notes) or of any asset of the Trust Estate or related document. The Trustee shall not be accountable for the use or application by the Issuer, the Initial Seller or the Sellers of any of the Notes or of the proceeds of such Notes, or for the use or application of any funds paid to the Sellers, the Initial Seller or to the Issuer in respect of the Trust Estate or deposited in or withdrawn from the Collection Account, the Principal Account, the Finance Charge Account or any Series Account by the Servicer.

Section 11.4. Individual Rights of the Trustee. The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Issuer or an Affiliate of the Issuer with the same rights it would have if it were not Trustee. Any Paying Agent, Transfer Agent and Registrar, co-registrar or co-paying agent may do the same with like rights. However, the Trustee must comply with Sections 11.9 and 11.11.

Section 11.5. Notice of Defaults. If a Default, Event of Default, Pay Out Event or Potential Pay Out Event occurs and is continuing and if a Trust Officer of the Trustee receives written notice or has actual knowledge thereof, the Trustee shall promptly provide each Notice Person (and, with respect to any Event of Default or Pay Out Event, each Noteholder (or, in the case of a Series Pay Out Event, each Noteholder of the relevant Series)) and each Rating Agency promptly (and in any event within three (3) Business Days) after such knowledge or notice occurs, to the extent possible by telephone and facsimile, and, otherwise, by first class mail at their respective addresses appearing in the Note Register.

Section 11.6. Compensation.

(a) To the extent not otherwise paid pursuant to the Indenture, the Issuer covenants and agrees to pay to the Trustee from time to time, and the Trustee shall be entitled to receive, reasonable compensation (which shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) for all services rendered by it in the execution of the trust hereby created and in the exercise and performance of any of the powers and duties hereunder of the Trustee, and, the Issuer will pay or reimburse the Trustee (without reimbursement from the Collection Account, any Investor Account, any Series Account or otherwise) upon its request for all reasonable expenses, disbursements and advances (including legal fees and costs and costs of persons not regularly employed by the Trustee) incurred or made by the Trustee in accordance with any of the provisions of this Indenture except any such expense, disbursement or advance as may arise from its own willful misconduct, negligence or bad faith or breach of the express terms of this Indenture and except as provided in the following sentence.

(b) The obligations of the Issuer under this Section 11.6 shall survive the termination of this Base Indenture and the resignation or removal of the Trustee.

Section 11.7. Replacement of the Trustee.

(a) A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section 11.7.

(b) The Trustee may, after giving sixty (60) days prior written notice to the Issuer and the Servicer, resign at any time and be discharged from the trust hereby created; provided, however, that no such resignation of the Trustee shall be effective until a successor trustee has assumed the obligations of the Trustee hereunder. The Issuer may remove the Trustee by so notifying the Trustee and the Servicer. The Issuer may remove the Trustee by written instrument, in duplicate, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor trustee if:

(i) the Trustee fails to comply with Section 11.9;

(ii) a court or Federal or state bank regulatory agency having jurisdiction in the premises in respect of the Trustee shall have entered a decree or order granting relief or appointing a receiver, liquidator, assignee, custodian, trustee, conservator, sequestrator (or similar official) for the Trustee or for any substantial part of the Trustee's property, or ordering the winding-up or liquidation of the Trustee's affairs;

(iii) the Trustee consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, conservator, sequestrator (or other

similar official) for the Trustee or for any substantial part of the Trustee's property, or makes any assignment for the benefit of creditors or fails generally to pay its debts as such debts become due or takes any corporate action in furtherance of any of the foregoing; or

(iv) the Trustee becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of the Trustee for any reason, the Servicer shall promptly appoint a successor Trustee by written instrument, in duplicate, one copy of which instrument shall be delivered to the resigning and one copy to the successor trustee.

(c) If a successor Trustee does not take office within thirty (30) days after the retiring Trustee resigns or is removed, the retiring Trustee may petition any court of competent jurisdiction for the appointment of a successor trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring or removed Trustee and to the Issuer. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee, without any further act, deed or conveyance, shall become fully vested with all the rights, powers and duties of the Trustee under this Base Indenture and any Series Supplement. The successor Trustee shall mail a notice of its succession to Noteholders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee; provided, however, that all sums owing to the retiring Trustee hereunder (and its agents and counsel) have been paid and all documents and statements held by it hereunder, and the Issuer and the predecessor Trustee shall execute and deliver such instruments and do such other things as may reasonably be required for fully and certainly vesting and confirming in the successor Trustee all such rights, powers, duties and obligations. Notwithstanding replacement of the Trustee pursuant to this Section 11.7, the Issuer's obligations under Sections 11.6 and 11.17 shall continue for the benefit of the retiring Trustee.

(d) Any resignation or removal of the Trustee and appointment of a successor Trustee pursuant to any of the provisions of this Section 11.7 shall not become effective until acceptance of appointment by the successor Trustee pursuant to this Section 11.7 and payment of all fees and expenses owed to the retiring Trustee.

(e) No successor Trustee shall accept appointment as provided in this Section 11.7 unless at the time of such acceptance such successor Trustee shall be eligible under the provisions of Section 11.9 hereof.

Section 11.8. Successor Trustee by Merger, etc. Any Person into which the Trustee may be merged or converted or with which it may be consolidated, or any Person resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any Person succeeding to the corporate trust business of the Trustee, shall be the successor of the Trustee

hereunder, provided such Person shall be eligible under the provisions of Section 11.9 hereof, without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

In case at the time such successor or successors by merger, conversion or consolidation to the Trustee shall succeed to the trusts created by this Indenture any of the Notes shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor Trustee, and deliver such Notes so authenticated; and in case at that time any of the Notes shall not have been authenticated, any successor to the Trustee may authenticate such Notes either in the name of any predecessor hereunder or in the name of the successor to the Trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Notes or in this Indenture provided that the certificate of the Trustee shall have.

Section 11.9. Eligibility: Disqualification. The Trustee shall at all times satisfy the requirements of TIA Section 310(a) (if this Indenture is required to be qualified under the TIA).

The Trustee hereunder shall at all times be a corporation organized and doing business under the laws of the United States of America or any State thereof authorized under such laws to exercise corporate trust powers, having a long-term unsecured debt rating of at least BBB-/Baa3 (or the equivalent thereof) by Moody's and, if rated by any other Rating Agency, such Rating Agency's, having, in the case of an entity that is subject to risk-based capital adequacy requirements, risk-based capital of at least $50,000,000 or, in the case of an entity that is not subject to risk-based capital adequacy requirements, having a combined capital and surplus of at least $50,000,000 and subject to supervision or examination by federal or state authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purpose of this Section 11.9, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee shall comply with TIA Section 310(b), including the optional provision permitted by the second sentence of TIA Section 310(b)(9) (if this Indenture is required to be qualified under the TIA); provided, however, that there shall be excluded from the operation of TIA Section 310(b)(1) any indenture or indentures under which other securities of the Issuer are outstanding if the requirements for such exclusion set forth in TIA Section 310(b)(1) are met.

(a) In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 11.9, the Trustee shall resign immediately in the manner and with the effect specified in Section 11.7.

Section 11.10. Appointment of Co-Trustee or Separate Trustee.

(a) Notwithstanding any other provisions of this Base Indenture or any Series Supplement, at any time, for the purpose of meeting any legal requirements of any jurisdiction in which any part of the Trust Estate may at the time be located, the Trustee shall have the power and may execute and deliver all instruments to appoint one or more persons to act as a co-trustee or co-trustees, or separate trustee or separate trustees, of all or any part of the Trust Estate, and to vest in such Person or Persons, in such capacity and for the benefit of the Secured Parties, such title to the Trust Estate, or any part thereof, and, subject to the other provisions of this Section 11.10 such powers, duties, obligations, rights and trusts as the Trustee may consider necessary or desirable. No co-trustee or separate trustee hereunder shall be required to meet the terms of eligibility as a successor trustee under Section 11.9 and no notice to Noteholders of the appointment of any co-trustee or separate trustee shall be required under Section 11.7. No co-trustee shall be appointed without the consent of the Issuer unless such appointment is required as a matter of state law or to enable the Trustee to perform its functions hereunder. The appointment of any co-trustee or separate trustee shall not relieve the Trustee of any of its obligations hereunder.

(b) Every separate trustee and co-trustee shall, to the extent permitted by law, be appointed and act subject to the following provisions and conditions:

(i) the Notes of each Series shall be authenticated and delivered solely by the Trustee or an authenticating agent appointed by the Trustee;

(ii) all rights, powers, duties and obligations conferred or imposed upon the Trustee shall be conferred or imposed upon and exercised or performed by the Trustee and such separate trustee or co-trustee jointly (it being understood that such separate trustee or co-trustee is not authorized to act separately without the Trustee joining in such act), except to the extent that under any law of any jurisdiction in which any particular act or acts are to be performed (whether as Trustee hereunder or as successor to the Servicer under the Servicing Agreement), the Trustee shall be incompetent or unqualified to perform, such act or acts, in which event such rights, powers, duties and obligations (including the holding of title to the Trust Estate or any portion thereof in any such jurisdiction) shall be exercised and performed singly by such separate trustee or co-trustee, but solely at the direction of the Trustee;

(iii) no trustee hereunder shall be personally liable by reason of any act or omission of any other trustees, hereunder, including acts or omissions of predecessor or successor trustees;

(iv) the Trustee may at any time accept the resignation of or remove any separate trustee or co-trustee; and

(v) the Trustee shall remain primarily liable for the actions of any co-trustee.

(c) Any notice, request or other writing given to the Trustee shall be deemed to have been given to each of the then separate trustees and co-trustees, as effectively as if given to each of them. Every instrument appointing any separate trustee or co-trustee shall refer to this Indenture and the conditions of this Article 11. Each separate trustee and co-trustee, upon its acceptance of the trusts conferred, shall be vested with the estates or property specified in its instrument of appointment, either jointly with the Trustee or separately, as may be provided therein, subject to all the provisions of this Base Indenture and any Series Supplement, specifically including every provision of this Base Indenture or any Series Supplement relating to the conduct of, affecting the liability of, or affording protection to, the Trustee. Every such instrument shall be filed with the Trustee and a copy thereof given to the Servicer.

(d) Any separate trustee or co-trustee may at any time constitute the Trustee, its agent or attorney-in-fact with full power and authority, to the extent not prohibited by law, to do any lawful act under or in respect to this Base Indenture or any Series Supplement on its behalf and in its name. If any separate trustee or co-trustee shall die, become incapable of acting, resign or be removed, all of its estates, properties, rights, remedies and trusts shall vest in and be exercised by the Trustee, to the extent permitted by law, without the appointment of a new or successor Trustee.

Section 11.11. Preferential Collection of Claims Against the Issuer. The Trustee shall comply with TIA Section 311(a), excluding any creditor relationship listed in TIA Section 311(b) (if this Indenture is required to be qualified under the TIA). A Trustee who has resigned or been removed shall be subject to TIA Section 311(a) to the extent indicated (if this Indenture is required to be qualified under the TIA).

Section 11.12. Tax Returns. Neither the Trustee nor (except to the extent the Servicer breaches its obligations or covenants contained in the Servicing Agreement) the Servicer shall be liable for any liabilities, costs or expenses of the Issuer, the Noteholders nor the Note Owners arising under any tax law, including without limitation federal, state, local or foreign income or franchise taxes or any other tax imposed on or measured by income (or any interest or penalty with respect thereto or arising from a failure to comply therewith).

Section 11.13. Trustee May Enforce Claims Without Possession of Notes. All rights of action and claims under this Base Indenture or any Series of Notes may be prosecuted and enforced by the Trustee without the possession of any of the Notes or the production thereof in any Proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee. Any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of any Series of Noteholders in respect of which such judgment has been obtained.

Section 11.14. Suits for Enforcement. If an Event of Default shall occur and be continuing, the Trustee, in its discretion may, subject to the provisions of Section 2.01 of the

Servicing Agreement and Section 11.19, proceed to protect and enforce its rights and the rights of any Secured Party under this Indenture or any other Transaction Document by a Proceeding, whether for the specific performance of any covenant or agreement contained in this Indenture or such other Transaction Document or in aid of the execution of any power granted in this Indenture or such other Transaction Document or for the enforcement of any other legal, equitable or other remedy as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of the rights of the Trustee or any Secured Party.

Section 11.15. Reports by Trustee to Holders. The Trustee shall deliver to each Noteholder such information as may be reasonably required to enable such Holder to prepare its Federal and state income tax returns.

Section 11.16. Representations and Warranties of Trustee. The Trustee represents and warrants to the Issuer and the Secured Parties that:

(i) the Trustee is a banking association duly organized, existing and authorized to engage in the business of banking under the laws of the United States of America;

(ii) the Trustee has full power, authority and right to execute, deliver and perform this Base Indenture and any Series Supplement issued concurrently with this Base Indenture and to authenticate the Notes, and has taken all necessary action to authorize the execution, delivery and performance by it of this Base Indenture and any Series Supplement issued concurrently with this Base Indenture and to authenticate the Notes;

(iii) this Indenture has been duly executed and delivered by the Trustee; and

(iv) the Trustee meets the requirements of eligibility hereunder set forth in Section 11.9.

Section 11.17. The Issuer Indemnification of the Trustee. The Issuer shall fully indemnify and hold harmless the Trustee (and any predecessor Trustee) and its directors, officers, agents and employees from and against any and all loss, liability, claim, expense, damage or injury suffered or sustained by reason of any acts, omissions or alleged acts or omissions arising out of the activities of the Trustee pursuant to this Base Indenture or any Series Supplement and any other Transaction Document to which it is a party, including but not limited to any judgment, award, settlement, reasonable attorneys' fees and other costs or expenses incurred in connection with the defense of any actual or threatened action, proceeding or claim; provided, however, that the Issuer shall not indemnify the Trustee or its directors, officers, employees or agents if such acts, omissions or alleged acts or omissions constitute negligence or willful misconduct by the Trustee. The indemnity provided herein shall survive the termination of this Indenture and the resignation and removal of the Trustee.

Section 11.18. Trustee's Application for Instructions from the Issuer. Any application by the Trustee for written instructions from the Issuer or the Servicer may, at the option of the Trustee, set forth in writing any action proposed to be taken or omitted by the Trustee under this Indenture and the date on and/or after which such action shall be taken or such omission shall be effective. Subject to Section 11.1, the Trustee shall not be liable for any action taken by, or omission of, the Trustee in accordance with a proposal included in such application on or after the date specified in such application (which date shall not be less than thirty (30) days after the date any Responsible Officer of the Issuer or the Servicer actually receives such application, unless any such officer shall have consented in writing to any earlier date) unless prior to taking any such action (or the effective date in the case of an omission), the Trustee shall have received written instructions in response to such application specifying the action to be taken or omitted.

Section 11.19. Rights of Noteholders to Direct Trustee. Unless otherwise specified in this Indenture, Required Noteholders (or, with respect to any remedy, trust or power that does not relate to all Series, 66 2/3% of the aggregate Investor Interest of the Notes of all Series to which such remedy, trust or power relates) shall have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee; provided, however, that, subject to Section 11.1, the Trustee shall have the right to decline to follow any such direction if the Trustee being advised by counsel determines that the action so directed may not lawfully be taken, or if the Trustee in good faith shall, by a Trust Officer or Trust Officers of the Trustee, determine that the proceedings so directed would be illegal or involve it in personal liability or be unduly prejudicial to the rights of Noteholders not parties to such direction; and provided further, that nothing in this Indenture shall impair the right of the Trustee to take any action deemed proper by the Trustee and which is not inconsistent with such direction of such Holders of Notes.

Section 11.20. Maintenance of Office or Agency. The Trustee will maintain at its expense in the Borough of Manhattan, the City of New York an office or offices, or agency or agencies, where notices and demands to or upon the Trustee in respect of the Notes and this Indenture may be served. The Trustee initially appoints its Corporate Trust Office as its office for such purposes. The Trustee will give prompt written notice to the Issuer, the Servicer and to Noteholders (or in the case of Holders of Bearer Notes, in the manner provided for in the related Series Supplement) of any change in the location of the Note Register or any such office or agency.

Section 11.21. Concerning the Rights of the Trustee. The rights, privileges and immunities afforded to the Trustee in the performance of its duties under this Indenture shall apply equally to the performance by the Trustee of its duties under each other Transaction Document to which it is a party.

ARTICLE 12.

DISCHARGE OF INDENTURE

Section 12.1. Satisfaction and Discharge of Indenture. This Indenture shall cease to be of further effect with respect to the Notes except as to (i) rights of Noteholders to receive payments of principal thereof and interest thereon and any other amount due to Noteholders, (ii) Sections 8.1, 11.6, 11.12, 12.2, 15.16 and 15.17 and subsection 12.5(b), (iii) the rights, obligations and immunities of the Trustee hereunder (including the rights of the Trustee under Sections 11.6 and 11.17 and the obligations of the Trustee under Section 12.2) and (iv) the rights of Noteholders as beneficiaries hereof with respect to the property deposited with the Trustee as described below payable to all or any of them, and the Trustee, on demand of and at the expense of the Issuer, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture with respect to the Notes (and their related Secured Parties), on the first Business Day after the Payment Date with respect to any Series (the "Indenture Termination Date") on which the Issuer has paid, caused to be paid or irrevocably deposited or caused to be irrevocably deposited in the applicable Payment Account and any applicable Series Account funds sufficient to pay in full all amounts owed to each Enhancement Provider (and returned any original documents issued by such Enhancement Provider evidencing such Enhancement) and all Issuer Obligations and Collateral Interests, if any, and the Issuer has delivered to the Trustee and any Enhancement Provider a Conn Officer's Certificate, an Opinion of Counsel and, if required by the TIA (if this Indenture is required to be qualified under the TIA), an Independent Certificate from a firm of certified public accountants, each meeting the applicable requirements of subsection 15.1(a) and each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

After any irrevocable deposit made pursuant to Section 12.1 and satisfaction of the other conditions set forth herein, the Trustee promptly upon request shall acknowledge in writing the discharge of the Issuer's obligations under this Indenture except for those surviving obligations specified above.

Section 12.2. Application of Issuer Money. All moneys deposited with the Trustee pursuant to Section 12.1 shall be held in trust and applied by it, in accordance with the provisions of the Notes and this Base Indenture and the related Series Supplement, to the payment, either directly or through any Paying Agent, as the Trustee may determine, to the Holders of the particular Notes for the payment or redemption of which such moneys have been deposited with the Trustee, of all sums due and to become due thereon for principal and interest; but such moneys need not be segregated from other funds except to the extent required herein or in the other Transaction Documents or required by law.

The provisions of this Section 12.2 shall survive the expiration or earlier termination of this Indenture.

Section 12.3. Repayment of Moneys Held by Paying Agent. In connection with the satisfaction and discharge of this Indenture with respect to the Notes, all moneys then held by any Paying Agent other than the Trustee under the provisions of this Indenture with respect to such Notes shall, upon demand of the Issuer, be paid to the Trustee to be held and applied according to Section 8.1 and thereupon such Paying Agent shall be released from all further liability with respect to such moneys.

Section 12.4. Cleanup Call.

(a) If so provided in any Series Supplement, the initial Servicer may, but shall not be obligated to, purchase the Notes of any Series on any Payment Date on or after the Payment Date on which the Investor Interests for such Series and the Enhancement Invested Amount, if any, with respect to such Series is less than or equal to 10% of the "Initial Note Principal" on the Closing Date for such Series (or such other amount as may be specified in a Series Supplement for such Series). Such purchase shall be made by depositing into the applicable Payment Account or the applicable Series Account, not later than the Series Transfer Date preceding such Payment Date, for application in accordance with Section 12.5, the amount specified in such Series Supplement.

(b) The amount deposited pursuant to subsection 12.4(a) shall be paid to the Noteholders of the related Series pursuant to Section 12.5 on the related Payment Date following the date of such deposit. All Notes of a Series which are paid pursuant to subsection 12.4(a) shall be delivered by the Issuer upon such purchase to, and be cancelled by, the Transfer Agent and Registrar and be disposed of in a manner satisfactory to the Trustee and the Issuer. The Notes of each Series which is paid pursuant to subsection 12.4(a) shall, for the purposes of the definition of "Issuer Interest," be deemed to be equal to zero on the Payment Date following the making of the deposit, and the Issuer Interest shall thereupon be deemed to have been increased by the Investor Interests of such Series.

Section 12.5. Final Payment with Respect to Any Series.

(a) Written notice of any termination, specifying the Payment Date upon which the Noteholders of any Series may surrender their Notes for final payment with respect to such Series and cancellation, shall be given (subject to at least two (2) Business Days' prior notice from the Servicer to the Trustee) by the Trustee to Noteholders of such Series mailed not later than the last day of the month preceding such final payment (or in the manner provided by the Series Supplement relating to such Series) specifying (i) the Payment Date (which shall be the Payment Date in the month (x) in which the deposit is made pursuant to subsection 12.4(a) of this Base Indenture or such other section as may be specified in the related Series Supplement, or (y) in which the related Series Termination Date occurs) upon which final payment of such Notes will be made upon presentation and surrender of such Notes at the office or offices therein designated (which, in the case of Bearer Notes, shall be outside the United States), (ii) the amount of any such final payment and (iii) that the Record Date otherwise applicable to such

Payment Date is not applicable, payments being made only upon presentation and surrender of the Notes at the office or offices therein specified. The Servicer's notice to the Trustee in accordance with the preceding sentence shall be accompanied by a Conn Officer's Certificate setting forth the information specified in Article 6 of this Base Indenture covering the period during the then current calendar year through the date of such notice and setting forth the date of such final distribution. The Trustee shall give such notice to the Transfer Agent and the Paying Agent at the time such notice is given to such Noteholders.

(b) Notwithstanding the termination or discharge of the trust of the Indenture pursuant to Section 12.1 or the occurrence of the Series Termination Date with respect to any Series, all funds then on deposit in the Finance Charge Account, the Principal Account, the Payment Account or any Series Account applicable to the related Series shall continue to be held in trust for the benefit of the Noteholders of the related Series and the Paying Agent or the Trustee shall pay such funds to the Noteholders of the related Series upon surrender of their Notes (which surrenders and payments, in the case of Bearer Notes, shall be made only outside the United States). In the event that all of the Noteholders of any Series shall not surrender their Notes for cancellation within six (6) months after the date specified in the above-mentioned written notice, the Trustee shall give second written notice (or, in the case of Bearer Certificates, publication notice) to the remaining Noteholders of such Series upon receipt of the appropriate records from the Transfer Agent and Registrar to surrender their Notes for cancellation and receive the final distribution with respect thereto. If within one and one-half years after the second notice with respect to a Series, all the Notes of such Series shall not have been surrendered for cancellation, the Trustee may take appropriate steps or may appoint an agent to take appropriate steps, to contact the remaining Noteholders of such Series concerning surrender of their Notes, and the cost thereof shall be paid out of the funds in the Payment Account or any Series Account held for the benefit of such Noteholders. The Trustee and the Paying Agent shall pay to the Issuer upon request any monies held by them for the payment of principal or interest which remains unclaimed for two (2) years. After such payment to the Issuer, Noteholders entitled to the money must look to the Issuer for payment as general creditors unless an applicable abandoned property law designates another Person.

(c) All Notes surrendered for payment of the final distribution with respect to such Notes and cancellation shall be cancelled by the Transfer Agent and Registrar and be disposed of in a manner satisfactory to the Trustee and the Issuer.

Section 12.6. Termination Rights of Issuer. Upon the termination of the Lien of the Indenture pursuant to Section 12.1, and after payment of all amounts due hereunder on or prior to such termination, the Trustee shall execute a written release and reconveyance substantially in the form of Exhibit A pursuant to which it shall release the Lien of the Indenture and reconvey to the Issuer (without recourse, representation or warranty) all right, title and interest in the Trust Estate, whether then existing or thereafter created, all moneys due or to become due with respect to such Trust Estate (including all accrued interest theretofore posted as Finance Charges) and all proceeds of the Trust Estate, except for amounts held by the Trustee or any Paying Agent

pursuant to subsection 12.5(b). The Trustee shall execute and deliver such instruments of transfer and assignment, in each case without recourse, as shall be reasonably requested by the Issuer or the Servicer to vest in the Issuer all right, title and interest in the Trust Estate.

Section 12.7. Repayment to the Issuer. The Trustee and the Paying Agent shall promptly pay to the Issuer upon written request any excess money or, pursuant to Sections 2.10 and 2.13, return any Notes held by them at any time.

ARTICLE 13.

AMENDMENTS

Section 13.1. Without Consent of the Noteholders. Without the consent of the Holders of any Notes, and, unless otherwise provided in any Series Supplement, with the consent of the Notice Persons of each Series (or, with respect to an amendment to a particular Series Supplement, the Notice Persons of such Series) and, if the Servicer's rights and/or obligations are materially and adversely affected thereby, the Servicer and with prior written notice to the Rating Agencies by the Issuer, as evidenced to the Trustee, the Issuer and the Trustee, when authorized by an Issuer Order, at any time and from time to time, may enter into one or more indenture supplements or amendments hereto or Series Supplements or amendments to any Series Supplement (which shall conform to any applicable provisions of the TIA as in force at the date of execution thereof), in form satisfactory to the Trustee, unless otherwise provided in a Series Supplement, for any of the following purposes:

(a) to create a new Series of Notes;

(b) to correct or amplify the description of any property at any time subject to the lien of this Indenture, or better to assure, convey and confirm unto the Trustee any property subject or required to be subjected to the Lien of this Indenture, or to subject to the Lien of this Indenture additional property;

(c) to evidence the succession, in compliance with the applicable provisions hereof, of another Person to the Issuer, and the assumption by any such successor of the covenants of the Issuer herein and in the Notes;

(d) to add to the covenants of the Issuer for the benefit of any Secured Parties (and if such covenants are to be for the benefit of less than all Series of Notes, stating that such covenants are expressly being included solely for the benefit of such Series) or to surrender any right or power herein conferred upon the Issuer;

(e) to convey, transfer, assign, mortgage or pledge to the Trustee any property or assets as security for the Issuer Obligations and to specify the terms and conditions upon which such property or assets are to be held and dealt with by the Trustee and to set forth such

other provisions in respect thereof as may be required by the Indenture or as may, consistent with the provisions of the Indenture, be deemed appropriate by the Issuer and the Trustee, or to correct or amplify the description of any such property or assets at any time so mortgaged, pledged, conveyed and transferred to the Trustee;

(f) to cure any ambiguity, or correct or supplement any provision herein or in any supplemental indenture hereto or in any Series Supplement or amendment to any Series Supplement which may be inconsistent with any other provision herein or in any supplemental indenture or any Series Supplement or amendment to any Series Supplement or to make any other provisions with respect to matters or questions arising under this Indenture (including any Series Supplement or amendment to any Series Supplement) or with respect to the restructuring of any Seller, the Servicer or the Issuer as a limited liability company; provided, however, that such action shall not adversely affect the interests of any Holder of the Notes in any material respect without its consent;

(g) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Notes of one or more Series or to add to or change any of the provisions of the Indenture as shall be necessary and permitted to provide for or facilitate the administration of the trusts hereunder by more than one trustee pursuant to the requirements of Article 11;

(h) to modify, eliminate or add to the provisions of this Indenture to such extent as shall be necessary to effect the qualification of this Indenture under the TIA or under any similar Federal statute hereafter enacted and to add to this Indenture such other provisions as may be expressly required by the TIA; or

(i) to add any provisions to, or change in any manner or eliminate any of the provisions of, this Indenture (including any Series Supplement or amendment to any Series Supplement) or modify in any manner the rights of the Holders of the Notes under this Indenture (including any Series Supplement or amendment to any Series Supplement); provided, however, that no amendment or supplement shall be permitted if it would result in a taxable event to any Noteholder unless such Noteholder's consent is obtained.

Upon the request of the Issuer and upon receipt by the Trustee of the documents described in Section 2.2, the Trustee shall join with the Issuer in the execution of any supplemental indenture or Series Supplement authorized or permitted by the terms of this Base Indenture and shall make any further appropriate agreements and stipulations which may be therein contained, but the Trustee shall not be obligated to enter into such Series Supplement which affects its own rights, duties or immunities under this Indenture or otherwise.

Section 13.2. Supplemental Indentures with Consent of Noteholders. The Issuer and the Trustee, when authorized by an Issuer Order, also may, and unless otherwise provided in any Series Supplement, with the consent of the Required Persons of each Series (or, with respect to

an amendment to a particular Series Supplement, the Required Persons of such Series) and, if the Servicer's rights and/or obligations are materially and adversely affected thereby, the Servicer and, unless otherwise specified in the related Series Supplement, with the consent of at least two (if there are more than one) Holders of not less than 66 2/3% of the aggregate outstanding principal balance of all Notes of all Series materially and adversely affected, voting collectively by written notice delivered to the Issuer and the Trustee, enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, this Base Indenture or any Series Supplement or of modifying in any manner the rights of the Holders of the Notes of any Series under this Base Indenture or any Series Supplement; provided, however, that no such supplemental indenture shall, unless otherwise provided in the related Series Supplement, without the consent of the Required Persons of each Series (or, with respect to the amendment of a particular Series Supplement, the Required Persons of such Series and any other Series affected thereby) and without the consent of the Holder of each outstanding Note affected thereby (and in the case of clause (iii) below, the consent of each Secured Party of all Series affected):

(i) change the date of payment of any installment of principal of or interest on, or any premium payable upon the redemption of, any Note or reduce in any manner the principal amount thereof, the interest rate thereon or the Redemption Price with respect thereto, modify the provisions of this Base Indenture or any Series Supplement relating to the application of collections on, or the proceeds of the sale of, the Trust Estate to payment of principal of, or interest on, the Notes, or change any place of payment where, or the coin or currency in which, any Note or the interest thereon is payable;

(ii) change the definition of or the manner of calculating the Investor Interest, the Aggregate Investor Default Amount or the Investor Percentage of such Series;

(iii) change the voting requirements in any Transaction Document;

(iv) impair the right to institute suit for the enforcement of the certain provisions of this Base Indenture or any Series Supplement requiring the application of funds available therefor, as provided in Article 9, to the payment of any such amount due on the Notes on or after the respective due dates thereof (or, in the case of redemption, on or after the Redemption Date);

(v) reduce the percentage of the aggregate outstanding principal amount of the Notes, the consent of the Holders of which is required for any such supplemental indenture or Series Supplement or amendment of a Series Supplement, or the consent of the Holders of which is required for any waiver of compliance with certain provisions of this Base Indenture or any Series Supplement or certain defaults hereunder and their consequences provided for in this Base Indenture or any Series Supplement;

(vi) modify or alter the provisions of this Base Indenture or any Series Supplement regarding the voting of Notes held by the Issuer, any Seller, the Initial Seller or an Affiliate of the foregoing;

(vii) reduce the percentage of the aggregate outstanding principal amount of the Notes, the consent of the Holders of which is required to direct the Trustee to sell or liquidate the Trust Estate pursuant to Section 10.4 if the proceeds of such sale would be insufficient to pay the principal amount and accrued but unpaid interest on the outstanding Notes;

(viii) modify any provision of this Section 13.2, except to increase any percentage specified herein or to provide that certain additional provisions of this Base Indenture or any Series Supplement cannot be modified or waived without the consent of the Holder of each outstanding Note affected thereby;

(ix) modify any of the provisions of this Base Indenture or any Series Supplement in such manner as to affect in any material respect the calculation of the amount of any payment of interest or principal due on any Note on any Payment Date (including the calculation of any of the individual components of such calculation), to alter the application of "Available Investor Principal Collections" of any Series or to affect the rights of the Holders of Notes to the benefit of any provisions for the mandatory redemption of the Notes contained in this Base Indenture or any Series Supplement; or

(x) permit the creation of any Lien ranking prior to or on a parity with the Lien of this Indenture with respect to any part of the Trust Estate for the Notes (except for Permitted Encumbrances) or, except as otherwise permitted or contemplated in this Base Indenture or any Series Supplement, terminate the Lien of this Indenture on any such collateral at any time subject hereto or deprive any Secured Party of the security provided by the Lien of this Base Indenture or any Series Supplement; provided, further, that no amendment will be permitted if it would result in a taxable event to any Noteholder, unless such Noteholder's consent is obtained as described above.

The Trustee may, but shall not be obligated to, enter into any such amendment or supplement which affects the Trustee's rights, duties or immunities under this Indenture or otherwise.

Notwithstanding anything in Sections 13.1 and 13.2 to the contrary, the Series Supplement with respect to any Series may be amended with respect to the items and in accordance with the procedures provided in such Series Supplement.

It shall not be necessary for any consent of Noteholders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

The manner of obtaining such consents and of evidencing the authorization of the execution thereof by Note shall be subject to such reasonable requirements as the Trustee may prescribe.

Promptly after the execution by the Issuer and the Trustee of any supplemental indenture, amendment to this Base Indenture, or any Series Supplement pursuant to this Section, the Trustee shall mail to each Holder of the Notes of all Series (or with respect to an amendment of a Series Supplement, to the Noteholder of the applicable Series), to any related Enhancement Provider and to each Rating Agency rating any affected Series a notice setting forth in general terms the substance of such supplemental indenture, amendment to this Base Indenture, or any Series Supplement. Any failure of the Trustee to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

Section 13.3. Execution of Supplemental Indentures. In executing any supplemental indenture permitted by this Article 13 or the modifications thereby of the trust created by this Indenture, the Trustee shall be entitled to receive, and subject to Section 11.1, shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized, permitted or not prohibited (as the case may be) by this Indenture. Such Opinion of Counsel may be subject to reasonable qualifications and assumptions of fact. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture that affects the Trustee's own rights, duties, liabilities or immunities under this Indenture or otherwise.

Section 13.4. Effect of Supplemental Indenture. Upon the execution of any supplemental indenture pursuant to the provisions hereof, this Indenture shall be and be deemed to be modified and amended in accordance therewith with respect to the Notes affected thereby, and the respective rights, limitations of rights, obligations, duties, liabilities and immunities under this Indenture of the Trustee, the Issuer and the Holders of the Notes shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 13.5. Conformity With TIA. Every amendment of this Indenture and every supplemental indenture executed pursuant to this Article 13 shall conform to the requirements of the TIA as then in effect so long as this Indenture shall then be required to be qualified under the TIA.

Section 13.6. Reference in Notes to Supplemental Indentures. Notes authenticated and delivered after the execution of any supplemental indenture pursuant to this Article 13 may, and if required by the Trustee shall, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Issuer or the Trustee shall so determine, new Notes so modified as to conform, in the opinion of the Trustee and the Issuer, to any such supplemental indenture may be prepared, executed, authenticated and delivered by the Trustee in exchange for outstanding Notes.

Section 13.7. Series Supplements. The initial effectiveness of each Series Supplement shall be subject to the satisfaction of the Rating Agency Condition with respect to such Series Supplement. In addition to the manner provided in Sections 13.1 and 13.2, each Series Supplement may be amended as provided in such Series Supplement.

Section 13.8. Revocation and Effect of Consents. Until an amendment or waiver becomes effective, a consent to it by a Noteholder of a Note is a continuing consent by the Noteholder and every subsequent Noteholder of a Note or portion of a Note that evidences the same debt as the consenting Noteholder's Note, even if notation of the consent is not made on any Note. However, any such Noteholder or subsequent Noteholder may revoke the consent as to his Note or portion of a Note if the Trustee receives written notice of revocation before the date the amendment or waiver becomes effective. An amendment or waiver becomes effective in accordance with its terms and thereafter binds every Noteholder. The Issuer may fix a record date for determining which Noteholders must consent to such amendment or waiver.

Section 13.9. Notation on or Exchange of Notes. The Trustee may place an appropriate notation about an amendment or waiver on any Note thereafter authenticated. The Issuer in exchange for all Notes may issue and the Trustee shall authenticate new Notes that reflect the amendment or waiver. Failure to make the appropriate notation or issue a new Note shall not affect the validity and effect of such amendment or waiver.

Section 13.10. The Trustee to Sign Amendments, etc. The Trustee shall sign any Series Supplement authorized pursuant to this Article 13 if the Series Supplement does not adversely affect in any material respect the rights, duties, liabilities or immunities of the Trustee. If it does have such a materially adverse effect, the Trustee may, but need not, sign it. In signing such Series Supplement, the Trustee shall be entitled to receive, if requested, an indemnity reasonably satisfactory to it and to receive and, subject to Section 11.1, shall be fully protected in relying upon, a Conn Officer's Certificate and an Opinion of Counsel as conclusive evidence that such Series Supplement is authorized, permitted or not prohibited (as the case may be) by this Indenture and that it will be valid and binding upon the Issuer in accordance with its terms.

ARTICLE 14.

REDEMPTION AND REFINANCING OF NOTES

Section 14.1. Redemption and Refinancing. If specified in a Series Supplement, the Notes of any Series are subject to redemption as may be specified in the related Series Supplement, on any Payment Date on which the Issuer exercises its option to refinance or purchase the Trust Estate pursuant to Section 12.4, for a purchase price equal to the Redemption Price; provided, however, that the Issuer has available funds sufficient to pay the Redemption Price. If the Notes of any Series are to be redeemed pursuant to this Section 14.1, the Issuer shall furnish notice of such election to the Trustee not later than fifteen (15) days prior to the

Redemption Date and the Issuer shall deposit with the Trustee in the related Payment Account the Redemption Price of the Notes of such Series to be redeemed whereupon all such redeemed Notes shall be due and payable on the Redemption Date upon the furnishing of a notice complying with Section 14.2 to each Holder of such Notes.

Section 14.2. Form of Redemption Notice. Notice of redemption under Section 14.1 shall be given by the Trustee by facsimile or by first-class mail, postage prepaid, transmitted or mailed prior to the applicable Redemption Date to each Holder of Notes of the Series to be redeemed, as of the close of business on the Record Date preceding the applicable Redemption Date, at such Holder's address appearing in the Note Register.

All notices of redemption shall state:

(i) the Redemption Date;

(ii) the Redemption Price;

(iii) that the Record Date otherwise applicable to such Redemption Date is not applicable and that payments shall be made only upon presentation and surrender of such Notes and the place where such Notes are to be surrendered for payment of the Redemption Price (which shall be the office or agency of the Issuer to be maintained as provided in Section 8.2); and

(iv) that interest on the Notes shall cease to accrue on the Redemption Date.

Notice of redemption of the Notes shall be given by the Trustee in the name and at the expense of the Issuer. Failure to give notice of redemption, or any defect therein, to any Holder of any Note to be redeemed shall not impair or affect the validity of the redemption of any other Note.

Section 14.3. Notes Payable on Redemption Date. The Notes of any Series to be redeemed shall, following notice of redemption as required by Section 14.2 (in the case of redemption pursuant to Section 14.1), on the Redemption Date become due and payable at the Redemption Price and (unless the Issuer shall default in the payment of the Redemption Price) no interest shall accrue on the Redemption Price for any period after the date to which accrued interest is calculated for purposes of calculating the Redemption Price.

ARTICLE 15.

MISCELLANEOUS

Section 15.1. Compliance Certificates and Opinions, etc. (a) Upon any application or request by the Issuer to the Trustee to take any action under any provision of this Indenture, the

Issuer shall furnish to the Trustee if requested thereby (i) a Conn Officer's Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with, (ii) an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with and (iii) (if this Indenture is required to be qualified under the TIA) an Independent Certificate from a firm of certified public accountants meeting the applicable requirements of this Section, except that, in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(i) a statement that each signatory of such certificate or opinion has read or has caused to be read such covenant or condition and the definitions herein relating thereto;

(ii) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(iii) a statement that, in the opinion of each such signatory, such signatory has made such examination or investigation as is necessary to enable such signatory to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(iv) a statement as to whether, in the opinion of each such signatory such condition or covenant has been complied with.

(b) (i) Prior to the deposit of any Receivables or other property or securities (other than cash) with the Trustee that is to be made the basis for the release of any property or securities subject to the Lien of this Indenture, the Issuer shall, in addition to any obligation imposed in subsection 15.1(a) or elsewhere in this Indenture, furnish to the Trustee upon the Trustee's request a Conn Officer's Certificate certifying or stating the opinion of each person signing such certificate as to the fair value (within ninety (90) days of such deposit) to the Issuer of the Receivables or other property or securities to be so deposited.

(ii) Whenever the Issuer is required to furnish to the Trustee a Conn Officer's Certificate certifying or stating the opinion of any signer thereof as to the matters described in clause (i) above, the Issuer shall also deliver to the Trustee an Independent Certificate as to the same matters, if the fair value to the Issuer of the securities to be so deposited and of all other such securities made the basis of any such withdrawal or release since the commencement of the then-current fiscal year of the Issuer, as set forth in the certificates delivered pursuant to clause (i) above and this clause (ii), is 10% or

more of the aggregate outstanding principal amount of all the Notes of all Series issued by the Issuer, but such a certificate need not be furnished with respect to any securities so deposited, if the fair value thereof to the Issuer as set forth in the related Conn Officer's Certificate is less than $25,000 or less than 1% percent of the aggregate outstanding principal amount of all the Notes of all Series issued by the Issuer of the Notes.

(iii) Other than with respect to the release of any Removed Receivables or liquidated Receivables (and the Related Security therefor), and except for discharges of this Indenture as described in Section 12.1, whenever any property or securities are to be released from the lien of this Indenture, the Issuer shall also furnish to the Trustee a Conn Officer's Certificate certifying or stating the opinion of each person signing such certificate as to the fair value (within ninety (90) days of such release) of the property or securities proposed to be released and stating that in the opinion of such person the proposed release will not impair the security under this Indenture in contravention of the provisions hereof.

(iv) Whenever the Issuer is required to furnish to the Trustee a Conn Officer's Certificate certifying or stating the opinion of any signer thereof as to the matters described in clause (iii) above, the Issuer shall also furnish to the Trustee an Independent Certificate as to the same matters if the fair value of the property or securities and of all other property other than Removed Receivables and Defaulted Receivable, or securities released from the lien of this Indenture since the commencement of the then current calendar year, as set forth in the certificates required by clause (iii) above and this clause (iv), equals 10% or more of the aggregate outstanding principal amount of all Notes of all Series issued by the Issuer, but such certificate need not be furnished in the case of any release of property or securities if the fair value thereof as set forth in the related Conn Officer's Certificate is less than $25,000 or less than 1% percent of the then aggregate outstanding principal amount of all Notes of all Series issued by the Issuer of the Notes.

Section 15.2. Form of Documents Delivered to Trustee. In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of a Responsible Officer of the Issuer may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his or her certificate or opinion is based are erroneous. Any such certificate of an Responsible Officer or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or

representations by, an officer or officers of the Servicer, the Sellers or the Issuer, stating that the information with respect to such factual matters is in the possession of or known to the Servicer, the Sellers or the Issuer, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Whenever in this Indenture, in connection with any application or certificate or report to the Trustee, it is provided that the Issuer shall deliver any document as a condition of the granting of such application, or as evidence of the Issuer's compliance with any term hereof, it is intended that the truth and accuracy, at the time of the granting of such application or at the effective date of such certificate or report (as the case may be), of the facts and opinions stated in such document shall in such case be conditions precedent to the right of the Issuer to have such application granted or to the sufficiency of such certificate or report. The foregoing shall not, however, be construed to affect the Trustee's right to rely upon the truth and accuracy of any statement or opinion contained in any such document as provided in Article 10.

Section 15.3. Acts of Noteholders.

(a) Wherever in this Indenture a provision is made that an action may be taken or a notice, demand or instruction given by Noteholders, such action, notice or instruction may be taken or given by any Noteholder, unless such provision requires a specific percentage of Noteholders. Notwithstanding anything in this Indenture to the contrary, none of the Sellers, the Initial Seller, the Issuer or any Affiliate controlled by Conn or controlling Conn shall have any right to vote with respect to any Note, provided that the voting rights of any other Affiliate of Conn shall be subject to Section 3.16(a) of the TIA (if this Indenture is required to be qualified under the TIA).

(b) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Noteholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Noteholders in person or by agents duly appointed in writing; and except as herein otherwise expressly provided such action shall become effective when such instrument or instruments are delivered to the Trustee, and, where it is hereby expressly required, to the Issuer. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Noteholders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 11.1) conclusive in favor of the Trustee and the Issuer, if made in the manner provided in this Section.

(c) The fact and date of the execution by any person of any such instrument or writing may be proved in any customary manner of the Trustee.

(d) The ownership of Notes shall be proved by the Note Register.

(e) Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any such Notes shall bind such Noteholder and the Holder of every Note and every subsequent Holder of such Notes issued upon the registration thereof or in exchange therefor or in lieu thereof, in respect of anything done, omitted or suffered to be done by the Trustee, the Servicer or the Issuer in reliance thereon, whether or not notation of such action is made upon such Note.

Section 15.4. Notices. All demands, notices and communications hereunder shall be in writing and shall be deemed to have been duly given if personally delivered at, sent by facsimile to, sent by courier at or mailed by registered mail, return receipt requested, to (a) in the case of the Issuer, to 3295 College Street, Beaumont, Texas 77701, Attention: David Atnip, (b) in the case of the Servicer or Conn, to 3295 College Street, Beaumont, Texas 77701, Attention: David Atnip, (c) in the case of the Trustee, to the Corporate Trust Office, (e) in the case of any Enhancement Provider for, or Required Person with respect to, a particular Series, the address, if any, specified in the Series Supplement relating to such Series and (f) in the case of the Rating Agency for a particular Series, the address, if any, specified in the Series Supplement relating to such Series; or, as to each party, at such other address as shall be designated by such party in a written notice to each other party. Unless otherwise provided with respect to any Series in the related Series Supplement or otherwise expressly provided herein, any notice required or permitted to be mailed to a Noteholder shall be given by first class mail, postage prepaid, at the address of such Noteholder as shown in the Note Register, or with respect to any notice required or permitted to be made to the Holders of Bearer Notes, by publication in the manner provided in the related Series Supplement. If and so long as any Series or Class is listed on the Luxembourg Stock Exchange and such exchange shall so require, any notice to Noteholders shall be published in an authorized newspaper of general circulation in Luxembourg (which maybe the Luxembourger Wort or Zeitung) within the time period prescribed in this Indenture. Any notice so mailed or published, as the case may be, within the time prescribed in this Indenture shall be conclusively presumed to have been duly given, whether or not the Noteholder receives such notice.

The Issuer or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications; provided, however, the Issuer may not at any time designate more than a total of three (3) addresses to which notices must be sent in order to be effective.

Any notice (i) given in person shall be deemed delivered on the date of delivery of such notice, (ii) given by first class mail shall be deemed given five (5) days after the date that such notice is mailed, (iii) delivered by telex or telecopier shall be deemed given on the date of

delivery of such notice, and (iv) delivered by overnight air courier shall be deemed delivered one Business Day after the date that such notice is delivered to such overnight courier.

Notwithstanding any provisions of this Indenture to the contrary, the Trustee shall have no liability based upon or arising from the failure to receive any notice required by or relating to this Indenture or the Notes.

If the Issuer mails a notice or communication to Noteholders, it shall mail a copy to the Trustee at the same time.

Section 15.5. Notices to Noteholders: Waiver. Where this Indenture provides for notice to Noteholders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class, postage prepaid to each Noteholder affected by such event, at his address as it appears on the Note Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case where notice to Noteholders is given by mail, neither the failure to mail such notice nor any defect in any notice so mailed to any particular Noteholder shall affect the sufficiency of such notice with respect to other Noteholders, and any notice that is mailed in the manner here in provided shall conclusively be presumed to have been duly given.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by any Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Noteholders shall be filed with the Trustee but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such a waiver.

In case, by reason of the suspension of regular mail service as a result of a strike, work stoppage or similar activity, it shall be impractical to mail notice of any event to Noteholders when such notice is required to be given pursuant to any provision of this Indenture, then any manner of giving such notice as shall be satisfactory to the Trustee shall be deemed to be a sufficient giving of such notice.

Where this Indenture provides for notice to the Rating Agencies, failure to give such notice shall not affect any other rights or obligations created hereunder, and shall not under any circumstance constitute a Default or Event of Default.

Section 15.6. Alternate Payment and Notice Provisions. Notwithstanding any provision of this Indenture or any of the Notes to the contrary, the Trustee on behalf of the Issuer may enter into any agreement with any Holder of a Note providing for a method of payment, or notice by the Trustee or any Paying Agent to such Holder, that is different from the methods provided for in this Indenture for such payments or notices, provided that such methods are consented to by the Issuer (which consent shall not be unreasonably withheld). The Trustee will cause payments to be made and notices to be given in accordance with such agreements.

Section 15.7. Conflict with TIA. If any provision hereof limits, qualifies or conflicts with another provision hereof that is required to be included in this indenture by any of the provisions of the TIA, such required provision shall control (if this Indenture is required to be qualified under the TIA).

The provisions of TIA Sections 310 through 317 that impose duties on any person (including the provisions automatically deemed included herein unless expressly excluded by this Indenture) are a part of and govern this Indenture, whether or not physically contained herein (if this Indenture is required to be qualified under the TIA). Notwithstanding the foregoing, and regardless of whether the Indenture is required to be qualified under the TIA, the provisions of Section 316(a)(1) of the TIA shall be excluded from this Indenture.

Section 15.8. Effect of Headings and Table of Contents. The Article and Section headings herein and the Table of Contents and Cross-Reference Table are for convenience of reference only, are not to be considered a part hereof, and shall not affect the meaning or construction hereof.

Section 15.9. Successors and Assigns. All covenants and agreements in this Indenture and the Notes by the Issuer shall bind its successors and assigns, whether so expressed or not. All agreements of the Trustee in this Indenture shall bind its successors.

Section 15.10. Separability of Provisions. If any one or more of the covenants, agreements, provisions or terms of this Indenture or Notes shall for any reason whatsoever be held invalid, then such covenants, agreements, provisions or terms shall be deemed severable from the remaining covenants, agreements, provisions or terms of this Indenture and shall in no way affect the validity or enforceability of the other provisions of this Indenture or of the Notes or rights of the Holders thereof.

Section 15.11. Benefits of Indenture. Except as set forth in this Indenture, nothing in this Indenture or in the Notes, expressed or implied, shall give to any Person, other than the parties hereto and their successors hereunder and the Secured Parties, any benefit or any legal or equitable right, remedy or claim under the Indenture.

Section 15.12. Legal Holidays. In any case where the date on which any payment is due to any Secured Party shall not be a Business Day, then (notwithstanding any other provision of the Notes or this Indenture) any such payment need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the date on which nominally due, and no interest shall accrue for the period from and after any such nominal date.

Section 15.13. GOVERNING LAW; JURISDICTION. THIS INDENTURE AND THE NOTES SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE

OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS. EACH OF THE PARTIES TO THIS INDENTURE AND EACH SECURED PARTY HEREBY AGREES TO THE NON-EXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND ANY APPELLATE COURT HAVING JURISDICTION TO REVIEW THE JUDGEMENT THEREOF. EACH OF THE PARTIES AND EACH SECURED PARTY HEREBY WAIVES ANY OBJECTION BASED ON FORUM NON CONVENIENS AND ANY OBJECTION TO VENUE OF ANY ACTION INSTITUTED HEREUNDER IN ANY OF THE AFOREMENTIONED COURTS AND CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT.

Section 15.14. Counterparts. This Indenture may be executed in any number of counterparts, and by different parties on separate counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

Section15.15. Recording of Indenture. If this Indenture is subject to recording in any appropriate public recording offices, such recording is to be effected by the Issuer and at its expense accompanied by an Opinion of Counsel (which may be counsel to the Trustee or any other counsel reasonably acceptable to the Trustee) to the effect that such recording is necessary either for the protection of the Noteholders or any other person secured hereunder or for the enforcement of any right or remedy granted to the Trustee under this Indenture.

Section 15.16. Issuer Obligation. No recourse may be taken, directly or indirectly, with respect to the obligations of the Issuer or under this Indenture or any certificate or other writing delivered in connection herewith or therewith, against (i) any Seller, the Initial Seller, the Servicer or the Trustee or (ii) any partner, owner, incorporator beneficiary, beneficial owner, agent, officer, director, employee, shareholder or agent of the Issuer, the Initial Seller, any Seller, the Servicer or the Trustee, except (x) as any such Person may have expressly agreed and (y) nothing in this Section shall relieve any Seller, the Initial Seller or the Servicer from its own obligations under the terms of any Transaction Document. Nothing in this Section 15.16 shall be construed to limit the Trustee from exercising its rights hereunder with respect to the Trust Estate.

Section 15.17. No Bankruptcy Petition Against the Issuer. Each of the Secured Parties and the Trustee by entering into the Indenture, any Enhancement Agreement, any Series Supplement or any Note Purchase Agreement (as defined in such Series Supplement) and in the case of a Noteholder and Note Owner, by accepting a Note, hereby covenants and agrees that, prior to the date which is one year and one day after the payment in full of the latest maturing Note and the termination of the Indenture, it will not institute against, or join with any other Person in instituting against, the Issuer any bankruptcy, reorganization, arrangement, insolvency

or liquidation proceedings, or other proceedings, under any United States Federal or state bankruptcy or similar law in connection with any obligations relating to the Notes, the Indenture or any of the Transaction Documents. In the event that any such Secured Party or the Trustee takes action in violation of this Section 15.17, the Issuer shall file an answer with the bankruptcy court or otherwise properly contesting the filing of such a petition by any such Secured Party or the Trustee against the Issuer or the commencement of such action and raising the defense that such Secured Party or the Trustee has agreed in writing not to take such action and should be estopped and precluded therefrom and such other defenses, if any, as its counsel advises that it may assert. The provisions of this Section 15.17 shall survive the termination of this Indenture, and the resignation or removal of the Trustee. Nothing contained herein shall preclude participation by any Secured Party or the Trustee in the assertion or defense of its claims in any such proceeding involving the Issuer.

Section 15.18. No Joint Venture. Nothing herein contained shall be deemed or construed to create a co-partnership or joint venture between the parties hereto and the services of the Servicer shall be rendered as an independent contractor and not as agent for the Trustee.

Section 15.19. Rule 144A Information. For so long as any of the Notes of any Series or any Class are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer, the Servicer and the Trustee agree to cooperate with each other to provide to any Noteholders of such Series or Class and to any prospective purchaser of Notes designated by such Noteholder upon the request of such Noteholder or prospective purchaser, any information required to be provided to such holder or prospective purchaser to satisfy the condition set forth in Rule 144A(d)(4) under the Securities Act if at the time of the request the Issuer is not a reporting company under Section 13 or Section 15(d) of the Exchange Act.

Section 15.20. No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Trustee, any Secured Party, any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exhaustive of any rights, remedies, powers and privileges provided by law.

Section 15.21. Third-Party Beneficiaries. This Indenture will inure to the benefit of and be binding upon the parties hereto, the Secured Parties, and their respective successors and permitted assigns. Except as otherwise provided in this Article 15, no other Person will have any right or obligation hereunder.

Section 15.22. Merger and Integration. Except as specifically stated otherwise herein, this Indenture sets forth the entire understanding of the parties relating to the subject matter hereof, and all prior understandings, written or oral, are superseded by this Indenture.

Section 15.23. Rules by the Trustee. The Trustee may make reasonable rules for action by or at a meeting of any Secured Parties.

Section 15.24. Duplicate Originals. The parties may sign any number of copies of this Indenture. One signed copy is enough to prove this Indenture.

Section 15.25. Waiver of Trial by Jury. To the extent permitted by applicable law, each of the Secured Parties irrevocably waives all right of trial by jury in any action, proceeding or counterclaim arising out of or in connection with this Indenture or the Transaction Documents or any matter arising hereunder or thereunder.

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IN WITNESS WHEREOF, the Trustee and the Issuer have caused this Base Indenture to be duly executed by their respective duly authorized officers as of the day and year first written above.

CONN FUNDING II, L.P., as Issuer

By: Conn Funding II GP, L.L.C.,
its general partner

By: /s/ David R. Atnip

Name: David R. Atnip
Title: Secretary/Treasurer

WELLS FARGO BANK MINNESOTA,
NATIONAL ASSOCIATION, not in its
individual capacity, but solely as
Trustee

By: /s/ Marianna C. Stershic

Name: Marianna C. Stershic
Title: Vice President

Accepted and Agreed:

CAI, L.P.,
individually and as Servicer

By: Conn Appliances, Inc.,
its general partner

By: /s/ Thomas J. Frank

Name: Thomas J. Frank
Title: CEO and Chairman of the Board

EXHIBIT A
TO BASE INDENTURE
Form of Release and Reconveyance of Trust Estate

==========

RELEASE AND RECONVEYANCE OF TRUST ESTATE

RELEASE AND RECONVEYANCE OF TRUST ESTATE, dated as of _____, _____, between Conn Funding II, L.P. (the "Issuer") and Wells Fargo Bank Minnesota, National Association, a banking association organized and existing under the laws of the United States of America (the "Trustee") pursuant to the Base Indenture referred to below.

W I T N E S S E T H:

WHEREAS, the Issuer and the Trustee are parties to the Base Indenture dated as of September 1, 2002 (hereinafter as such agreement may have been, or may from time to time be, amended, supplemented or otherwise modified, the "Base Indenture");

WHEREAS, pursuant to the Base Indenture, upon the termination of the Lien of the Base Indenture pursuant to Section 12.1 of the Base Indenture and after payment of all amounts due under the terms of the Base Indenture on or prior to such termination and the surrender of the Issuer Interest, the Trustee shall at the request of the Issuer reconvey and release the lien on the Trust Estate;

WHEREAS, the conditions to termination of the Base Indenture pursuant to Sections 12.1 and 12.6 have been satisfied;

WHEREAS, the Issuer has requested that the Trustee terminate the Lien of the Indenture on the Trust Estate pursuant to Section 12.6; and

WHEREAS, the Trustee is willing to execute such release and reconveyance subject to the terms and conditions hereof;

NOW, THEREFORE, the Issuer and the Trustee hereby agree as follows:

1. Defined Terms. All terms defined in the Base Indenture and used herein shall have such defined meanings when used herein, unless otherwise defined herein.

2. Release and Reconveyance. (a) The Trustee does hereby release and reconvey to the Issuer, without recourse, representation or warranty, on and after ____, ____ (the "Reconveyance Date") all right, title and interest in the Trust Estate whether then existing or thereafter created, all monies due or to become due with respect thereto (including all accrued interest theretofore posted as Finance Charges) and all proceeds of such Trust Estate, except for

amounts, if any, held by the Trustee or any Paying Agent pursuant to subsection 12.05(b) of the Base Indenture.

(b) In connection with such transfer, the Trustee does hereby release the Lien of the Indenture on the Trust Estate and agrees, upon the request and at the expense of the Issuer, to authorize the filing of any necessary or reasonably desirable UCC termination statements in connection therewith.

3. Return of Lists of Receivables. The Trustee shall deliver to the Issuer, not later than five (5) Business Days after the Reconveyance Date, each and every computer file or microfiche list of Receivables delivered to the Trustee pursuant to the terms of the Base Indenture.

4. Counterparts. This Release and Reconveyance may be executed in two or more counterparts (and by different parties on separate counterparts), each of which shall be an original, but all of which together shall constitute one and the same instrument.

5. Governing Law. THIS RELEASE AND RECONVEYANCE SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

IN WITNESS WHEREOF, the undersigned have caused this Release and Reconveyance of Trust Estate to be duly executed and delivered by their respective duly authorized officers on the day and year first above written.

CONN FUNDING II, L.P., as Issuer

By: Conn Funding II GP, L.L.C.,
its general partner

By:

Name:
Title:

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, not in its individual capacity, but solely as Trustee

By:

Name:
Title:

Schedule 1

PERFECTION REPRESENTATIONS, WARRANTIES
AND COVENANTS

In addition to the representations, warranties and covenants contained in the Indenture, the Issuer hereby represents, warrants, and covenants to the Trustee as follows on the Closing Date:

General
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1. The Indenture creates a valid and continuing security interest (as defined in the applicable UCC) in the Receivables in favor of the Trustee, which security interest is prior to all other Liens, and is enforceable as such as against creditors of and purchasers from the Issuer.

2. The Receivables constitute "accounts", "tangible chattel paper" or "electronic chattel paper" within the meaning of the UCC as in effect in the State of Texas.

3. Each of the Trust Accounts and all subaccounts thereof constitute either a deposit account or a securities account.

Creation
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4. The Issuer owns and has good and marketable title to the Receivables free and clear of any Lien, claim or encumbrance of any Person, excepting only liens for taxes, assessments or similar governmental charges or levies incurred in the ordinary course of business that are not yet due and payable or as to which any applicable grace period shall not have expired, or that are being contested in good faith by proper proceedings and for which adequate reserves have been established, but only so long as foreclosure with respect to such a lien is not imminent and the use and value of the property to which the Lien attaches is not impaired during the pendency of such proceeding.

Perfection:
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5. The Issuer has caused or will have caused, within ten days after the effective date of the Indenture, the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under applicable law in order to perfect the sale of the Receivables from the Sellers and the Initial Seller to the Issuer, and the security interest in the Receivables granted to the Trustee hereunder; and Servicer has in its possession the original copies of such instruments, certificated securities or tangible chattel paper that constitute or evidence the Receivables, and all financing statements referred to in this paragraph contain a statement that: "A purchase of or security interest in any collateral described in this financing statement will violate the rights of the Trustee."

6. With respect to Receivables that constitute tangible chattel paper, either:

(i) All original executed copies of each such tangible chattel paper have been delivered to the Trustee;

(ii) (A) Such tangible chattel paper is in the possession of the Servicer and the Trustee has received a written acknowledgment from the Servicer that the Servicer is holding such tangible chattel paper solely on behalf and for the benefit of the Trustee; (B) the Sellers have marked on or before the date that is sixty (60) days after the Initial Closing Date the authoritative copy of each Contract or lease that constitutes or evidences the Receivables with a legend to the following effect: "Conn Funding II, L.P. has pledged all its rights and interest herein to Wells Fargo Bank Minnesota, National Association"; and (C) such Contracts or leases do not have any other marks or notations indicating that they have been pledged, assigned or otherwise conveyed to any Person other than the Trustee; or

(iii) A third party custodian received possession of such instruments or tangible chattel paper after the Trustee received a written acknowledgment from such custodian that such custodian is acting solely as agent of the Trustee;

7. With respect to Receivables that constitute electronic chattel paper, either:

(a) The Issuer has caused, or will have caused within ten days of the effective date of the Purchase Agreement, the filing of financing statement against Issuer, the Initial Seller and Sellers in favor of the Trustee in connection herewith describing such Receivables and containing a statement that: "A purchase of or security interest in any collateral described in this financing statement will violate the rights of the Trustee"; or

(b) All of the following are true:

(i) Only one authoritative copy of each such Contract or lease exists; and each such authoritative copy (A) is unique, identifiable and unalterable (other than with the participation of the Trustee in the case of an addition or amendment of an identified assignee and other than a revision that is readily identifiable as an authorized or unauthorized revision), (B) has been marked with a legend to the following effect: "Authoritative Copy" and (C) has been communicated to and is maintained by the Trustee or a custodian who has acknowledged in writing that it is maintaining the authoritative copy of each electronic chattel paper solely on behalf of and for the benefit of the Trustee, or is acting solely as its agent; and

(ii) Sellers have marked on or before the date that is sixty (60) days after the Initial Closing Date the authoritative copy of each Contract or lease that constitutes or evidences the Receivables with a legend to the following effect: "Conn Funding II, L.P. has pledged all its rights and interest herein to Wells Fargo Bank Minnesota, National Association." Such Contracts or leases do not have any other marks or notations indicating that they have been pledged, assigned or otherwise conveyed to any Person other than the Trustee; and

(iii) Sellers have marked all copies of each Contract or lease that constitute or evidence the Receivables other than the authoritative copy with a legend to the following effect: "This is not an authoritative copy"; and

(iv) The records evidencing the Receivables have been established in a manner such that (a) all copies or revisions that add or change an identified assignee of the authoritative copy of each such electronic chattel paper must be made with the participation of the Trustee and (b) all revisions of the authoritative copy of each such electronic chattel paper must be readily identifiable as an authorized or unauthorized revision.

8. With respect to each of the Trust Accounts and all subaccounts that constitute deposit accounts, either:

(i) The Issuer has delivered to the Trustee a fully executed agreement pursuant to which the bank maintaining the deposit accounts has agreed to comply with all instructions originated by the Trustee directing disposition of the funds in the Trust Accounts without further consent by the Issuer; or

(ii) The Issuer has taken all steps necessary to cause the Trustee to become the account holder of the Trust Accounts.

9. With respect to each of the Trust Accounts or subaccounts thereof that constitute securities accounts or securities entitlements, either:

(i) The Issuer has delivered to the Trustee a fully executed agreement pursuant to which the securities intermediary has agreed to comply with all instructions originated by the Trustee relating to the Trust Accounts without further consent by the Issuer; or

(ii) The Issuer has taken all steps necessary to cause the securities intermediary to identify in its records the Trustee as the person having a security entitlement against the securities intermediary in each of the Trust Accounts.

Priority
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10. Other than the transfer of the Receivables to the Issuer under the Purchase Agreement and the security interest granted to the Trustee pursuant to the Indenture, none of the Issuer, the Initial Seller or the Sellers have pledged, assigned, sold, granted a security interest in, or otherwise conveyed any of the Receivables or the Trust Accounts. None of the Issuer, the Initial Seller or the Sellers have authorized the filing of, or is aware of any financing statements against the Issuer, the Initial Seller or the Sellers that include a description of collateral covering the Receivables or the Trust Accounts or any subaccount thereof other than those that have been released or any financing statement relating to the security interest granted to the Trustee hereunder or that has been terminated.

11. None of the Trust Accounts nor any subaccount thereof are in the name of any person other than the Trustee. The Issuer has not consented to the bank maintaining the Trust Accounts that constitute deposit accounts to comply with instructions of any person other than the Trustee.

The Issuer has not consented to the securities intermediary of any Trust Account that constitutes a securities account to comply with entitlement orders of any person other than the Trustee.

12. None of the Issuer, the Initial Seller or the Sellers is aware of any judgment, ERISA or tax lien filings against either the Issuer, the Initial Seller or the Sellers.

13. None of the Issuer, the Initial Seller or the Sellers or a custodian holding any Collateral that is electronic chattel paper has communicated an authoritative copy of any Contract or lease that constitutes or evidences the Receivables to any Person other than the Trustee.

14. None of the tangible chattel paper or electronic chattel paper that constitutes or evidences the Receivables has any marks or notations indicating that it has been pledged, assigned or otherwise conveyed to any Person other than the Trustee.

15. Survival of Perfection Representations. Notwithstanding any other provision of the Indenture or any other Transaction Document, the Perfection Representations contained in this Schedule shall be continuing, and remain in full force and effect (notwithstanding any replacement of the Servicer or termination of Servicer's rights to act as such) until such time as the Issuer Obligations under the Indenture have been finally and fully paid and performed.

16. No Waiver. The parties to the Indenture shall not, without satisfying the Rating Agency Condition, waive any of the Perfection Representations.

Exhibit 10.12

CONN FUNDING II, L.P.,

as Issuer

and

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION,

as Trustee

SERIES 2002-A SUPPLEMENT

Dated as of September 1, 2002

to

BASE INDENTURE

Dated as of September 1, 2002

CONN FUNDING II, L.P.

SERIES 2002-A

Variable Funding Asset Backed Floating Rate Notes

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SERIES 2002-A SUPPLEMENT, dated as of September 1, 2002 (as amended, modified, restated or supplemented from time to time in accordance with the terms hereof, this "Series Supplement"), by and among CONN FUNDING II, L.P., a special purpose limited partnership established under the laws of Texas, as issuer ("Issuer"), and WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, a banking association organized and existing under the laws of the United States of America, as trustee (together with its successors in trust under the Base Indenture referred to below, the "Trustee") to the Base Indenture, dated as of September 1, 2002, between the Issuer and the Trustee (as amended, modified, restated or supplemented from time to time, exclusive of Series Supplements, the "Base Indenture").

Pursuant to this Series Supplement, the Issuer shall create a new Series of Notes and shall specify the Principal Terms thereof.

PRELIMINARY STATEMENT

WHEREAS, Section 2.2 of the Base Indenture provides, among other things, that Issuer and the Trustee may at any time and from time to time enter into a series supplement to the Base Indenture for the purpose of authorizing the issuance of one or more Series of Notes.

NOW, THEREFORE, the parties hereto agree as follows:

DESIGNATION

(a) There is hereby created a Series of notes to be issued pursuant to the Base Indenture and this Series Supplement and such Series of notes shall be substantially in the form of Exhibit A hereto, executed by or on behalf of the Issuer and authenticated by the Trustee and designated generally Variable Funding Asset Backed Floating Rate Notes, Series 2002-A (the "Notes"). The Notes shall be issued in minimum denominations of $500,000.

(b) Series 2002-A (as defined below) shall not be subordinated to any other Series.

SECTION 1. Definitions. In the event that any term or provision contained herein shall conflict with or be inconsistent with any provision contained in the Base Indenture, the terms and provisions of this Series Supplement shall govern. All Article, Section or subsection references herein mean Articles, Sections or subsections of this Series Supplement, except as otherwise provided herein. All capitalized terms not otherwise defined herein are defined in the Base Indenture. Each capitalized term defined herein shall relate only to the Notes and no other Series of Notes issued by the Issuer.

"Additional Amounts" means all amounts owed by the Issuer pursuant to Section 2.11 and Article VIII of the Note Purchase Agreement and Breakage Amounts (as defined in the Note Purchase Agreement).

"Additional Interest" has the meaning specified in Section 5.12.

"Administrator" has the meaning specified in the Note Purchase Agreement.

"Aggregate Investor Default Amount" means, with respect to any Monthly Period, an amount equal to the product of (a) the aggregate Outstanding Principal Balance of all Receivables that became Defaulted Receivables during such Monthly Period (each respective Outstanding Principal Balance being measured as of the date the relevant Receivable became a Defaulted Receivable) minus any Deemed Collections deposited into the Collection Account during such Monthly Period in respect of Receivables that have become Defaulted Receivables before or during such Monthly Period and (b) the Floating Investor Percentage with respect to such Monthly Period.

"Aggregate Net Investor Charge-Offs" means, on any date of determination, the sum of the "Net Investor Charge-Offs" or similar amount for each Series.

"Available Funds" means, with respect to any Monthly Period, an amount equal to (i) the Investor Percentage of Collections of Finance Charges, Recoveries and Investment Earnings deposited in the Finance Charge Account for such Monthly Period (or to be deposited in the Finance Charge Account on the related Series Transfer Date with respect to the preceding Monthly Period pursuant to the third paragraph of subsection 5.4(a) of the Base Indenture), plus (ii) any amounts received from the Enhancement Providers, if any, pursuant to the Enhancement Agreements deposited in the Finance Charge Account on or prior to the following Series Transfer Date (and not previously distributed pursuant to Section 5.15).

"Available Investor Principal Collections" means (A) with respect to the Notes and any Monthly Period, an amount equal to (i) the Investor Principal Collections for such Monthly Period, plus (ii) the amount of Shared Principal Collections that are allocated to Series 2002-A in accordance with Section 5.19, and (B) when used with respect to any other Series, has the meaning specified in the applicable Series Supplement.

"Available Issuer Interest" has the meaning specified in the definition of Coverage Test.

"Bank" has the meaning specified in paragraph 6(c)(i).

"CAI" means CAI, L.P.

"Carrying Costs" means, with respect to any Monthly Period, the sum of (i) the aggregate amount of Monthly Interest and Additional Interest accrued during such Monthly Period plus (ii) the Fees payable with respect to such Monthly Period plus (iii) the Investor Percentage of the Trustee and Back-Up Servicer Fees and Expenses and of the Servicing Fee with respect to such Monthly Period.

"Cash Option" means a provision in any Contract which provides for the application of interest payments theretofore made by the related Obligor against the Outstanding Principal Balance of the related Receivable if such Obligor shall pay the Outstanding Principal Balance (less the interest to be so credited) on or prior to the end of the related Cash Option Period.

"Cash Option Amount" means, as of any Determination Date, with respect to the outstanding Cash Option Receivables, the product of (i) the highest Portfolio Yield during the past twelve months divided by twelve (during the first year after the Initial Closing Date, this clause (i) shall, to the extent necessary, be calculated based on information delivered to the Administrator in connection with the securitization transaction with the Initial Seller that terminated on the Initial Closing Date), times (ii) the aggregate Outstanding Principal Balance of such Cash Option Receivables, times (iii) the weighted average Cash Option Period for such Cash Option Receivables (expressed in months).

"Cash Option Period" means, with respect to any Cash Option Receivable, the period, not to exceed twelve months, from and including the Initiation Date for such Cash Option Receivable and ending on the last day, as set forth in the related Contract, that the related Obligor may exercise the Cash Option.

"Cash Option Receivable" means any Purchased Receivable which includes a Cash Option.

"Change in Control" shall mean means any of the following:

(a) the acquisition of ownership by any Person or group (other than the Stephens Group and the senior management of Parent) of shares representing more than 50% of the aggregate ordinary voting power represented by the issued and outstanding capital stock of the Parent; provided that no Change in Control shall have occurred if Parent sells its common stock through an initial public offering and upon the completion of such offering, the Stephens Group and the senior management of Parent continued to own shares representing at least 33.33% of the aggregate ordinary voting power represented by the then issued and outstanding capital stock of Parent; or

(b) the creation or imposition of any Lien on any shares of capital stock of Issuer; or

(c) the failure by the Parent to be the sole general partner of CAI or, directly or indirectly, to be the sole equity holder of CAI; or

(d) the failure of CAI to be the sole equity holder of Conn Funding II GP, L.L.C.; or

(e) the failure by CAI to be the sole limited partner of Issuer, or the failure of Conn Funding II GP, L.L.C. to be the sole general partner of the Issuer.

"Closing Date" means September 13, 2002.

"Commitment Termination Date" means the Purchase Expiration Date (as such term is defined in, and may be amended pursuant to, the Note Purchase Agreement).

"Conduit Purchaser" has the meaning specified in the Note Purchase Agreement.

"Contingent Liability" means any agreement, undertaking or arrangement by which any Person guarantees, endorses or otherwise becomes or is contingently liable upon (by direct or indirect agreement, contingent or otherwise, to provide funds for payment, to supply funds to, or otherwise to invest in, a debtor, or otherwise to assure a creditor against loss) the indebtedness, obligation or any other liability of any other Person (other than by endorsements of instruments in the course of collection), or guarantees the payment of dividends or other distributions upon the shares of any other Person. The amount of any Person's obligation under any Contingent Liability shall (subject to any limitation set forth therein) be deemed to be the outstanding principal amount (or maximum outstanding principal amount, if larger) of the debt, obligation or other liability guaranteed thereby.

"Coverage Test" means, on any date of determination, that (i) the Issuer Interest as of such date exceeds the largest required "Minimum Issuer Interest" of any outstanding Series (such excess being herein called the "Available Issuer Interest") as of such date (determined by the Servicer taking into account any increases, decreases and status changes of the Receivables and any increases or decreases in the outstanding notes including those scheduled to occur on such date) and (ii) the Aggregate Net Investor Charge-Offs is zero as of such date.

"Cumulative Series Principal Shortfall" means the sum of the Series Principal Shortfalls (as such term is defined in each of the related Series Supplements) for each Series.

"Decrease" means a Mandatory Decrease or a Voluntary Decrease, as applicable.

"Default Rate" has the meaning specified in the Note Purchase Agreement.

"Deficiency Amount" has the meaning specified in Section 5.12.

"Dilution Adjuster" means, with respect to any Monthly Period, (i) the highest six-month rolling average Dilution Rate during the twelve preceding Monthly Periods times (ii) four.

"Dilution Rate" means, with respect to any Monthly Period, the ratio (expressed as a percentage) computed as of the last day of such Monthly Period equal to the result of (i) an amount equal to the total returns for such Monthly Period, divided by (ii) an amount equal to total sales by the Sellers for such Monthly Period times, (iii) the aggregate original principal balance (other than that portion of the principal balance attributable to insurance premium in respect of any Merchandise) of Receivables originated during such Monthly Period, divided by (iv) the quotient of (A) the sum of (I) the aggregate Outstanding Principal Balance of all Receivables as of the last day of the previous Monthly Period, plus (II) the aggregate Outstanding Principal Balance of all Receivables as of such last day of such Monthly Period, divided by (B) two, times (v) twelve.

"Enhancement Agreement" means any interest rate swap, cap, collar or similar agreement executed in connection with subsection 5.20(a).

"Enhancement Provider" means the counterparty under any Enhancement Agreement.

"Enhancement Provider Default" means the occurrence of any of the following:

(a) any Enhancement Provider fails to pay when required, any amount payable under the Enhancement Agreements and such failure continues unremedied for two Business Days; or

(b) any Enhancement Agreement shall cease to be a Qualifying Enhancement Agreement and such failure continues unremedied for five Business Days.

"Excess Funding Account" has the meaning specified in subsection 5.21(a).

"Excess Spread" means, with respect to any Series Transfer Date, the amounts with respect to such Series Transfer Date, if any, specified pursuant to paragraph 5.15(a)(vii).

"Fees" means all of the amounts payable in connection with the Fee Letter (as such term is defined in the Note Purchase Agreement).

"Finance Charge Collections" means (i) all Collections allocable to Finance Charges, (ii) all Recoveries allocable to Finance Charges and (iii) any net amounts payable to the Issuer under any Enhancement Agreement.

"Fixed Investor Percentage" means, with respect to any Monthly Period, the percentage equivalent of a fraction, the numerator of which is the Investor Interest as of the close of

business on the last day of the Revolving Period and the denominator of which is the sum of the numerators used to calculate the respective investor percentages used for allocations with respect to Principal Receivables for all outstanding Series on such date of determination.

"Floating Investor Percentage" means, with respect to any Monthly Period, the percentage equivalent of a fraction, the numerator of which is the Modified Investor Interest for such Monthly Period and the denominator of which is the sum of the numerators used to calculate the respective investor percentages used for allocations with respect to Finance Charges, Recoveries, Investment Earnings, Aggregate Investor Default Amounts, Principal Receivables, Available Issuer Interest, Servicing Fee or Trustee and Back-up Servicer Fees and Expenses, as applicable, for all outstanding Series on such date of determination.

"Gross Loss Adjuster" means, with respect to any Monthly Period, (i) the highest six-month rolling average Gross Loss Rate during the twelve immediately preceding Monthly Periods times (ii) four.

"Gross Loss Rate" means, with respect to any Monthly Period, the ratio (expressed as a percentage) computed as of the last day of such Monthly Period, by dividing (i) the Outstanding Principal Balance of Charged-Off Receivables which were deemed to be Charged-Off Receivables during such Monthly Period by (ii) (A) the aggregate Outstanding Principal Balance of all Receivables as of the last day of the previous Monthly Period plus (B) the aggregate Outstanding Principal Balance of all Receivables as of such last day of such Monthly Period divided by (C) two and multiplying the result by (iii) twelve.

"Increase" has the meaning specified in subsection 3.1(a).

"Initial Note Principal" means the aggregate initial principal amount of the Notes, which is $250,000,000.

"Initiation Date" means, with respect to any Receivable, the date of the transaction that gave rise to the original Outstanding Principal Balance of such Receivable.

"Interest Period" means, with respect to any Payment Date, the preceding Monthly Period (or, in the case of the first Payment Date, from and including the Closing Date to and including October 21, 2002).

"Investor Charge-Offs" has the meaning specified in subsection 5.16(a).

"Investor Interest" means, on any date of determination, an amount equal to (a) the Initial Note Principal, plus (b) the aggregate amount of all Increases made prior to such date, minus (c) the aggregate amount of principal payments (including, without limitation, any Decreases) made to Noteholders prior to such date, minus (d) the aggregate amount of Investor Charge-Offs pursuant to subsection 5.16(a), plus (e) the aggregate amount of Excess Spread and funds on deposit in the

Excess Funding Account applied on all prior Series Transfer Dates pursuant to subsection 5.17(b) for the purpose of reimbursing amounts deducted pursuant to the foregoing clause (d), plus (f) the Required Reserve Amount. Once all principal and interest on the Notes and any other amounts payable to the Noteholders and the Enhancement Providers, if any, pursuant to the Transaction Documents have been paid in full, the Investor Interest shall be zero.

"Investor Percentage" means, for any Monthly Period, (a) with respect to Finance Charges, Recoveries, Investment Earnings, Aggregate Investor Default Amounts, Available Issuer Interest, Servicing Fee and Trustee and Back-Up Servicer Fees and Expenses at any time and Principal Receivables during the Revolving Period, the Floating Investor Percentage and (b) with respect to Principal Receivables during the Rapid Amortization Period, the Fixed Investor Percentage.

"Investor Principal Collections" means, with respect to any Monthly Period, the sum of (a) the Investor Percentage of the aggregate amount deposited into the Principal Account (less any Issuer Distributions) for such Monthly Period pursuant to paragraph 5.11(a)(i), (b) the aggregate amount to be treated as Investor Principal Collections for such Monthly Period pursuant to paragraph 5.15(a)(iii) and Section 5.17, and (c) in connection with the purchase or redemption of Notes, the aggregate amount deposited in the Payment Account pursuant to Section 4 hereof.

"Issuer" is defined in the preamble of this Series Supplement.

"Legal Final Payment Date" means October 20, 2010.

"Mandatory Decrease" has the meaning specified in subsection 3.2(a).

"Maximum Principal Amount" equals $250,000,000 minus, if the Servicer Letter of Credit Bank is SunTrust Bank or any affiliate thereof, the Stated Amount (as defined in the Servicer Letter of Credit).

"Minimum Issuer Interest" means for any date of determination an amount equal to (a) the Cash Option Amount as of such date plus (b) the Outstanding Principal Balance of all Receivables that are not Eligible Receivables as of such date.

"Modified Investor Interest" means for any Monthly Period, the average daily Investor Interest for such Monthly Period (or, in the case of the first Monthly Period, from and including the Closing Date to, and including the last day of such first Monthly Period).

"Monthly Interest" has the meaning specified in subsection 5.12.

"Monthly Period" has the meaning specified in the Base Indenture, except that the first Monthly Period with respect to the Notes shall begin on and include the Closing Date and shall end on and include September 30, 2002.

"Monthly Principal" has the meaning specified in subsection 5.13.

"Net Investor Charge-Offs" means, on any date of determination, the excess of (a) the amount described in clause (d) of the definition of Investor Interest on such date over (b) the amount described in clause (e) of such definition on such date.

"Net Portfolio Yield" for any Monthly Period (as determined as of the last day of each Monthly Period) shall mean the annualized percentage equivalent of a fraction, (a) the numerator of which is equal to the Net Yield Amount for such Monthly Period and (b) the denominator of which is equal to the aggregate Outstanding Principal Balance of all Receivables on such day. For purposes of this definition, "Net Yield Amount" means for any Monthly Period an amount equal to the excess of the sum of Collections of Finance Charges plus Recoveries allocable to Finance Charges over the sum of (a) interest and fees accrued for the current Monthly Period and overdue interest and fees with respect to the Notes and "Enhancement" of all Series (together with, if applicable, interest on such overdue interest and fees at the rate specified in the accompanying series supplements), (b) accrued and unpaid Servicing Fees and Trustee and Back-Up Servicer Fees and Expenses for such Monthly Period, (c) the aggregate Outstanding Principal Balance of all Receivables that became Defaulted Receivables during such Monthly Period (each respective Outstanding Principal Balance being measured as of the date the relevant Receivable became a Defaulted Receivable), and (d) any other costs, expenses, or liability of the Issuer of any nature whatsoever incurred during such Monthly Period (except for the obligations of the Issuer to pay any principal on the Notes outstanding at such time or any Business Taxes and except for fee and indemnity expenses for which cash other than such Monthly Period's Collections are available to the Issuer).

"Note Principal" means on any date of determination the then outstanding principal amount of the Notes.

"Note Purchase Agreement" means any agreement by and among the Conduit Purchaser, the Administrator, the Issuer and the Sellers, pursuant to which the Conduit Purchaser agrees to purchase an interest in a Note from the Issuer, subject to the terms and conditions set forth therein, or any successor agreement to such effect among the Issuer and such Conduit Purchaser or its successors, as amended, supplemented or otherwise modified from time to time.

"Note Rate" has the meaning specified in the Note Purchase Agreement.

"Noteholder" means with respect to any Note, the holder of record of such Note.

"Notes" has the meaning specified in paragraph (a) of the Designation.

"Notice Persons" means the Administrator.

"Payment Account" means the account established as such for the benefit of the Secured Parties of this Series 2002-A pursuant to subsection 5.3(c) of the Base Indenture.

"Payment Date" means October 21, 2002 and the twentieth day of each calendar month thereafter, or if such twentieth day is not a Business Day, the next succeeding Business Day.

"Payment Rate" shall mean, with respect to any Monthly Period, the ratio (expressed as a percentage) computed as of the last day of such Monthly Period by dividing (i) an amount equal to all Collections received with respect to the Principal Receivables and Finance Charges during such Monthly Period by (ii) (A) the aggregate Outstanding Principal Balance of all Receivables as of the last day of the previous Monthly Period plus (B) the aggregate Outstanding Principal Balance of all Receivables as of such last day of such Monthly Period divided by (C) two.

"Payoff Date" means the date on which all principal and interest on the Notes and any other amounts directly related to Series 2002-A payable to any Noteholder or the Administrator under the Transaction Documents have been indefeasibly paid in full.

"Permissible Uses" means the amount of funds to be used by the Issuer to pay (i) the Servicer Letter of Credit Bank any amounts payable thereto by the Issuer under the reimbursement agreement for the Servicer Letter of Credit, (ii) the Sellers for Subsequently Purchased Receivables (directly or through repayment of any subordinated notes issued to the Sellers), (iii) its equity owners, as a dividend distribution (so long as the Issuer has a net worth (in accordance with GAAP) of at least 1% of the outstanding principal amount of the Notes after giving effect thereto) and (iv) other expenses of the Issuer not prohibited by the Transaction Documents.

"Portfolio Yield" means, with respect to Eligible Receivables for any Monthly Period, the ratio (expressed as a percentage) computed as of the last day of such Monthly Period by dividing (i) the amount of all Finance Charge Collections (other than amounts described in clause (iii) of the definition thereof) received during such Monthly Period, by (ii) (A) the aggregate Outstanding Principal Balance of all Receivables as of the last day of the previous Monthly Period plus (B) the aggregate Outstanding Principal Balance of all Receivables as of such last day of such Monthly Period divided by (C) two and multiplying the result by (iii) twelve.

"Portfolio Yield Adjuster" means, with respect to any Monthly Period, (i) 18.0% minus (ii) the lowest six-month rolling average Portfolio Yield during the twelve preceding Monthly Periods; provided, however, that the Portfolio Yield Adjuster shall not be less than 3.00%.

"Potential Series 2002-A Pay Out Event" shall mean an event which upon the lapse of time or the giving of notice, or both, would constitute a Series 2002-A Pay Out Event.

"Principal Reallocation Amount" means the Investor Percentage (determined with regard to only (and only to the extent of) those Series with respect to which principal is being reallocated pursuant to a corresponding provision at such time) of the Available Issuer Interest (after giving effect to any reduction pursuant to Section 5.16 or the definition of Required Reserve Amount on such day or pursuant to any comparable provisions of any other Series Supplement of any other Series on such day) at such time.

"Qualifying Enhancement Agreement" means any interest rate swap or cap agreement approved in writing by the Administrator entered into by, or assigned to, the Issuer to hedge its interest rate risk with respect to the Notes that satisfies each of the following conditions:

(a) the counterparty thereunder has a short-term rating of at least "A-1" by S&P and "P-1" by Moody's;

(b) all of Issuer's right, title and interest under such agreement has been pledged by the Issuer to the Trustee (for the benefit of the Secured Parties in Series 2002-A) under the Indenture, the Enhancement Provider has consented to such pledge and has agreed to make all payments thereunder to the Trustee (for the benefit of the Secured Parties in Series 2002-A) upon receipt of notice from the Trustee or the Administrator that a Pay Out Event or Potential Pay Out Event has occurred under this Series Supplement, and the Trustee or the Administrator (on behalf of the Secured Parties in Series 2002-A) shall have the right to cure any defaults by the Issuer under such agreement; and

(c) the master agreement governing such agreement contains the provisions reasonably required by the Administrator and copies of each such agreement entered into with each Enhancement Provider and each confirmation issued thereunder shall have been delivered to the Trustee and the Administrator.

"QIB" has the meaning specified in paragraph 6(c)(i).

"Rapid Amortization Period" means the Amortization Period commencing on the Rapid Pay Out Commencement Date and ending on the Series 2002-A Termination Date.

"Rapid Pay Out Commencement Date" means the earliest of (i) the Commitment Termination Date, (ii) the date on which an Issuer Pay Out Event is deemed to occur pursuant to Section 9.1 of the Base Indenture or (iii) the date on which a Series 2002-A Pay Out Event is deemed to occur pursuant to Section 9 of this Series Supplement.

"Rating Agency" means Moody's and Standard & Poor's and any other nationally recognized statistical rating organization from which a rating for the commercial paper issued by a Conduit Purchaser (at the request thereof) is currently in effect..

"Redemption Date" means the date on which the Notes are redeemed in full pursuant to Section 4 or 11 hereof.

"Required Amount" has the meaning specified in subsection 5.14(a).

"Required Persons" means Holders of Notes representing at least 66-2/3% of the aggregate Note Principal of all Notes.

"Required Reserve Amount" shall mean, at any time, the greater of (a) 3% of the Maximum Principal Amount and (b) an amount equal to (i) the Note Principal at such time, multiplied by (ii)(A) the Required Reserve Percentage at such time, divided by (B) 100% minus the Required Reserve Percentage at such time; provided, however, that the Required Reserve Amount shall be fixed during the Rapid Amortization Period as of the Rapid Pay Out Commencement Date; provided, further, that the Required Reserve Amount may only increase from time to time to the extent of the Investor Percentage (determined with regard to only (and only to the extent of) those Series with respect to which the "Required Reserve Amount" is increasing at such time) of the Available Issuer Interest (after giving effect to any reductions pursuant to Section 5.16, but prior to any reductions with respect to Principal Reallocation Amounts on such day, or pursuant to any comparable provisions of any other Series Supplement for any Series on such day) at such time.

"Required Reserve Percentage" means the ratio (expressed as a percentage) equal to the sum of (a) the Gross Loss Adjuster, (b) the Dilution Adjuster, and (c) the Portfolio Yield Adjuster; provided that the Required Reserve Percentage shall not be less than 15.0%. During the first year after the Initial Closing Date, the Gross Loss Adjuster, the Dilution Adjuster and the Portfolio Yield Adjuster shall, to the extent necessary, be calculated based on information delivered to the Administrator in connection with the securitization transaction with the Initial Seller that terminated on the Initial Closing Date.

"Revolving Period" means the period from and including the Closing Date to, but not including, the Rapid Pay Out Commencement Date.

"Rule 144A" has the meaning specified in paragraph 6(c)(i).

"Series 2002-A" means the Series of the Variable Funding Asset Backed Floating Rate Notes represented by the Notes.

"Series 2002-A Pay Out Event" has the meaning specified in Section 9.

"Series 2002-A Termination Date" means the earliest to occur of (a) the Payment Date on which the Notes, plus all other amounts due and owing to the Noteholders and the Enhancement Providers, if any, are paid in full, (b) the Legal Final Payment Date and (c) the Indenture Termination Date.

"Series Principal Shortfall" means with respect to the Notes and any Series Transfer Date, the excess, if any, of (a) (i) with respect to any Series Transfer Date related to a Mandatory Decrease, the amount of such Mandatory Decrease, (ii) with respect to any Series Transfer Date during the Rapid Amortization Period, the Investor Interest (but not less than the Note Principal) or (iii) with respect to any other Series Transfer Date, zero, the Investor Interest (but not less than the Note Principal), over (b) the Investor Principal Collections for such Series Transfer Date.

"Shared Principal Collections" means, with respect to any Series Transfer Date, either (a) the amount allocated to the Notes which may be applied to the "Series Principal Shortfall" with respect to other outstanding Series or (b) the amounts allocated to the notes of other Series which the applicable Series Supplements for such Series specify are to be treated as "Shared Principal Collections" and which may be applied to cover the Series Principal Shortfall with respect to the Notes.

"Solvent" means with respect to any Person that as of the date of determination both (A)(i) the then fair saleable value of the property of such Person is (y) greater than the total amount of liabilities (including Contingent Liabilities) of such Person and (z) not less than the amount that will be required to pay the probable liabilities on such Person's then existing debts as they become absolute and matured considering all financing alternatives and potential asset sales reasonably available to such Person; (ii) such Person's capital is not unreasonably small in relation to its business or any contemplated or undertaken transaction; and (iii) such Person does not intend to incur, or believe (nor should it reasonably believe) that it will incur, debts beyond its ability to pay such debts as they become due; and (B) such Person is "solvent" within the meaning given that term and similar terms under applicable laws relating to fraudulent transfers and conveyances. For purposes of this definition, the amount of any contingent liability at any time shall be computed as the amount that, in light of all of the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

"Voluntary Decrease" has the meaning specified in subsection 3.2(b).

SECTION 2. Article 3 of the Base Indenture. Article 3 shall be read in its entirety as follows and shall be applicable only to the Notes:

ARTICLE 3

INITIAL ISSUANCE AND INCREASES AND DECREASES OF INVESTOR INTEREST AND NOTES

SECTION 3.1 Initial Issuance; Procedure for Increasing the Investor Interest.

(a) Subject to satisfaction of the conditions precedent set forth in subsection (b) of this Section 3.1, (i) on the Closing Date, the Issuer will issue the Notes in accordance with Section 2.2 of the Base Indenture and Section 6 hereof in the aggregate initial principal amount equal to the Initial Note Principal and (ii) on any Business Day during the Revolving Period, the Issuer may increase the Investor Interest (each such increase referred to as an "Increase"), upon two Business Days prior written notice to the Trustee and Administrator, by reducing the Issuer Interest and increasing the Note Principal, pro rata, by an amount equal to such Increase; provided that the Issuer shall not request more than two Increases during any Monthly Period.

(b) The Notes will be issued on the Closing Date and the Investor Interest may be increased on any Business Day during the Revolving Period pursuant to subsection (a) above, only upon satisfaction of each of the following conditions with respect to such initial issuance and each proposed Increase:

(i) The amount of each issuance or Increase shall be equal to or greater than $500,000 (and in integral multiples of $100,000 in excess thereof);

(ii) After giving effect to such issuance or Increase, the Note Principal shall not exceed the Maximum Principal Amount;

(iii) The Coverage Test is satisfied and, if SunTrust Bank (or any Affiliate thereof) is the Servicer Letter of Credit Bank, there are no outstanding draws on the Servicer Letter of Credit;

(iv) After giving effect to any Increase, the Net Investor Charge-Offs is zero;

(v) Such issuance or Increase and the application of the proceeds thereof shall not result in the occurrence of (1) a Pay Out Event for any Series, Servicer Default or an Event of Default, or (2) an event or occurrence, which, with the passing of time or the giving of notice thereof, or both, would become a Pay Out Event for any Series, Servicer Default or an Event of Default; and

(vi) All required consents have been obtained and all other conditions precedent to the purchase of the Notes and the making of advances under the Note Purchase Agreement shall have been satisfied.

(c) Upon receipt of the proceeds of such issuance or Increase by or on behalf of the Issuer, the Trustee shall, or shall cause the Transfer Agent and Registrar to, indicate in the Note Register the amount thereof.

(d) The Issuer shall not issue additional Notes of this Series. For this purpose, neither an Increase pursuant to subsection 3.1(b) nor an amendment to this Series Supplement to increase the Maximum Principal Amount shall constitute the issuance of additional Notes.

(e) Notwithstanding anything to the contrary in this Section 3.1 or in Section 3.2, the Issuer may allocate "Increases" and "Decreases" among the VFN Series on a non-pro rata basis, provided that (i) the Issuer shall not (unless necessary in order to comply with paragraph (ii) of this subsection (e)) disproportionately allocate "Increases" or "Decreases" to the same Series for two or more consecutive "Increases" or "Decreases" (as the case may be) and (ii) the Issuer shall use its reasonable best efforts to allocate "Increases" and "Decreases" among the VFN Series such that the aggregate "Note Principal" of the VFN Series is at all times ratably allocated among the VFN Series according to their respective "Maximum Principal Amounts".

SECTION 3.2 Procedure for Decreasing the Investor Interest.

(a) Mandatory Decrease. Without limiting Section 9 hereof, if on any date of determination the Issuer Interest as of the end of the prior Monthly Period is less than the largest required Minimum Issuer Interest of any Series outstanding as of such date, then (unless, on or before the succeeding Series Transfer Date, a Seller transfers Subsequently Purchased Receivables to the Issuer and/or the Issuer reduces the outstanding principal balance of any other Series of notes and, in either case, increases the Issuer Interest so that it is greater than or equal to such Minimum Issuer Interest), on or before the following Payment Date, the Issuer shall deposit or cause to be deposited into the Payment Account from Available Investor Principal Collections, amounts otherwise payable to the Issuer (to the extent not required to be paid pursuant to Section 5.22) or other amounts so designated to be applied in accordance with subsection 5.15(g), a principal payment to decrease the Investor Interest by the amount necessary, so that after giving effect to all Decreases of the Investor Interest on the related Payment Date, the Issuer Interest shall be greater than or equal to the largest required Minimum Issuer Interest of any Series outstanding (each such reduction of the Investor Interest pursuant to this subsection 3.2(a), a "Mandatory Decrease"). Each such Mandatory Decrease shall be on a pro rata basis for all Notes, and "Mandatory Decreases" of all VFN Series shall occur on a pro rata basis subject to subsection 3.1(e). Upon such Mandatory Decrease, the Servicer, on behalf of the Issuer, shall reflect such Decrease in the Monthly Noteholder Statement.

(b) Voluntary Decrease. On any Business Day, the Issuer may upon two Business Days prior written notice (or seven Business Days prior written notice if the Decrease is $10,000,000 or more) to the Trustee and to the Noteholders (in accordance with the terms of the Note Purchase Agreement) decrease the Investor Interest (each such reduction of the Investor Interest pursuant to this subsection 3.2(b), a "Voluntary Decrease") by depositing or causing to be deposited into the Payment Account from Available Investor Principal Collections, amounts otherwise payable to the Issuer (to the extent not required to be paid pursuant to Section 5.22) or other amounts so designated and distributing to the Noteholders in respect of principal on the

Notes, an amount equal to the amount of such Decrease in accordance with subsection 5.15(g). Each such Voluntary Decrease shall be on a pro rata basis for all Notes, the Voluntary Decrease shall be in a minimum principal amount of $1,000,000 (and in integral multiples of $100,000 in excess thereof) and shall occur on a pro rata basis subject to subsection 3.1(e). Upon such Voluntary Decrease, the Servicer, on behalf of the Issuer shall reflect such Decrease in the Monthly Noteholder Statement.

(c) Principal Amortization. During the Rapid Amortization Period, principal will be allocated to the Investor Interest (pursuant to Section 5.13) and paid to the Noteholders on a pro rata basis.

(d) Upon each Decrease and each decrease due to the commencement of the Rapid Amortization Period, the Trustee shall, or shall cause the Transfer Agent and Registrar to, indicate in the Note Register the amount thereof.

SECTION 3. Servicing Compensation. The share of the Servicing Fee allocable to Series 2002-A with respect to any Series Transfer Date shall be equal to the Investor Percentage of the Servicing Fee for the relevant Monthly Period. The Servicing Fee shall be paid by the cash flows from the Trust Estate allocated to the Noteholders or the noteholders of other Series (as provided in the related series supplements) and in no event shall the Issuer, the Trustee or the Noteholders be liable therefor. The Servicing Fee allocable to Series 2002-A shall be payable to the Servicer solely to the extent amounts are available for distribution in respect thereof pursuant to paragraph 5.15(a)(ii) and subsection 5.17(a).

SECTION 4. Cleanup Call.

(a) The Notes shall be subject to purchase by the initial Servicer, at its option, in accordance with the terms specified in subsection 12.4(a) of the Base Indenture, on any Payment Date on or after the Payment Date on which the Investor Interest is reduced to an amount less than or equal to 10% of the Initial Note Principal.

(b) The deposit to the Payment Account required in connection with any such purchase will be equal to the sum of (i) the Note Principal, plus (ii) accrued and unpaid interest on the Notes through the day preceding the Payment Date on which the purchase occurs, plus (iii) any other amounts (including, without limitation, accrued and unpaid Additional Amounts) payable to the Noteholders pursuant to the Note Purchase Agreement, plus (iv) any amounts payable to the Enhancement Providers, if any, pursuant to the Enhancement Agreements, minus (v) the amounts, if any, on deposit at such Payment Date in the Payment Account for the payment of the foregoing amounts.

SECTION 5. Delivery and Payment for the Notes. The Trustee shall execute, authenticate and deliver the Notes in accordance with Section 2.4 of the Base Indenture and Section 6 below.

SECTION 6. Form of Delivery of the Notes; Depository; Denominations; Transfer Provisions.

(a) The Notes shall be delivered as Registered Notes in definitive form as provided in Sections 2.1 and 2.18 of the Base Indenture. The Notes shall initially be registered in the name of the Administrator for the Purchasers (as defined in the Note Purchase Agreement) and shall not be transferred, sold or pledged, in whole or in part, other than pursuant to Section 2.6 of the Base Indenture and this Section 6.

(b) The Notes will be issuable in minimum denominations of $500,000.

(c) When Notes are presented to the Transfer Agent and Registrar or a co-registrar with a request to register a transfer or to exchange them for an equal principal amount of Notes of other authorized denominations, the Transfer Agent and Registrar shall register the transfer or make the exchange if its requirements for such transaction are met; provided, however, that the Notes surrendered for transfer or exchange (a) shall be duly endorsed or accompanied by a written instrument of transfer in form satisfactory to the Issuer and the Transfer Agent and Registrar, duly executed by the holder thereof or its attorney, duly authorized in writing and (b) shall be transferred or exchanged in compliance with the following provisions:

(i) (A) if such Note is being transferred to a qualified institutional buyer (a "QIB") as defined in, and in accordance with, Rule 144A under the Securities Act ("Rule 144A"), the transferor shall, unless the transferee is a party to the Note Purchase Agreement or is a QIB within the meaning of Rule 144A(a)(1)(vi) (a "Bank"), provide the Issuer and the Transfer Agent and Registrar with a certification to that effect (in substantially the form of Exhibit C hereto); or (B) if such Note is being transferred in reliance on another exemption from the registration requirements of the Securities Act, the transferor shall provide the Issuer and the Transfer Agent and Registrar with a certification to that effect (in substantially the form of Exhibit C hereto) and, if requested by the Transfer Agent and Registrar or the Issuer, an opinion of counsel in form and substance acceptable to the Issuer and to the Transfer Agent and Registrar to the effect that such transfer is in compliance with the Securities Act.

(ii) each such transferee of such Note shall be deemed to have made the acknowledgements, representations and agreements set forth below:

(1) unless it has been advised that the transferor is relying on an exemption from the registration requirements of the Securities Act, it is

purchasing the Note for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a QIB and is aware that the sale to it is being made in reliance on Rule 144A;

(2) it understands that the Notes have not been and will not be registered or qualified under the Securities Act or any applicable state securities laws or the securities laws of any other jurisdiction and are being offered only in a transaction not involving any public offering within the meaning of the Securities Act, that the Issuer is not required to register or qualify the Notes, and that the Notes may be resold, pledged or transferred only in compliance with provisions of this subsection 6(c) and only (A) to the Issuer, (B) to a person the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A or (C) in a transaction otherwise exempt from the registration requirements of the Securities Act and, in each case, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction and in accordance with the restrictions set forth herein;

(3) if it desires to offer, sell or otherwise transfer, pledge or hypothecate the Notes as described in clause (B) or (C) of the preceding paragraph, it may, pursuant to clause (i) above, be required to deliver a certificate and, in the case of clause (C), may be required to deliver an opinion of counsel if the Issuer and the Transfer Agent and Registrar so request, in each case, reasonably satisfactory in form and substance to the Issuer and the Servicer, that an exemption from the registration requirements of the Securities Act applies to such offer, sale, transfer or hypothecation; and it understands that the Registrar and Transfer Agent will not be required to accept for registration of transfer the Notes acquired by it, except upon presentation of, if applicable, the certificate and, if applicable, the opinion described above;

(4) it agrees that it will, and each subsequent holder is required to, notify any purchaser of Notes from it of the resale restrictions referred to in clauses (2) and (3) above, if then applicable and understands that such notification requirement will be satisfied, in the case only of transfers by physical delivery of Definitive Notes, by virtue of the fact that the following legend will be placed on the Notes unless otherwise agreed to by the Issuer:

> THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION. THIS NOTE MAY BE RESOLD, PLEDGED OR TRANSFERRED ONLY (1) TO A PERSON THE

TRANSFEROR REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A")) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A OR (2) IN A TRANSACTION OTHERWISE EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER JURISDICTION AND BASED ON AN OPINION OF COUNSEL IF THE ISSUER OR TRANSFER AGENT AND REGISTRAR SO REQUEST, IN EACH SUCH CASE, IN COMPLIANCE WITH THE INDENTURE AND ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY TRANSFEREE FROM IT OF THE RESALE RESTRICTIONS SET FORTH ABOVE.

BY ACQUIRING THIS NOTE, EACH PURCHASER WILL BE DEEMED TO HAVE REPRESENTED, WARRANTED AND COVENANTED EITHER THAT (A) IT IS NOT AN "EMPLOYEE BENEFIT PLAN" SUBJECT TO THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), A "PLAN" DESCRIBED IN SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, AN ENTITY DEEMED TO HOLD "PLAN ASSETS" OF ANY OF THE FOREGOING BY REASON OF INVESTMENT BY AN "EMPLOYEE BENEFIT PLAN" OR "PLAN" IN SUCH ENTITY, OR A GOVERNMENTAL PLAN SUBJECT TO APPLICABLE LAW THAT IS SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF ERISA OR SECTION 4975 OF THE CODE OR (B) ITS PURCHASE AND HOLDING OF THIS NOTE WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL PLAN, ANY SUBSTANTIALLY SIMILAR APPLICABLE LAW).

(5) it acknowledges that the foregoing restrictions apply to holders of beneficial interests in the Notes as well as to Holders of the Notes; and

(6) it acknowledges that the Trustee, the Issuer and their Affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that if any of the acknowledgments, representations or agreements deemed to have been made by its purchase of such Notes is no longer accurate, it will promptly notify the Issuer; and it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account; and

(7) it acknowledges that either (i) no part of the assets used by it to acquire the Notes constitutes assets of any employee benefit plan subject to ERISA, Section 4975 of the Code or any entity deemed to hold plan assets of any of the foregoing by reason of investment by an employee benefit plan or plan in the entity or (ii) its purchase and holding of the Notes will not, throughout the term of holding, constitute a non-exempt "prohibited transaction" under Section 406 of ERISA or Section 4975 of the Code by reason of the application of one or more statutory or administrative exemptions from such prohibited transaction rules or otherwise.

In addition, such transferee, unless it is a party to the Note Purchase Agreement or a Bank, shall be responsible for providing additional information or certification, as shall be reasonably requested by the Trustee or Issuer, to support the truth and accuracy of the foregoing acknowledgements, representations and agreements, it being understood that such additional information is not intended to create additional restrictions on the transfer of the Notes.

SECTION 7. Article 5 of Base Indenture. Sections 5.1, 5.2, 5.3, 5.4, 5.5, 5.6, 5.7, 5.8, 5.9 and 5.10 of the Base Indenture shall be read in their entirety as provided in the Base Indenture. The following provisions, however, shall constitute part of Article 5 of the Indenture solely for purposes of Series 2002-A and shall be applicable only to the Notes (except as otherwise provided in the following provisions or in another Series Supplement):

ARTICLE 6

ALLOCATION AND APPLICATION OF COLLECTIONS

SECTION 5.11 Allocations.

(a) Allocations of Collections. On each day any Collections are deposited in the Collection Account, the Servicer shall, prior to the close of business on such day, make the following deposits from the Collection Account:

(i) Deposit into the Principal Account all Collections received in respect of Principal Receivables on such date (such deposit to be applied in accordance with the Indenture and subsection 5.15(b)); and

(ii) Deposit into the Finance Charge Account all Collections received in respect of Finance Charges, Recoveries, Investment Earnings or otherwise (but not in respect of Principal Receivables) on such date (such deposit to be applied in accordance with the Indenture and subsection 5.15(a)).

(b) Excess Funding Collections. Any Collections deposited into the Excess Funding Account pursuant to Section 5.15 shall be held in the Excess Funding Account and, prior to the commencement of the Rapid Amortization Period, shall be first applied in accordance with Section 5.17 and then paid, first, to the Servicer Letter of Credit Bank to the extent of any amounts payable thereto by the Issuer under the reimbursement agreement for the Servicer Letter of Credit and, second, to the Issuer, in each case on any date (so long as the Coverage Test remains satisfied (or will be satisfied on such date through the use of such Collections to pay for Subsequently Purchased Receivables from one or more Sellers) and such payment and the application thereof shall not result in the occurrence of (1) a Pay Out Event for any Series, a Servicer Default or an Event of Default, or (2) in the case of Permissible Uses of the type described in clauses (ii) and (iii) of the definition thereof, an event or occurrence, which, with the passing of time or the giving of notice thereof, or both, would become a Pay Out Event for any Series, Servicer Default or an Event of Default) to the extent of (and to be used solely for) Permissible Uses on such date as determined by the Servicer; provided, however, that if an Accumulation Period or an Amortization Period commences with respect to any Series, any funds on deposit in the Excess Funding Account shall be first applied in accordance with Section 5.17 and then released from the Excess Funding Account, deposited in the Principal Account and treated as Shared Principal Collections to the extent needed to cover principal payments due to such Series; provided, however, that $10,000 shall remain on deposit in the Excess Funding Account for use to pay expenses of the Issuer not prohibited by the Transaction Documents, as determined by the Servicer.

SECTION 5.12 Determination of Monthly Interest. The amount of monthly interest payable on the Notes shall be determined as of each Determination Date and shall be an amount equal to the product of (i)(A) a fraction, the numerator of which is the actual number of days in

the related Interest Period and the denominator of which is 360, times (B) the weighted average Note Rate in effect with respect to the related Interest Period, and (ii) the average daily outstanding principal balance of the Notes during such Interest Period (the "Monthly Interest"); provided, however, that in addition to Monthly Interest, an amount equal to the sum of (i) the amount of any unpaid Deficiency Amount, as defined below and (ii) an amount equal to the product (such product being herein called the "Additional Interest") of (A) a fraction, the numerator of which is the actual number of days in the related Interest Period and the denominator of which is 360, times (B) a rate equal to the Default Rate in effect with respect to the related Interest Period, times (C) any Deficiency Amount, as defined below (or the portion thereof which has not theretofore been paid to Noteholders) and (iii) the amount of any unpaid Additional Amounts for the related Interest Period as determined pursuant to the Note Purchase Agreement shall also be payable to the Noteholders. The "Deficiency Amount" for any Determination Date shall be equal to the excess, if any, of (x) the sum of the Monthly Interest, the Additional Interest, the Additional Amounts and the Deficiency Amount as determined pursuant to the preceding sentence for the Interest Period ended immediately prior to the preceding Payment Date, over (y) the amount actually paid in respect thereof on the preceding Payment Date; provided, that the Deficiency Amount on the Initial Determination Date shall be zero.

SECTION 5.13 Determination of Monthly Principal. The amount on deposit in the Principal Account allocable to the repayment of principal of the Notes shall be determined as of each Series Transfer Date ("Monthly Principal"), beginning with the first Series Transfer Date occurring after the Rapid Amortization Period begins, and shall be equal to the lesser of (i) the Available Investor Principal Collections on deposit in the Principal Account on such Series Transfer Date and (ii) the Investor Interest (after taking into account any adjustments to be made on such Series Transfer Date pursuant to Section 5.16) on such Series Transfer Date.

SECTION 5.14 Coverage of Required Amount.

(a) On or before each Series Transfer Date, the Servicer shall determine the amount (the "Required Amount"), if any, by which an amount equal to the sum of (i) the Monthly Interest for such Series Transfer Date, plus (ii) the Deficiency Amount, if any, for such Series Transfer Date, plus (iii) the Additional Interest, if any, for such Series Transfer Date, plus (iv) the Additional Amounts, and the Investor Percentage of the Trustee and Back-Up Servicer Fees and Expenses for such Series Transfer Date, plus (v) the Investor Percentage of the Servicing Fee for the prior Monthly Period, plus (vi) any amounts described in clauses (iv) and (v) above that were due but not paid on any prior Series Transfer Date, plus (vii) the Aggregate Investor Default Amount, if any, for the prior Monthly Period, plus (viii) any amounts payable to the Enhancement Providers, if any, pursuant to the Enhancement Agreements on such Series Transfer Date exceeds the Available Funds for the related Monthly Period.

(b) In the event that the Required Amount for such Series Transfer Date is greater than zero, (i) the Servicer shall give written notice to the Trustee of such positive Required Amount on or before such Series Transfer Date, and (ii) to the extent available in each case, the Required Amount shall be paid first from the Finance Charge Account and second from the Excess Funding Account on such Series Transfer Date pursuant to subsection 5.17(a).

SECTION 5.15 Monthly Payments. On or before each Series Transfer Date, the Servicer shall instruct the Trustee in writing (which writing shall be substantially in the form of the Monthly Servicer Report attached as Exhibit A to the Servicing Agreement) to withdraw, and the Trustee, acting in accordance with such instructions, shall withdraw on such Series Transfer Date or the related Payment Date, as applicable, to the extent of the funds credited to the relevant accounts, the amounts in respect of the Notes required to be withdrawn from the Finance Charge Account, the Principal Account, the Excess Funding Account and the Payment Account as follows:

(a) An amount equal to the Available Funds deposited into the Finance Charge Account for the related Monthly Period shall be distributed on each Series Transfer Date in the following priority:

(i) first, an amount equal to the Investor Percentage of the Trustee and Back-Up Servicer Fees and Expenses for such Series Transfer Date (plus the Investor Percentage of any Trustee and Back-Up Servicer Fees and Expenses due but not paid to the Trustee on any prior Series Transfer Date) shall be paid by the Servicer or the Trustee to the Trustee, second, an amount equal to Monthly Interest for such Series Transfer Date, plus the amount of any Deficiency Amount (other than with respect to any Additional Amounts) for such Series Transfer Date, plus the amount of any Additional Interest (other than with respect to any Additional Amounts) for such Series Transfer Date shall be deposited by the Servicer or the Trustee into the Payment Account for distribution to the Noteholders on the related Payment Date and, third, an amount equal to any Additional Amounts for such Series Transfer Date, plus the amount of any Deficiency Amount (with respect to any Additional Amounts) for such Series Transfer Date, plus the amount of any Additional Interest (with respect to any Additional Amounts) for such Series Transfer Date shall be distributed by the Servicer or the Trustee to the Person entitled thereto;

(ii) an amount equal to the Investor Percentage of the Servicing Fee for such Series Transfer Date (plus the Investor Percentage of any Servicing Fee due but not paid to the Servicer on any prior Series Transfer Date) shall be paid to the Servicer;

(iii) an amount equal to the Aggregate Investor Default Amount, if any, for the preceding Monthly Period shall be treated as a portion of Investor Principal Collections and deposited into the Principal Account on such Series Transfer Date;

(iv) an amount equal to any amounts payable to the Enhancement Providers, if any, pursuant to the Enhancement Agreements shall be paid to such Enhancement Providers;

(v) to the extent the Available Issuer Interest is greater than zero (after giving effect to all other reductions thereof on such date and the payment pursuant to this clause (v) and the corresponding provision of each other Series Supplement), an amount equal to the Investor Percentage of any amounts payable to the Servicer Letter of Credit Bank by the Issuer under the reimbursement agreement for the Servicer Letter of Credit shall be paid to the Servicer Letter of Credit Bank;

(vi) to the extent the Available Issuer Interest is greater than zero (after giving effect to all other reductions thereof on such date and the payment pursuant to this clause (vi) and the corresponding provision of each other Series Supplement), an amount equal to the Investor Percentage of any unreimbursed expenses of the Trustee shall be paid to the Trustee; and

(vii) the balance, if any, shall constitute Excess Spread and shall be allocated and distributed as set forth in Section 5.17.

(b) During the Revolving Period (unless the next Business Day after such Series Transfer Date is the Commitment Termination Date), an amount equal to the Available Investor Principal Collections deposited into the Principal Account for the related Monthly Period, after giving effect to any payment required under clause (g) below on the related Payment Date, shall be distributed on each Series Transfer Date in the following priority:

(i) an amount, not in excess of the Principal Reallocation Amount, to pay or deposit any amounts described in clauses(a)(i), (ii), (iv), (v) and (vi) above (in such order) that remain unpaid or undeposited after giving effect to the application of funds, pursuant to clause (a) above;

(ii) an amount equal to the lesser of (A) the product of (1) a fraction, the numerator of which is equal to the Available Investor Principal Collections remaining after the application specified in paragraph 5.15(b)(i) above and the denominator of which is equal to the sum of the portion of the "Available Investor Principal Collections" for each Series that are available for sharing as specified in the related Series Supplement and (2) the Cumulative Series Principal Shortfall, if any, and (B) Available Investor Principal Collections remaining after the application specified in paragraph 5.15(b)(i) above, shall remain in the Principal Account to be treated as Shared Principal Collections and applied to Series other than this Series 2002-A; and

(iii) the balance, if any, shall be deposited into the Excess Funding Account.

(c) During the Rapid Amortization Period (or if the next Business Day after such Series Transfer Date is the Commitment Termination Date), an amount equal to the Available Investor Principal Collections deposited into the Principal Account for the related Monthly Period shall be distributed on each Series Transfer Date in the following priority:

(i) an amount equal to the Monthly Principal for such Series Transfer Date shall be deposited into the Payment Account;

(ii) an amount, not in excess of the Principal Reallocation Amount, to pay or deposit any amounts described in clauses(a)(i), (ii), (iv) and (v) above (in such order) that remain unpaid or undeposited after giving effect to the application of funds, pursuant to clause (a) above;

(iii) an amount equal to the lesser of (A) the product of (1) a fraction, the numerator of which is equal to the Available Investor Principal Collections remaining after the application specified in paragraphs 5.15(c)(i) and (ii) above and the denominator of which is equal to the sum of the "Available Investor Principal Collections" for each Series that are available for sharing as specified in the related Series Supplement and (2) the Cumulative Series Principal Shortfall, if any, and (B) the Available Investor Principal Collections remaining after the application specified in paragraphs 5.15(c)(i) and (ii) above, shall remain in the Principal Account to be treated as Shared Principal Collections and applied to Series other than this Series 2002-A; and

(iv) the balance, if any, shall be deposited into the Excess Funding Account.

(d) On each Payment Date, the Trustee, acting in accordance with instructions from the Servicer, shall pay to the Noteholders the amount deposited into the Payment Account pursuant to paragraph 5.15(a)(i) (including, without limitation, indirectly pursuant to paragraphs 5.15(b)(i) and (c)(ii) above) on the immediately preceding Series Transfer Date.

(e) On the first Payment Date occurring after the Rapid Amortization Period begins, and on each Payment Date thereafter, the Trustee, acting in accordance with instructions from the Servicer, shall pay the amount deposited into the Payment Account pursuant to subsection 5.15(c) on the immediately preceding Series Transfer Date to the following Persons or accounts (as the case may be) in the following priority:

(i) to the Noteholders, an amount equal to the least of (A) the Monthly Principal and (B) the Note Principal;

(ii) first, to the Noteholders, any other amounts (including, without limitation, accrued and unpaid interest) payable thereto pursuant to any Transaction

Document (other than Additional Amounts) and, second, to the Persons entitled thereto, any Additional Amounts payable thereto;

(iii) to the Enhancement Providers, if any, any amounts payable thereto pursuant to the Enhancement Agreements;

(iv) to the extent the Available Issuer Interest is greater than zero (after giving effect to all other reductions thereof on such date and the payment pursuant to this clause (iv) and the corresponding provision of each other Series Supplement), to the Trustee to pay unreimbursed expenses of the Trustee; and

(v) the balance, if any, shall be deposited into the Excess Funding Account.

(f) On any Redemption Date, the amounts required to be on deposit in the Payment Account pursuant to Section 4 or Section 11, shall be paid to the following Persons:

(i) to the Noteholders, the Note Principal;

(ii) first, to the Noteholders, any other amounts (including, without limitation, accrued and unpaid interest) payable thereto pursuant to the Note Purchase Agreement and, second, to the Persons entitled thereto, any Additional Amounts payable thereto; and

(iii) to the Enhancement Providers, if any, any amounts payable thereto pursuant to the Enhancement Agreements.

(g) On any Payment Date in connection with a Decrease pursuant to Section 3.2, the amount of such Decrease shall be paid to the Noteholders from (i) Available Investor Principal Collections, (ii) the proceeds of a partial refinancing of any outstanding Series of Notes or (iii) amounts otherwise available to the Issuer, all to the extent that such amounts have been deposited in the Payment Account.

SECTION 5.16 Investor Charge-Offs.

(a) On or before each Series Transfer Date, the Servicer shall calculate the Aggregate Investor Default Amount. If, on any Series Transfer Date, the Aggregate Investor Default Amount exceeds the aggregate amount to be distributed with respect thereto for the relevant Monthly Period pursuant to paragraph 5.15(a)(iii) and subsection 5.17(a), the Investor Interest shall be reduced by the amount of such excess, but only to the extent such excess exceeds the Investor Percentage (determined with regard to only (and only to the extent of) those Series with respect to which the "Investor Interest" is being so reduced with respect to Defaulted Receivables during such Monthly Period) of the Available Issuer Interest (such reduction, an "Investor Charge-Off"). The Investor Interest shall thereafter be reimbursed on any Series Transfer Date by the amount of Excess Spread and funds on deposit in the Excess Funding Account allocated and available for such purpose pursuant to subsection 5.17(b).

(b) Except as otherwise expressly provided herein, if losses and investment expenses attributable to the investment of amounts on deposit in any Trust Account or any Series Account exceed interest and investment earnings in respect of such amounts during any Monthly Period, the net losses and expenses shall be allocated first to the Issuer Interest and second between the "Investor Interests" of all outstanding Series, in the same proportion that losses in respect of Principal Receivables are so allocated for such Monthly Period.

SECTION 5.17 Allocation of Excess Amounts. On or before each Series Transfer Date, the Trustee, acting pursuant to the Servicer's instructions, shall apply Excess Spread in the Finance Charge Account and to the extent necessary (to cover amounts described in clauses (a) and (b) below) transfer funds from the Excess Funding Account (after giving effect to the deposits to be made therein on such date) to the Finance Charge Account in order to make the following distributions on each Series Transfer Date (in the following order of priority) for the related Monthly Period:

(a) an amount equal to the Required Amount, if any, with respect to such Series Transfer Date will be used to fund such Required Amount and be applied in accordance with, and in the priority set forth in, subsection 5.15(a);

(b) an amount equal to the aggregate amount by which the Investor Interest has been reduced on previous Series Transfer Dates (but has not been reimbursed) for reasons other than a reduction of the Required Reserve Amount, Decreases and/or the payment of principal to the Noteholders will be treated as a portion of Investor Principal Collections and deposited into the Principal Account on such Series Transfer Date; and

(c) any remaining Excess Spread shall be treated as a portion of Investor Principal Collections and deposited into the Principal Account on such Series Transfer Date.

To the extent that there are insufficient funds in the Excess Funding Account to make all payments required under subsections 5.17(a) and (b) above and under the corresponding provisions for each other Series, the amount on deposit in the Excess Funding Account shall be allocated to each Series on a pro rata basis (based on the "Investor Interest" of each such Series).

SECTION 5.18 Servicer's Failure to Make a Deposit or Payment. If the Servicer fails to make, or give instructions to make, any payment, deposit or withdrawal (other than as required by subsection 12.4(a) and Section 12.1) required to be made or given by the Servicer at the time specified in the Base Indenture or this Series Supplement (including applicable grace periods), the Trustee shall make such payment, deposit or withdrawal from the applicable account without instruction from the Servicer. The Trustee shall be required to make any such payment, deposit or withdrawal hereunder only to the extent that the Trustee has sufficient information to allow it to determine the amount thereof. The Servicer shall, upon request of the Trustee, promptly provide the Trustee with all information necessary to allow the Trustee to make such payment, deposit or withdrawal. Such funds or the proceeds of such withdrawal shall be applied by the Trustee in the manner in which such payment or deposit should have been made by the Servicer.

SECTION 5.19 Shared Principal Collections.

(a) The portion of Shared Principal Collections allocable to Series 2002-A on deposit in the Principal Account on any Series Transfer Date shall be treated and applied as an Available Investor Principal Collection pursuant to Section 5.15.

(b) "Shared Principal Collections allocable to Series 2002-A" on any Series Transfer Date means an amount equal to the Series Principal Shortfall, if any, with respect to Series 2002-A on such Series Transfer Date; provided, however, that if the aggregate amount of Shared Principal Collections for all Series for such Series Transfer Date is less than the Cumulative Series Principal Shortfall for such Series Transfer Date, then "Shared Principal Collections allocable to Series 2002-A" on such Series Transfer Date shall equal the product of (i) Shared Principal Collections for all Series for such Series Transfer Date and (ii) a fraction, the numerator of which is the Series Principal Shortfall with respect to Series 2002-A and the denominator of which shall be the aggregate amount of "Cumulative Series Principal Shortfall" for all Series for such Series Transfer Date.

(c) Solely for the purpose of determining the amount of Available Investor Principal Collections to be treated as Shared Principal Collections on any Series Transfer Date allocable to other Series, on each Determination Date, the Servicer shall determine the Required Amount and Excess Spread as of such Determination Date for the following Series Transfer Date.

SECTION 5.20 Enhancement Agreements

(a) The Issuer shall following the request of the Administrator at all times maintain in full force and effect a Qualifying Enhancement Agreement approved by the Administrator and designed to minimize the risk that the Carrying Costs exceed the Finance Charge Collections in any Monthly Period.

(b) Any amounts received from the Enhancement Providers, if any, pursuant to the Enhancement Agreements shall be deposited into the Finance Charge Account for distribution pursuant to Section 5.15.

(c) Following the occurrence of a Pay Out Event or Potential Pay Out Event, the Trustee may, and at the direction of the Administrator shall, provide written notice of such event to the Enhancement Providers, if any, in accordance with the Enhancement Agreements and direct such Enhancement Providers to make payments thereunder directly to the Trustee (for the benefit of the Secured Parties in Series 2002-A).

SECTION 5.21 Excess Funding Account.

(a) The Servicer has established and maintained and shall continue to maintain, with a Qualified Institution, in the name of the Trustee, on behalf of the Issuer, for the benefit of the Secured Parties, a segregated trust account (the "Excess Funding Account"), bearing a designation clearly indicating that the funds deposited therein are held for the benefit of such Secured Parties. The Trustee shall possess all right, title and interest in all funds on deposit from time to time in the Excess Funding Account and in all proceeds thereof. The Excess Funding Account shall be under the sole dominion and control of the Trustee for the benefit of the Secured Parties, and the Trustee shall be the entitlement holder of the Excess Funding Account. If at any time the institution holding the Excess Funding Account ceases to be a Qualified Institution, the Trustee shall notify each Rating Agency and within ten (10) Business Days establish a new Excess Funding Account meeting the conditions specified above with a Qualified Institution, and shall transfer any cash or any investments to such new Excess Funding Account. The Trustee, at the direction of the Servicer, shall (i) make withdrawals from the Excess Funding Account from time to time for the purposes set forth in subsection 5.11(b) and any comparable provision of any other Series Supplement and (ii) make deposits into the Excess Funding Account as specified in subsection 5.11(b) and any comparable provision of any other Series Supplement.

(b) Funds on deposit in the Excess Funding Account shall be invested by the Trustee (at the Servicer's written discretion) in Permitted Investments. Funds on deposit in the Excess Funding Account on any Series Transfer Date, after giving effect to any withdrawals that day, shall be invested in Permitted Investments that will mature so that such funds will be available for withdrawal on or before the next Series Transfer Date. The Trustee shall:

(i) hold each Permitted Investment (other than such as are described in clause (c) of the definition thereof) that constitutes investment property through a securities intermediary, which securities intermediary shall (I) agree that such investment property shall at all times be credited to a securities account of which the Trustee is the entitlement holder, (II) comply with entitlement orders originated by the Trustee without the further consent of any other person or entity, (III) agree that all property credited to such securities account shall be treated as a financial asset, (IV) waive any lien on, security interest in, or right of set-off with respect to any property credited to such securities account, and (V) agree that its jurisdiction for purposes of Sections 8-110 and Section 9-305(a)(3) of the UCC shall be New York, and that such agreement shall be governed by the laws of the State of New York; and

(ii) maintain for the benefit of the Secured Parties, possession or control of each other Permitted Investment (including any negotiable instruments, if any, evidencing such Permitted Investments) not described in clause (i) above (other than such as are described in clause (c) of the definition thereof); provided that no Permitted Investment shall be disposed of prior to its maturity date if such disposition would result in a loss. Terms used in clause (i) above that are defined in the New York UCC and not otherwise defined herein shall have the meaning set forth in the New York UCC.

(c) All interest and earnings (net of losses and investment expenses) accrued on funds on deposit in the Excess Funding Account to the extent allocable to this Series shall be treated as Collections, deposited into the Finance Charge Account and applied in accordance with the Indenture.

SECTION 5.22 Payment of Fees. If on any Payment Date (a) the Notes are not allocated any Collections because the Investor Interest is zero and (b) any Noteholders are owed Additional Amounts on the amount of Notes that the Conduit Purchaser has committed to purchase but has not been purchased, then such Additional Amounts shall be paid from amounts otherwise payable to the Issuer.

SECTION 8. Article 6 of the Base Indenture. Article 6 of the Base Indenture shall read in its entirety as follows and shall be applicable only to the Noteholders and the Enhancement Providers, if any:

ARTICLE 6

DISTRIBUTIONS AND REPORTS

SECTION 6.1 Distributions.

(a) On each Payment Date, the Trustee shall distribute (in accordance with the Monthly Servicer Report delivered by the Servicer on or before the related Series Transfer Date pursuant to subsection 2.09(a) of the Servicing Agreement) to each Noteholder of record on the immediately preceding Record Date (other than as provided in Section 12.5 respecting a final distribution), such Noteholder's pro rata share (based on the aggregate Investor Interests represented by the Notes held by such Noteholder) of the amounts on deposit in the Payment Account that are payable to the Noteholders pursuant to Section 5.15 by wire transfer to an account designated by such Noteholders, except that, with respect to Notes registered in the name of the nominee of a Clearing Agency, such distribution shall be made in immediately available funds.

(b) Notwithstanding anything to the contrary contained in the Base Indenture or this Series Supplement, if the amount distributable in respect of principal on the Notes on any Payment Date is less than one dollar, then no such distribution of principal need be made on such Payment Date.

SECTION 6.2 Monthly Noteholders' Statement.

(a) On or before each Payment Date, the Trustee shall forward to each Noteholder, with respect to each Noteholder's interest and to each Rating Agency and Notice Person a statement substantially in the form of Exhibit B hereto prepared by the Servicer and delivered to the Trustee on the preceding Determination Date and setting forth, among other things, the following information:

(i) the total amount distributed to the Noteholders;

(ii) the amount of such distribution allocable to Monthly Principal;

(iii) the amount of such distribution allocable to Trustee and Back-Up Servicer Fees and Expenses, Monthly Interest, Deficiency Amounts, Additional Interest and Additional Amounts, respectively;

(iv) the amount of Collections of Principal Receivables received during the related Monthly Period and allocated in respect of the Notes;

(v) the amount of Recoveries, premium refunds and Collections of Finance Charges received during the related Monthly Period and allocated in respect of the Notes;

(vi) the aggregate Outstanding Principal Balance of the Receivables, the Issuer Interest, the Investor Interest, the Floating Investor Percentage and the Fixed Investor Percentage as of the end of the preceding Monthly Period;

(vii) the aggregate Outstanding Principal Balance of Receivables, including earned and unearned Finance Charges, but excluding bankrupt accounts and accounts in repossession, which were 1-30 days, 31-60 days, 61-90 days, 91-120 days, 121-180 days and more than 180 days delinquent, respectively as of the end of the preceding Monthly Period;

(viii) the Net Portfolio Yield, Portfolio Yield, Portfolio Yield Adjuster, Payment Rate, Gross Loss Rate, Gross Loss Adjuster, Dilution Adjuster, Dilution Rate and the Aggregate Investor Default Amount as of the end of the preceding Monthly Period;

(ix) the aggregate amount of Investor Charge-Offs and other reductions in the absence of principal distributions on the Investor Interests for such Series Transfer Date;

(x) the aggregate amount of Investor Charge-Offs and other reductions in the absence of principal distributions on the Investor Interests deemed to have been reimbursed on such Series Transfer Date;

(xi) the Note Principal as of the end of the day on the Payment Date;

(xii) Increases and Decreases in the Notes during the related Interest Period, and the average daily balance of the Notes for the related Interest Period;

(xiii) the amount of the Servicing Fee and the Investor Percentage of the Servicing Fee for such Series Transfer Date;

(xiv) the Note Rate for the Interest Period ending on the day before such Payment Date;

(xv) the amount of Available Funds on deposit in the Finance Charge Account on the related Series Transfer Date;

(xvi) the date on which the Rapid Amortization Period commenced, if applicable;

(xvii) the Cash Option Amount, if any;

(xviii) the Minimum Issuer Interest, Available Issuer Interest and Aggregate Net Investor Charge-Offs, if any, as of the end of the preceding Monthly Period;

(xix) the aggregate Outstanding Principal Balance of all Receivables the final maturity date of which has been extended by up to six months, more than six months to twelve months and more than twelve months, respectively, as of the end of the preceding Monthly Period;

(xx) the aggregate amount of reductions of the Outstanding Principal Balance of the Receivables as a result of cancellations of service maintenance contracts and credit insurance during the related Monthly Period; and

(xxi) the aggregate Outstanding Principal Balance of all Receivables any Obligor of which is an Opportunity Customer as of the end of the preceding Monthly Period.

(b) Annual Noteholders' Tax Statement. To the extent required by the Code, on or before January 31 of each calendar year, beginning with the calendar year 2003, the Trustee shall distribute to each Person who at any time during the preceding calendar year was a Noteholder, a statement prepared by the Trustee containing the information required to be contained in the regular monthly report to Noteholders, as set forth in subclauses (i), (ii) and (iii) above, aggregated for such calendar year or the applicable portion thereof during which such Person was a Noteholder, together with such other customary information (consistent with the treatment of the Notes as debt). Such obligations of the Trustee shall be deemed to have been satisfied to the extent that substantially comparable information shall be provided by the Trustee pursuant to any requirements of the Code as from time to time in effect.

SECTION 9. Series 2002-A Pay Out Events. If any one of the following events (a "Series 2002-A Pay Out Event") shall occur with respect to the Notes:

(a) failure on the part of the Issuer (i) to pay any amount described in clauses (i)-(vi) of the definition of Required Amount or to make any payment or deposit required by the terms of this Series Supplement, the Note Purchase Agreement or any other Transaction Document, on or before the date two (2) Business Days after the date on which such payment or deposit is required to be made herein or therein (or, in the case of a deposit to be made with respect to any Monthly Period, by the related Payment Date), or (ii) duly to observe or perform in any respect any other covenants or agreements of the Issuer set forth in this Series Supplement, the Note Purchase Agreement or any other Transaction Document which failure, solely in the case of this clause (ii), continues unremedied for a period of thirty (30) Business Days after the Issuer has knowledge thereof, or after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Issuer by the Administrator, Servicer or any Noteholder; provided, however, that a Series 2002-A Pay Out Event pursuant to this subsection 9(a) shall not be deemed to have occurred hereunder if such Series 2002-A Pay Out Event is the result of a breach of a representation, warranty, statement or certificate with respect

to any Receivable, and the Servicer has received a Deemed Collection in connection therewith, in an amount equal to the Outstanding Principal Balance of such Receivable and all accrued and unpaid interest thereon for application in accordance with Article 5 of the Base Indenture as modified by this Series Supplement;

(b) any representation or warranty made by the Issuer in this Series Supplement, the Note Purchase Agreement or any other Transaction Document or any information delivered by the Issuer pursuant thereto shall prove to have been incorrect in any respect when made or when delivered which, solely to the extent such incorrect representation or warranty may be cured without any actual or potential detriment to any Secured Party, continues unremedied for a period of thirty (30) Business Days after the date on which the Issuer has knowledge thereof or on which written notice thereof, requiring the same to be remedied, shall have been given to the Issuer by the Administrator, Servicer or any Noteholder; provided, however, that a Series 2002-A Pay Out Event pursuant to this subsection 9(b) shall not be deemed to have occurred hereunder if such Series 2002-A Pay Out Event is the result of a breach of a representation, warranty, statement or certificate with respect to any Receivable, and the Servicer has received a Deemed Collection in connection therewith, in an amount equal to the Outstanding Principal Balance of such Receivable and all accrued and unpaid interest thereon for application in accordance with Article 5 of the Base Indenture as modified by this Series Supplement;

(c) the Issuer, any Seller, the Initial Seller or CAI shall become the subject of any Event of Bankruptcy or voluntarily suspend payment of its obligations; or the Issuer shall become unable for any reason (other than by reason of a determination by one or more Sellers not to sell receivables to the Issuer pursuant to the Purchase Agreement) to pledge Receivables to the Trustee in accordance with the provisions of this Series Supplement;

(d) the Issuer, any Seller, the Initial Seller or CAI shall become an "investment company" within the meaning of the Investment Company Act of 1940, as amended;

(e) any Servicer Default (other than a Servicer Default specified in clause (e), (h), (i) or (j) of Section 2.04 of the Servicing Agreement) shall occur, or a Servicer Default specified in clause (e), (h), (i) or (j) of Section 2.04 of the Servicing Agreement shall occur and not be cured within ten (10) days after the earlier of discovery by the Servicer or the date on which written notice of such Servicer Default, requiring the same to be remedied, shall have been given to the Servicer by the Issuer or any Noteholder;

(f) on the close of the Issuer's business on the last day of any Monthly Period, the Net Portfolio Yield averaged over any three consecutive Monthly Periods is less than 2.00%;

(g) an Event of Default;

(h) on any date of determination the Gross Loss Rate shall be equal to or exceed 10.0% on a rolling three-month average basis;

(i) a Pay Out Event occurs under any other Series (unless such Pay Out Event is solely as a result of an "Enhancement Provider Default" under such other Series or the downgrade of the rating of the "Enhancement Provider" of such other Series);

(j) at any time CAI is the Servicer, any event of default (not cured or waived within ten (10) Business Days) under (A) the Retailer Credit Agreement, (B) any inventory financing agreement between any lender and the Servicer, the Parent, any Seller or the Initial Seller, or (C) any indenture, credit or loan agreement or other agreement or instrument of any kind pursuant to which Indebtedness of the Servicer, the Parent, any Seller or the Initial Seller in an aggregate principal amount in excess of $1,000,000 is outstanding or by which the same is evidenced, shall have occurred and be continuing;

(k) the Trustee shall, for any reason, fail or cease to have a valid and perfected first priority security interest in the Receivables and Related Security, and any other Issuer assets in the Trust Estate free and clear of any Adverse Claims (and, solely with respect to the Collections and proceeds with respect to the foregoing or other proceeds of any item of collateral described above, to the extent provided in Section 9-315 of the UCC);

(l) the Coverage Test is not satisfied or the Required Reserve Amount cannot increase as a result of the limitation in the second proviso in the definition thereof and in either case such condition continues unremedied for three (3) Business Days;

(m) the imposition of (i) non de-minimis tax liens against the Issuer, (ii) tax liens against any Seller or the Initial Seller unless such lien would not have a Material Adverse Effect and has been released within thirty (30) days of the earlier of (a) the date such Seller or the Initial Seller has knowledge of the imposition of such tax lien or (b) the date on which such Seller or the Initial Seller receives notice of the imposition of such tax lien, and (iii) ERISA liens against the Issuer, the Initial Seller or any Seller;

(n) there shall have occurred a Change in Control;

(o) the Servicer shall become unable for any reason to transfer the Collections on, or other proceeds of, Receivables to the Issuer in accordance with the provisions of this Series Supplement;

(p) the occurrence and continuation of a Purchase Termination Event under and as defined in the Purchase Agreement;

(q) the failure of the Issuer to pay when due any amount due with respect to any Indebtedness to which it is a party (other than Issuer Obligations);

(r) the Payment Rate shall be less than or equal to 3.0% for any Monthly Period; or

(s) an Enhancement Provider Default shall have occurred and be continuing; or

(t) if SunTrust Bank (or any Affiliate thereof) is the Servicer Letter of Credit Bank, the Available Issuer Interest is less than the principal of, and interest on, any unreimbursed draws under the Servicer Letter of Credit;

then, (i) in the case of any event described in subparagraph (a), (b), (e), (h), (j), (k), (l), (m), (n), (p), (q), (r), (s) or (t) after the applicable grace period, if any, set forth in such subparagraphs, any Notice Person by notice then given in writing to the Issuer and the Servicer may declare that the Rapid Pay Out Commencement Date has occurred as of the date of such notice and (ii) in the case of an event described in subparagraphs (c), (d), (f), (g), (i) or (o) or, three (3) Business Days following the occurrence and continuation of an event described in subparagraph (l), the Rapid Pay Out Commencement Date shall occur without any notice or other action on the part of any party hereto immediately upon the occurrence of such event.

Notwithstanding anything to the contrary in the Base Indenture, no Series 2002-A Pay Out Event may be amended, waived or deleted, and no new Series 2002-A Series Pay Out Event may be added, without the prior consent of the Required Persons for Series 2002-A.

SECTION 10. Article 7 of the Base Indenture. Article 7 of the Base Indenture shall read in its entirety as follows:

ARTICLE 7

REPRESENTATIONS AND WARRANTIES OF THE ISSUER

SECTION 7.1 Representations and Warranties of the Issuer. The Issuer hereby represents and warrants to the Trustee and each of the Secured Parties that:

(a) Organization and Good Standing, etc. The Issuer has been duly organized and is validly existing and in good standing under the laws of its state of Texas, with power and authority to own its properties and to conduct its respective businesses as such properties are presently owned and such business is presently conducted. The Issuer is not organized under the laws of any other jurisdiction or governmental authority. The Issuer is duly licensed or qualified to do business as a foreign entity in good standing in the jurisdiction where its principal place of business and chief executive office is located and in each other jurisdiction

in which the failure to be so licensed or qualified would be reasonably likely to have a Material Adverse Effect.

(b) Power and Authority; Due Authorization. The Issuer has (a) all necessary power, authority and legal right to (i) execute, deliver and perform its obligations under this Indenture and each of the other Transaction Documents to which it is a party and (b) duly authorized, by all necessary action, the execution, delivery and performance of this Indenture and the other Transaction Documents to which it is a party and the borrowing, and the granting of security therefor, on the terms and conditions provided herein.

(c) No Violation. The consummation of the transactions contemplated by this Indenture and the other Transaction Documents and the fulfillment of the terms hereof will not (a) conflict with, result in any breach of any of the terms and provisions of, or constitute (with or without notice or lapse of time or both) a default under, (i) the organizational documents of the Issuer or (ii) any indenture, loan agreement, pooling and servicing agreement, receivables purchase agreement, mortgage, deed of trust, or other agreement or instrument to which the Issuer is a party or by which it or its properties is bound, (b) result in or require the creation or imposition of any Adverse Claim upon its properties pursuant to the terms of any such indenture, loan agreement, pooling and servicing agreement, receivables purchase agreement, mortgage, deed of trust, or other agreement or instrument, other than pursuant to the terms of the Transaction Documents, or (c) violate any law or any order, rule, or regulation applicable to the Issuer or of any court or of any federal, state or foreign regulatory body, administrative agency, or other governmental instrumentality having jurisdiction over the Issuer or any of its respective properties.

(d) Validity and Binding Nature. This Indenture is, and the other Transaction Documents to which it is a party when duly executed and delivered by the Issuer and the other parties thereto will be, the legal, valid and binding obligation of the Issuer enforceable in accordance with their respective terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally and by general principles of equity.

(e) Government Approvals. No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body required for the due execution, delivery or performance by the Issuer of any Transaction Document to which it is a party remains unobtained or unfiled, except for the filing of the UCC financing statements referred to in Section 15.4.

(f) [Reserved].

(g) Margin Regulations. The Issuer is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock, and no proceeds with respect to the

sale of the Notes or any Increases thereto, directly or indirectly, will be used for a purpose that violates, or would be inconsistent with, Regulations T, U and X promulgated by the Federal Reserve Board from time to time.

(h) Perfection. (i) Immediately preceding the Closing Date and the date of each recomputation of the Investor Interest, the Issuer shall be the owner of all of the Receivables and Related Security and Collections and proceeds with respect thereto, free and clear of all Adverse Claims. On or prior to the Initial Closing Date and the date of each recomputation of the Investor Interest, all financing statements and other documents required to be recorded or filed in order to perfect and protect the assets of the Trust Estate against all creditors (other than Secured Parties) of, and purchasers (other than Secured Parties) from, the Issuer, each Seller and the Initial Seller will have been (or will be within ten (10) days of the Initial Closing Date) duly filed in each filing office necessary for such purpose, and all filing fees and taxes, if any, payable in connection with such filings shall have been (or will be within ten (10) days of the Initial Closing Date) paid in full;

(ii) the Indenture constitutes a valid grant of a security interest to the Trustee for the benefit of the Purchasers and the other Secured Parties in all right, title and interest of the Issuer in the Receivables, the Related Security and Collections and proceeds with respect thereto and all other assets of the Trust Estate, now existing or hereafter created or acquired. Accordingly, to the extent the UCC applies with respect to the perfection of such security interest, upon the filing of any financing statements described in Article 8 of the Indenture, and, solely with respect to the Related Security, to the extent required for perfection under the relevant UCC, the delivery of possession of all instruments, if any, included in such Related Security to the Servicer), the Trustee shall have a first priority perfected security interest in such property and the proceeds thereof (to the extent provided in Section 9-315), subject to Permitted Encumbrances and, to the extent the UCC does not apply to the perfection of such security interest, all notices, filings and other actions required by all applicable law have been taken to perfect and protect such security interest or lien against and prior to all Adverse Claims with respect to the relevant Receivables, Related Security and Collections and proceeds with respect thereto and all other assets of the Trust Estate. Except as otherwise specifically provided in the Transaction Documents, neither the Issuer nor any Person claiming through or under the Issuer has any claim to or interest in the Collection Account; and

(iii) immediately prior to, and after giving effect to, the initial purchase of the Notes, the Issuer will be Solvent.

(i) Offices. The principal place of business and chief executive office of the Issuer is located at the address referred to in Section 15.4 (or at such other locations, notified to the Trustee in jurisdictions where all action required thereby has been taken and completed).

(j) Tax Status. The Issuer has filed all tax returns (Federal, State and local) required to be filed by it and has paid or made adequate provision for the payment of all taxes, assessments and other governmental charges then due and payable (including for such purposes, the setting aside of appropriate reserves for taxes, assessments and other governmental charges being contested in good faith).

(k) Use of Proceeds. No proceeds of any Notes will be used by the Issuer to acquire any security in any transaction which is subject to Section 13 or 14 of the Securities Exchange Act of 1934, as amended.

(l) Compliance with Applicable Laws; Licenses, etc.

(i) The Issuer is in compliance with the requirements of all applicable laws, rules, regulations, and orders of all governmental authorities, a breach of any of which, individually or in the aggregate, would be reasonably likely to have a Material Adverse Effect.

(ii) The Issuer has not failed to obtain any licenses, permits, franchises or other governmental authorizations necessary to the ownership of its properties or to the conduct of its business, which violation or failure to obtain would be reasonably likely to have a Material Adverse Effect.

(m) No Proceedings. Except as described in Schedule 1,

(i) there is no order, judgment, decree, injunction, stipulation or consent order of or with any court or other government authority to which the Issuer is subject, and there is no action, suit, arbitration, regulatory proceeding or investigation pending, or, to the knowledge of the Issuer, threatened, before or by any court, regulatory body, administrative agency or other tribunal or governmental instrumentality, against the Issuer that, individually or in the aggregate, is reasonably likely to have a Material Adverse Effect; and

(ii) there is no action, suit, proceeding, arbitration, regulatory or governmental investigation, pending or, to the knowledge of the Issuer, threatened, before or by any court, regulatory body, administrative agency, or other tribunal or governmental instrumentality (A) asserting the invalidity of this Indenture, the Notes or any other Transaction Document, (B) seeking to prevent the issuance of the Notes pursuant hereto or the consummation of any of the other transactions contemplated by this Indenture or any other Transaction Document or (C) seeking to adversely affect the federal income tax attributes of the Issuer.

(n) Investment Company Act, Etc. The Issuer is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or a "holding company", or a "subsidiary company", of a "holding company", or an "affiliate" of a "holding company", or of a "subsidiary company" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

(o) Eligible Receivables. Each Receivable included as an Eligible Receivable in any Monthly Servicer Report shall be an Eligible Receivable as of the date so included. Each Receivable, including Subsequently Purchased Receivables, purchased by the Issuer on any Purchase Date shall be an Eligible Receivable as of such Purchase Date unless otherwise specified to the Trustee in writing prior to such Purchase Date.

(p) Receivables Schedule. The Receivable File is a true and correct schedule of the Receivables included in the Trust Estate.

(q) ERISA. (i) Each of the Issuer and its ERISA Affiliates is in compliance in all material respects with ERISA unless any failure to so comply could not reasonably be expected to have a Material Adverse Effect and (ii) no Lien exists in favor of the Pension Benefit Guaranty Corporation on any of the Receivables. No ERISA Event has occurred with respect to Title IV Plans of the Issuer. No ERISA Event has occurred with respect to Title IV plans of the Issuer's ERISA Affiliates that have an aggregate Unfunded Pension Liability equal to or greater than $1,000,000.

(r) Accuracy of Information. All information heretofore furnished by, or on behalf of, the Issuer to the Trustee or any of the Noteholders in connection with any Transaction Document, or any transaction contemplated thereby, is true and accurate in every material respect (without omission of any information necessary to prevent such information from being materially misleading).

(s) No Material Adverse Change. Since January 31, 2002, there has been no material adverse change in the collectibility of the Receivables or the Issuer's (i) financial condition, business, operations or prospects or (ii) ability to perform its obligations under any Transaction Document.

(t) Trade Names and Subsidiaries. Set forth on Schedule 2 hereto is a complete list of trade names of the Issuer for the six year period preceding the Closing Date. The Issuer has no Subsidiaries and does not own or hold, directly or indirectly, any equity interest in any Person.

(u) Notes. The Notes have been duly and validly authorized, and, when executed and authenticated in accordance with the terms of the Indenture, and delivered to and paid for in accordance with each of the Note Purchase Agreements, will be duly and validly issued and outstanding and will be entitled to the benefits of the Indenture.

(v) Sales by Sellers or the Initial Seller. (a) Each sale of Receivables by any Seller or the Initial Seller to the Issuer shall have been effected under, and in accordance with the terms of, the Purchase Agreement, including the payment by the Issuer to such Seller or the Initial Seller of an amount equal to the purchase price therefor as described in the Purchase Agreement, and each such sale shall have been made for "reasonably equivalent value" (as such term is used under Section 548 of the Federal Bankruptcy Code) and not for or on account of "antecedent debt" (as such term is used under Section 547 of the Federal Bankruptcy Code) owed by the Issuer to such Seller or the Initial Seller.

SECTION 7.2 Reaffirmation of Representations and Warranties by the Issuer. On the Closing Date and on each Business Day, the Issuer shall be deemed to have certified that all representations and warranties described in Section 7.1 hereof are true and correct on and as of such day as though made on and as of such day (except to the extent they relate to an earlier date or later time, and then as of such earlier date or later time).

SECTION 11. Redemption Provision.

(a) The Issuer shall (if able) redeem the Notes in full on the Commitment Termination Date through a refinancing. The Issuer shall give notice of its election to pay such Notes in accordance with the terms of the Base Indenture and the Note Purchase Agreement prior to such redemption.

(b) The amount required to be deposited into the Payment Account in connection with any redemption in full shall be equal to the sum of (i) the Note Principal, plus (ii) accrued and unpaid the interest on the Notes through the Payment Date on which the redemption occurs, plus (iii) any other amounts (including, without limitation, accrued and unpaid Additional Amounts) payable to the Noteholders pursuant to the Note Purchase Agreement, plus (iv) any amounts payable to the Enhancement Providers, if any, pursuant to the Enhancement Agreements, less (v) the amounts, if any, on deposit at such Payment Date in the Payment Account for the payment of the foregoing amounts. Such deposit shall be made not later than 1:00 p.m. New York City time on the Redemption Date.

SECTION 12. Amendments and Waiver. Any amendment, waiver or other modification to the Base Indenture, this Series Supplement or the Series Supplement for any other VFN Series shall be subject to the restrictions thereon, if applicable, in the Note Purchase Agreement and any Enhancement Agreement.

SECTION 13. Counterparts. This Series Supplement may be executed in any number of counterparts, and by different parties in separate counterparts, each of which so executed shall be deemed to be an original, but all of such counterparts shall together constitute but one and the same instrument.

SECTION 14. Governing Law. THIS SERIES SUPPLEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS. EACH OF THE PARTIES TO THIS SERIES SUPPLEMENT AND EACH NOTEHOLDER HEREBY AGREES TO THE NON-EXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND ANY APPELLATE COURT HAVING JURISDICTION TO REVIEW THE JUDGMENTS THEREOF. EACH OF THE PARTIES HERETO AND EACH NOTEHOLDER HEREBY WAIVES ANY OBJECTION BASED ON FORUM NON CONVENIENS AND ANY OBJECTION TO VENUE OF ANY ACTION INSTITUTED HEREUNDER IN ANY OF THE AFOREMENTIONED COURTS AND CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT.

SECTION 15. Waiver of Trial by Jury. To the extent permitted by applicable law, each of the parties hereto and each of the Noteholders irrevocably waives all right of trial by jury in any action, proceeding or counterclaim arising out of or in connection with this Series Supplement or the Transaction Documents or any matter arising hereunder or thereunder.

SECTION 16. No Petition. The Trustee, by entering into this Series Supplement and each Noteholder, by accepting a Note hereby covenant and agree that they will not prior to the date which is one year and one day after payment in full of the last maturing Note of any Series and termination of the Indenture institute against the Issuer, or join in any institution against the Issuer of, any bankruptcy proceedings under any United States Federal or state bankruptcy or similar law in connection with any obligations relating to the Noteholders, the Servicing Agreement, the Base Indenture or this Series Supplement.

SECTION 17. Rights of the Trustee. The rights, privileges and immunities afforded to the Trustee under the Base Indenture shall apply hereunder as if fully set forth herein.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Series Supplement to be duly executed by their respective officers as of the day and year first above written.

CONN FUNDING II, L.P., as Issuer

By: Conn Funding II GP, L.L.C.,
its general partner

By: /s/ David R. Atnip

Name: David R. Atnip
Title: Secretary/Treasurer

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, not in its individual capacity, but solely as Trustee

By: /s/ Marianna C. Stershic

Name: Marianna C. Stershic
Title: Vice President

FORM OF
SERIES 2002-A NOTE

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION. THIS NOTE MAY BE RESOLD, PLEDGED OR TRANSFERRED ONLY (1) TO A PERSON THE TRANSFEROR REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A")) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A OR (2) IN A TRANSACTION OTHERWISE EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER JURISDICTION AND BASED ON AN OPINION OF COUNSEL IF THE ISSUER OR TRANSFER AGENT AND REGISTRAR SO REQUEST, IN EACH SUCH CASE, IN COMPLIANCE WITH THE INDENTURE AND ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY TRANSFEREE FROM IT OF THE RESALE RESTRICTIONS SET FORTH ABOVE.

BY ACQUIRING THIS NOTE, EACH PURCHASER WILL BE DEEMED TO HAVE REPRESENTED, WARRANTED AND COVENANTED EITHER THAT (A) IT IS NOT AN "EMPLOYEE BENEFIT PLAN" SUBJECT TO THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), A "PLAN" DESCRIBED IN SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, AN ENTITY DEEMED TO HOLD "PLAN ASSETS" OF ANY OF THE FOREGOING BY REASON OF INVESTMENT BY AN "EMPLOYEE BENEFIT PLAN" OR "PLAN" IN SUCH ENTITY, OR A GOVERNMENTAL PLAN SUBJECT TO APPLICABLE LAW THAT IS SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF ERISA OR SECTION 4975 OF THE CODE OR (B) ITS PURCHASE AND HOLDING OF THIS NOTE WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL PLAN, ANY SUBSTANTIALLY SIMILAR APPLICABLE LAW).

THE INDENTURE (AS DEFINED BELOW) CONTAINS FURTHER RESTRICTIONS ON THE TRANSFER AND RESALE OF THIS NOTE. EACH TRANSFEREE OF THIS NOTE, BY ACCEPTANCE HEREOF, IS DEEMED TO HAVE ACCEPTED THIS NOTE, SUBJECT TO THE FOREGOING RESTRICTIONS ON TRANSFERABILITY. IN ADDITION, EACH

TRANSFEREE OF THIS NOTE, BY ACCEPTANCE HEREOF, IS DEEMED TO HAVE MADE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN THE INDENTURE.
BY ACCEPTANCE HEREOF, THE HOLDER OF THIS NOTE AGREES TO THE TERMS AND CONDITIONS SET FORTH IN THE INDENTURE AND HEREIN.

REGISTERED

No. 1 $250,000,000

SEE REVERSE FOR CERTAIN DEFINITIONS

THE PRINCIPAL OF THIS NOTE MAY BE INCREASED AND DECREASED AS SPECIFIED IN THE SERIES 2002-A SUPPLEMENT AND IS PAYABLE IN INSTALLMENTS AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL AMOUNT OF THIS NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF.

CONN FUNDING II, L.P.

VARIABLE FUNDING ASSET BACKED FLOATING RATE NOTES, SERIES 2002-A

Conn Funding II, L.P., a limited partnership organized and existing under the laws of the State of Texas (herein referred to as the "Issuer"), for value received, hereby promises to pay SunTrust Capital Markets, Inc., as the Administrator for the Conduit Purchaser, or registered assigns, the principal sum set forth above or such other principal sum set forth on Schedule A attached hereto (which sum shall not exceed $250,000,000), payable on each Payment Date after the end of the Revolving Period (as defined in the Series 2002-A Supplement) in an amount equal to the Monthly Principal, as defined in Section 5.13 of the Series 2002-A Supplement, dated as of September 1, 2002 (as amended, supplemented or otherwise modified from time to time, the "Series 2002-A Supplement"), between the Issuer and the Trustee to the Base Indenture (described below); provided, however, that the entire unpaid principal amount of this Note shall be due and payable on October 20, 2010 (the "Legal Final Payment Date"). The Issuer will pay interest on this Note at the Note Rate (as defined in the Series 2002-A Supplement) on each Payment Date until the principal of this Note is paid or made available for payment, on the average daily outstanding principal balance of this Note during the related Interest Period (as defined in the Series 2002-A Supplement). Interest will be computed on the basis set forth in the Indenture. Such principal of and interest on this Note shall be paid in the manner specified on the reverse hereof.

The Notes are subject to optional redemption in accordance with the Indenture on or after any Payment Date on which the Investor Interest is reduced to an amount less than or equal to 10% of the Initial Note Principal.

The principal of and interest on this Note are payable in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

Issuer hereby irrevocably authorizes the Administrator to enter on the reverse hereof or on an attachment hereto the date and amount of each borrowing and principal payment under and

in accordance with the Indenture. Issuer agrees that this Note, upon each such entry being duly made, shall evidence the indebtedness of Issuer with the same force and effect as if set forth in a separate Note executed by Issuer; provided that such entry is recorded by the Transfer Agent and Registrar in the Note Register.

Reference is made to the further provisions of this Note set forth on the reverse hereof and to the Indenture, which shall have the same effect as though fully set forth on the face of this Note.

Unless the certificate of authentication hereon has been executed by the Trustee whose name appears below by manual signature, this Note shall not be entitled to any benefit under the Indenture referred to on the reverse hereof, or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Issuer, has caused this instrument to be signed, manually or in facsimile, by its Authorized Officer as of the date set forth below.

CONN FUNDING II, L.P.

By: Conn Funding II GP, L.L.C.,
its general partner

By:

Authorized Officer

Attested to:

By:

Authorized Officer

CERTIFICATE OF AUTHENTICATION

This is one of the Notes referred to in the within mentioned Series 2002-A Supplement.

WELLS FARGO BANK MINNESOTA,
NATIONAL ASSOCIATION, not in
its individual capacity, but solely as
Trustee

By

Authorized Officer

[REVERSE OF NOTE]

This Note is one of a duly authorized issue of Notes of the Issuer, designated as its Variable Funding Asset Backed Floating Rate Notes, Series 2002-A (herein called the "Notes"), all issued under the Series 2002-A Supplement to the Base Indenture dated as of September 1, 2002 (such Base Indenture, as supplemented by the Series 2002-A Supplement and supplements relating to other series of notes, as supplemented or amended, is herein called the "Indenture"), between the Issuer and WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, as trustee (the "Trustee," which term includes any successor Trustee under the Indenture), to which Indenture reference is hereby made for a statement of the respective rights and obligations thereunder of the Issuer, the Trustee and the Noteholders. The Notes are subject to all terms of the Indenture. All terms used in this Note that are defined in the Indenture shall have the meanings assigned to them in or pursuant to the Indenture.

Principal of the Notes will be payable on each Payment Date after the end of the Revolving Period as described on the face hereof and may be prepaid as set forth in the Indenture. "Payment Date" means the twentieth day of each calendar month, or, if any such date is not a Business Day, the next succeeding Business Day, commencing on October 21, 2002.

All principal payments on the Notes shall be made pro rata to the Noteholders entitled thereto.

Subject to certain limitations set forth in the Indenture, payments of interest on this Note due and payable on each Payment Date, together with the installment of principal, if any, to the extent not in full payment of this Note, shall be made by wire transfer in immediately available funds to the Person whose name appears as the Noteholder on the Note Register as of the close of business on each Record Date without requiring that this Note be submitted for notation of payment. Any reduction in the principal amount of this Note effected by any payments made on any Payment Date or date of prepayment shall be binding upon all future Noteholders and of any Note issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not noted on Schedule A attached hereto. If funds are expected to be available, as provided in the Indenture, for payment in full of the then remaining unpaid principal amount of this Note on a Payment Date, then the Trustee, in the name of and on behalf of the Issuer, will notify the Person who was the Holder hereof as of the Record Date preceding such Payment Date by notice mailed prior to such Payment Date and the amount then due and payable shall be payable only upon presentation and surrender of this Note at the Trustee's principal Corporate Trust Office or at the office of the Trustee's agent appointed for such purposes located in the City of New York.

On any redemption, purchase, exchange or cancellation of any of the beneficial interests represented by this Note, details of such redemption, purchase, exchange or cancellation shall be entered by the Paying Agent in Schedule A hereto recording any such redemption, purchase, exchange or cancellation. Upon any such redemption, purchase, exchange or cancellation, the

principal amount of this Note and the beneficial interests represented by the Note shall be reduced or increased, as appropriate, by the principal amount so redeemed, purchased, exchanged or cancelled.

Each Noteholder, by acceptance of a Note, covenants and agrees that by accepting the benefits of the Indenture that such Noteholder will not prior to the date which is one year and one day after the payment in full of the last maturing note of any Series and the termination of the Indenture institute against the Issuer or join in any institution against the Issuer of, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings, under any United States Federal or state bankruptcy or similar law in connection with any obligations relating to the Notes, the Indenture or the Transaction Documents.

Each Noteholder, by acceptance of a Note, covenants and agrees that by accepting the benefits of the Indenture that such Noteholder will treat such Note as indebtedness for all Federal, state and local income and franchise tax purposes.

Prior to the due presentment for registration of transfer of this Note, the Issuer, the Trustee and any agent of the Issuer or the Trustee may treat the Person in whose name this Note (as of the day of determination or as of such other date as may be specified in the Indenture) is registered as the owner hereof for all purposes, whether or not this Note be overdue, and neither the Issuer, the Trustee nor any such agent shall be affected by notice to the contrary.

As provided in the Indenture, no recourse may be taken, directly or indirectly, with respect to the obligations of the Issuer under the Indenture, including this Note, against any Seller, the Initial Seller, the Servicer, the Trustee or any partner, owner, incorporator, beneficiary, beneficial owner, agent, officer, director, employee, shareholder or agent of the Issuer, any Seller, the Initial Seller, the Servicer or the Trustee except as any such Person may have expressly agreed.

The term "Issuer" as used in this Note includes any successor to the Issuer under the Indenture.

The Issuer is permitted by the Indenture, under certain circumstances, to merge or consolidate, subject to the rights of the Trustee and the Noteholders under the Indenture.

The Notes are issuable only in registered form as provided in the Indenture in denominations as provided in the Indenture, subject to certain limitations therein set forth.

This Note and the Indenture shall be construed in accordance with the laws of the State of New York, without reference to its conflict of law provisions, and the obligations, rights and remedies of the parties hereunder and thereunder shall be determined in accordance with such laws.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and interest on this Note.

ASSIGNMENT

Social Security or taxpayer I.D. or other identifying number of assignee

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____

(name and address of assignee)

the within Note and all rights thereunder, and hereby irrevocably constitutes and appoints _____, attorney, to transfer said Note on the books kept for registration thereof, with full power of substitution in the premises.

Dated: /1/

Signature Guaranteed:

/1/ NOTE: The signature to this assignment must correspond with the name of the registered owner as it appears on the face of the within Note in every particular, without alteration, enlargement or any change whatsoever.

SCHEDULE A

The following are borrowings, renewals and payments made under this Note of the Issuer dated _____:

Loan Date	Renewal Date	Amount Borrowed/ Renewed	Due	Date Prin. Paid	Amount Paid Principal	Amount Paid Interest

EXHIBIT B

FORM OF MONTHLY NOTEHOLDERS' STATEMENT

[Monthly Report to Noteholders Appears Here]

EXHIBIT C

FORM OF TRANSFER CERTIFICATE

To: Wells Fargo Bank Minnesota, National Association,
as Trustee and Registration and Transfer Agent
MAC N9311-161
6/th/ and Marquette
Minneapolis, Minnesota 55479-0700
Attention: Corporate Trust Services/Asset-Backed Administration

Re: Conn Funding II, L.P.- Variable Funding Asset Backed
Floating Rate Notes, Series 2002-A

This Certificate relates to $250,000,000 principal amount of Notes held in

[ ] book-entry or
[ ] definitive form

by _____ (the "Transferor") issued pursuant to the Base Indenture, dated as of September 1, 2002, between Conn Funding II, L.P., as Issuer, and Wells Fargo Bank Minnesota, National Association, as Trustee (as amended, supplemented or otherwise modified from time to time, the "Base Indenture") and the Series 2002-A Supplement thereto, dated as of September 1, 2002 (as amended, supplemented or otherwise modified from time to time, the "Series Supplement" and, together with the Base Indenture, the "Indenture"). Capitalized terms used herein and not otherwise defined, shall have the meanings given thereto in the Indenture.

The Transferor has requested the Trustee by written order to exchange or register the transfer of a Note or Notes.

In connection with such request and in respect of each such Note, the Transferor does hereby certify as follows:

[ ] Such Note is being acquired for its own account.

[ ] Such Note is being transferred pursuant to and in accordance with Rule 144A under the Securities Act, and, accordingly, the Transferor further certifies that the Series 2002-A Notes are being transferred to a Person that the Transferor reasonably believes is purchasing the Series 2002-A Notes for its own account, or for an account with respect to which such Person

exercises sole investment discretion, and such Person and such account is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A.

[ ] Such Note is being transferred in reliance on and in compliance with an exemption from the registration requirements of the Securities Act, other than Rule 144A under the Securities Act, and in compliance with other applicable state and federal securities laws and, if requested by the Trustee, an opinion of counsel is being furnished simultaneously with the delivery of this Certificate as required under Section 6 of the Series Supplement. This Certificate and the statements contained therein are made for your benefit and the benefit of the Issuer.

[INSERT NAME OF TRANSFEROR]

By:
Name:
Title:

Date:

SCHEDULE 1

LIST OF PROCEEDINGS

None.

SCHEDULE 2

LIST OF TRADE NAMES

None.

EXHIBIT 10.13

CONN FUNDING II, L.P.,

as Issuer

and

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION,

as Trustee

SERIES 2002-B SUPPLEMENT

Dated as of September 1, 2002

to

BASE INDENTURE

Dated as of September 1, 2002

CONN FUNDING II, L.P.

SERIES 2002-B

4.469% Asset Backed Fixed Rate Notes, Class A
5.769% Asset Backed Fixed Rate Notes, Class B
8.180% Asset Backed Fixed Rate Notes, Class C

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SERIES 2002-B SUPPLEMENT, dated as of September 1, 2002 (as amended, modified, restated or supplemented from time to time in accordance with the terms hereof, this "Series Supplement"), by and among CONN FUNDING II, L.P., a special purpose limited partnership established under the laws of Texas, as issuer ("Issuer"), and WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, a banking association organized and existing under the laws of the United States of America, as trustee (together with its successors in trust under the Base Indenture referred to below, the "Trustee") to the Base Indenture, dated as of September 1, 2002, between the Issuer and the Trustee (as amended, modified, restated or supplemented from time to time, exclusive of Series Supplements, the "Base Indenture").

Pursuant to this Series Supplement, the Issuer shall create a new Series of Notes and shall specify the Principal Terms thereof.

PRELIMINARY STATEMENT

WHEREAS, Section 2.2 of the Base Indenture provides, among other things, that Issuer and the Trustee may at any time and from time to time enter into a series supplement to the Base Indenture for the purpose of authorizing the issuance of one or more Series of Notes.

NOW, THEREFORE, the parties hereto agree as follows:

DESIGNATION

(a) There is hereby created a Series of notes to be issued pursuant to the Base Indenture and this Series Supplement and such Series of notes shall be substantially in the form of Exhibits A, B and C hereto, executed by or on behalf of the Issuer and authenticated by the Trustee and designated generally 4.469% Asset Backed Fixed Rate Notes, Class A, Series 2002-B (the "Class A Notes"), 5.769% Asset Backed Fixed Rate Notes, Class B, Series 2002-B (the "Class B Notes"), 8.180% Asset Backed Fixed Rate Notes, Class C, Series 2002-B (the "Class C Notes", and together with the Class A Notes and the Class B Notes, the "Notes"). The Notes shall be issued in minimum denominations of $500,000.

(b) Series 2002-B (as defined below) shall not be subordinated to any other Series.

SECTION 1. Definitions. In the event that any term or provision contained herein shall conflict with or be inconsistent with any provision contained in the Base Indenture, the terms and provisions of this Series Supplement shall govern. All Article, Section or subsection references herein mean Articles, Sections or subsections of this Series Supplement, except as otherwise provided herein. All capitalized terms not otherwise defined herein are defined in the Base Indenture. Each capitalized term defined herein shall relate only to the Notes and no other Series of Notes issued by the Issuer.

"Additional Cash Reserve Amount" means, on any date, if the Net Portfolio Yield averaged over the three preceding Monthly Periods (i) exceeds 5.0%, $0, (ii) exceeds 4.0% but does not exceed 5.0%, 2.0% of the outstanding principal amount of the Notes on such date, (iii) exceeds 3.0% but does not exceed 4.0%, 3.0% of the outstanding principal amount of the Notes on such date, (iv) is 3.0% or less, 4.0% of the outstanding principal amount of the Notes on such date.

"Additional Interest" has the meaning specified in Section 5.12.

"Aggregate Investor Default Amount" means, with respect to any Monthly Period, an amount equal to the product of (a) the aggregate Outstanding Principal Balance of all Receivables that became Defaulted Receivables during such Monthly Period (each respective Outstanding Principal Balance being measured as of the date the relevant Receivable became a Defaulted Receivable) minus any Deemed Collections deposited into the Collection Account during such Monthly Period in respect of Receivables that have become Defaulted Receivables before or during such Monthly Period and (b) the Floating Investor Percentage with respect to such Monthly Period.

"Aggregate Net Investor Charge-Offs" means, on any date of determination, the sum of the "Net Investor Charge-Offs" or similar amount for each Series.

"Available Funds" means, with respect to any Monthly Period, an amount equal to the Investor Percentage of Collections of Finance Charges, Recoveries and Investment Earnings deposited in the Finance Charge Account for such Monthly Period (or to be deposited in the Finance Charge Account on the related Series Transfer Date with respect to the preceding Monthly Period pursuant to the third paragraph of subsection 5.4(a) of the Base Indenture).

"Available Investor Principal Collections" means (A) with respect to the Notes and any Monthly Period, an amount equal to (i) the Investor Principal Collections for such Monthly Period, plus (ii) the amount of Shared Principal Collections that are allocated to Series 2002-B in accordance with Section 5.19, and (B) when used with respect to any other Series, has the meaning specified in the applicable Series Supplement.

"Available Issuer Interest" has the meaning specified in the definition of Coverage Test.

"CAI" means CAI, L.P.

"Cash Option" means a provision in any Contract which provides for the application of interest payments theretofore made by the related Obligor against the Outstanding Principal Balance of the related Receivable if such Obligor shall pay the Outstanding Principal Balance (less the interest to be so credited) on or prior to the end of the related Cash Option Period.

"Cash Option Amount" means, as of any Determination Date, with respect to the outstanding Cash Option Receivables, the product of (i) the highest Portfolio Yield during the past twelve months divided by twelve (during the first year after the Initial Closing Date, this clause (i) shall, to the extent necessary, be calculated based on information delivered to SunTrust Capital Markets, Inc. in connection with the securitization transaction with the Initial Seller that terminated on the Initial Closing Date), times (ii) the aggregate Outstanding Principal Balance of such Cash Option Receivables, times (iii) the weighted average Cash Option Period for such Cash Option Receivables (expressed in months).

"Cash Option Period" means, with respect to any Cash Option Receivable, the period, not to exceed twelve months, from and including the Initiation Date for such Cash Option Receivable and ending on the last day, as set forth in the related Contract, that the related Obligor may exercise the Cash Option.

"Cash Reserve Account" has the meaning specified in subsection 5.20(a).

"Cash Reserve Account Required Amount" means, as of any date, the lesser of (a) $8,000,000 plus the Additional Cash Reserve Amount for such date and (b) 10% of the outstanding principal amount of the Notes on such date.

"Cash Option Receivable" means any Purchased Receivable which includes a Cash Option.

"Change in Control" shall mean means any of the following:

(a) the acquisition of ownership by any Person or group (other than the Stephens Group and the senior management of Parent) of shares representing more than 50% of the aggregate ordinary voting power represented by the issued and outstanding capital stock of the Parent; provided that no Change in Control shall have occurred if Parent sells its common stock through an initial public offering and upon the completion of such offering, the Stephens Group and the senior management of Parent continued to own shares representing at least 33.33% of the aggregate ordinary voting power represented by the then issued and outstanding capital stock of Parent; or

(b) the creation or imposition of any Lien on any shares of capital stock of Issuer; or

(c) the failure by the Parent to be the sole general partner of CAI or, directly or indirectly, to be the sole equity holder of CAI; or

(d) the failure of CAI to be the sole equity holder of Conn Funding II GP, L.L.C.; or

(e) the failure by CAI to be the sole limited partner of Issuer, or the failure of Conn Funding II GP, L.L.C. to be the sole general partner of the Issuer.

"Class A Carryover Amount" means, (i) with respect to the first Payment Date occurring after the Controlled Amortization Period begins, $0 and (ii) with respect to any other Payment Date during the Controlled Amortization Period, the excess, if any, of (a) the Class A Controlled Distribution Amount for the preceding Payment Date over (b) the actual amount distributed to the Class A Noteholders with respect to principal of the Class A Notes on such preceding Payment Date.

"Class A Controlled Distribution Amount" means, for any Payment Date, an amount equal to the sum of $6,000,000 plus any Class A Carryover Amount.

"Class A Noteholder" means a Holder of a Class A Note.

"Class A Note Principal" means the outstanding principal amount of Class A Notes.

"Class A Notes" is defined in the Designation.

"Class B Carryover Amount" means, (i) with respect to the first Payment Date occurring after the Controlled Amortization Period begins, $0 and (ii) with respect to any other Payment Date during the Controlled Amortization Period, the excess, if any, of (a) the Class B Controlled Distribution Amount for the preceding Payment Date over (b) the actual amount distributed to the Class B Noteholders with respect to principal of the Class B Notes on such preceding Payment Date.

"Class B Controlled Distribution Amount" means, for any Payment Date, an amount equal to the sum of $2,888,900 plus any Class B Carryover Amount.

"Class B Noteholder" means a Holder of a Class B Note.

"Class B Note Principal" means the outstanding principal amount of Class B Notes.

"Class B Notes" is defined in the Designation.

"Class C Carryover Amount" means, (i) with respect to the first Payment Date occurring after the Controlled Amortization Period begins, $0 and (ii) with respect to any other Payment Date during the Controlled Amortization Period, the excess, if any, of (a) the Class C Controlled Distribution Amount for the preceding Payment Date over (b) the actual amount distributed to the Class C Noteholders with respect to principal of the Class C Notes on such preceding Payment Date.

"Class C Controlled Distribution Amount" means, for any Payment Date, an amount equal to the sum of $1,111,100 plus any Class C Carryover Amount.

"Class C Noteholder" means a Holder of a Class C Note.

"Class C Note Principal" means the outstanding principal amount of Class C Notes. "Class C Notes" is defined in the Designation.

"Closing Date" means September 13, 2002.

"Contingent Liability" means any agreement, undertaking or arrangement by which any Person guarantees, endorses or otherwise becomes or is contingently liable upon (by direct or indirect agreement, contingent or otherwise, to provide funds for payment, to supply funds to, or otherwise to invest in, a debtor, or otherwise to assure a creditor against loss) the indebtedness, obligation or any other liability of any other Person (other than by endorsements of instruments in the course of collection), or guarantees the payment of dividends or other distributions upon the shares of any other Person. The amount of any Person's obligation under any Contingent Liability shall (subject to any limitation set forth therein) be deemed to be the outstanding principal amount (or maximum outstanding principal amount, if larger) of the debt, obligation or other liability guaranteed thereby.

"Controlled Amortization Period" means the period commencing on the Scheduled Pay Out Commencement Date and ending on the Rapid Pay Out Commencement Date.

"Controlled Amortization Termination Date" means May 20, 2008.

"Controlled Distribution Amount" means, for any Payment Date, an amount equal to the sum of (i) the Class A Controlled Distribution Amount, plus (ii) the Class B Controlled Distribution Amount, plus (iii) the Class C Controlled Distribution Amount.

"Coverage Test" means, on any date of determination, that (i) the Issuer Interest as of such date exceeds the largest required "Minimum Issuer Interest" of any outstanding Series (such excess being herein called the "Available Issuer Interest") as of such date (determined by the Servicer taking into account any increases, decreases and status changes of the Receivables and any increases or decreases in the outstanding notes including those scheduled to occur on such date) and (ii) the Aggregate Net Investor Charge-Offs is zero as of such date.

"Cumulative Series Principal Shortfall" means the sum of the Series Principal Shortfalls (as such term is defined in each of the related Series Supplements) for each Series.

"Deficiency Amount" has the meaning specified in Section 5.12.

"DWAC" means the DTC Deposit/Withdrawal at Custodian system.

"Excess Funding Account" has the meaning specified in subsection 5.21(a).

"Excess Spread" means, with respect to any Series Transfer Date, the amounts with respect to such Series Transfer Date, if any, specified pursuant to paragraph 5.15(a)(vii).

"Exchange Date" has the meaning specified in paragraph 6(c)(ii).

"Finance Charge Collections" means (i) all Collections allocable to Finance Charges, (ii) all Recoveries allocable to Finance Charges and (iii) any net amounts payable to the Issuer under any Enhancement Agreement.

"Fitch" means Fitch, Inc.

"Fixed Investor Percentage" means, with respect to any Monthly Period, the percentage equivalent of a fraction, the numerator of which is the Investor Interest as of the close of business on the last day of the Revolving Period and the denominator of which is the sum of the numerators used to calculate the respective investor percentages used for allocations with respect to Principal Receivables for all outstanding Series on such date of determination.

"Floating Investor Percentage" means, with respect to any Monthly Period, the percentage equivalent of a fraction, the numerator of which is the Modified Investor Interest for such Monthly Period and the denominator of which is the sum of the numerators used to calculate the respective investor percentages used for allocations with respect to Finance Charges, Recoveries, Investment Earnings, Aggregate Investor Default Amounts, Principal Receivables, Available Issuer Interest, Servicing Fee or Trustee and Back-up Servicer Fees and Expenses, as applicable, for all outstanding Series on such date of determination.

"Global Note" has the meaning specified in subsection 6(a).

"Gross Loss Rate"means, with respect to any Monthly Period, the ratio (expressed as a percentage) computed as of the last day of such Monthly Period, by dividing (i) the Outstanding Principal Balance of Charged-Off Receivables which were deemed to be Charged-Off Receivables during such Monthly Period by (ii) (A) the aggregate Outstanding Principal Balance of all Receivables as of the last day of the previous Monthly Period plus (B) the aggregate Outstanding Principal Balance of all Receivables as of such last day of such Monthly Period divided by (C) two and multiplying the result by (iii) twelve.

"Initial Note Principal" means the aggregate initial principal amount of the Notes, which is $200,000,000.

"Initiation Date" means, with respect to any Receivable, the date of the transaction that gave rise to the original Outstanding Principal Balance of such Receivable.

"Interest Period" means, with respect to any Payment Date, the period from and including the Payment Date immediately preceding such Payment Date (or, in the case of the first Payment Date, from and including the Closing Date) to but excluding such Payment Date.

"Investor Charge-Offs" has the meaning specified in subsection 5.16(a).

"Investor Interest" means, on any date of determination, an amount equal to (a) the Initial Note Principal, minus (b) the aggregate amount of principal payments made to Noteholders prior to such date, minus (c) the aggregate amount of Investor Charge-Offs pursuant to subsection 5.16(a), plus (d) the aggregate amount of Excess Spread and funds on deposit in the Excess Funding Account applied on all prior Series Transfer Dates pursuant to subsection 5.17(b) for the purpose of reimbursing amounts deducted pursuant to the foregoing clause (c), plus (e) the Required Reserve Amount. Once all principal and interest on the Notes and any other amounts payable to the Noteholders pursuant to the Transaction Documents have been paid in full, the Investor Interest shall be zero.

"Investor Percentage" means, for any Monthly Period, (a) with respect to Finance Charges, Recoveries, Investment Earnings, Aggregate Investor Default Amounts, Available Issuer Interest, Servicing Fee and Trustee and Back-Up Servicer Fees and Expenses at any time and Principal Receivables during the Revolving Period, the Floating Investor Percentage and (b) with respect to Principal Receivables during the Controlled Amortization Period or the Rapid Amortization Period, the Fixed Investor Percentage.

"Investor Principal Collections" means, with respect to any Monthly Period, the sum of (a) the Investor Percentage of the aggregate amount deposited into the Principal Account (less any Issuer Distributions) for such Monthly Period pursuant to paragraph 5.11(a)(i), (b) the aggregate amount to be treated as Investor Principal Collections for such Monthly Period pursuant to paragraph 5.15(a)(iii) and Section 5.17, and (c) in connection with the purchase or redemption of Notes, the aggregate amount deposited in the Payment Account pursuant to Section 4 hereof.

"Issuer" is defined in the preamble of this Series Supplement.

"Legal Final Payment Date" means May 21, 2012.

"Minimum Issuer Interest" means for any date of determination an amount equal to (a) the Cash Option Amount as of such date plus (b) the Outstanding Principal Balance of all Receivables that are not Eligible Receivables as of such date.

"Modified Investor Interest" means for any Monthly Period, the average daily Investor Interest for such Monthly Period (or, in the case of the first Monthly Period, from and including the Closing Date to, and including the last day of such first Monthly Period).

"Monthly Interest" has the meaning specified in Section 5.12.

"Monthly Period" has the meaning specified in the Base Indenture, except that the first Monthly Period with respect to the Notes shall begin on and include the Closing Date and shall end on and include September 30, 2002.

"Monthly Principal" has the meaning specified in Section 5.13.

"Net Investor Charge-Offs" means, on any date of determination, the excess of (a) the amount described in clause (c) of the definition of Investor Interest on such date over (b) the amount described in clause (d) of such definition on such date.

"Net Portfolio Yield" for any Monthly Period (as determined as of the last day of each Monthly Period) shall mean the annualized percentage equivalent of a fraction, (a) the numerator of which is equal to the Net Yield Amount for such Monthly Period and (b) the denominator of which is equal to the aggregate Outstanding Principal Balance of all Receivables on such day. For purposes of this definition, "Net Yield Amount" means for any Monthly Period an amount equal to the excess of the sum of Collections of Finance Charges plus Recoveries allocable to Finance Charges over the sum of (a) interest and fees accrued for the current Monthly Period and overdue interest and fees with respect to the Notes and "Enhancement" of all Series (together with, if applicable, interest on such overdue interest and fees at the rate specified in the accompanying series supplements), (b) accrued and unpaid Servicing Fees and Trustee and Back-Up Servicer Fees and Expenses for such Monthly Period, (c) the aggregate Outstanding Principal Balance of all Receivables that became Defaulted Receivables during such Monthly Period (each respective Outstanding Principal Balance being measured as of the date the relevant Receivable became a Defaulted Receivable), and (d) any other costs, expenses, or liability of the Issuer of any nature whatsoever incurred during such Monthly Period (except for the obligations of the Issuer to pay any principal on the Notes outstanding at such time or any Business Taxes and except for fee and indemnity expenses for which cash other than such Monthly Period's Collections are available to the Issuer).

"Note Principal" means on any date of determination the then outstanding principal amount of the Notes.

"Note Purchase Agreement" means any agreement by and among the initial Class A Noteholder, Class B Noteholder or Class C Noteholder, CAI, Conn and the Issuer, pursuant to which a purchaser agrees to purchase an interest in a Class A Note, a Class B Note or a Class C Note, respectively from the Issuer, subject to the terms and conditions set forth therein, or any successor agreement to such effect among the Issuer and such Noteholder or its successors, as amended, supplemented or otherwise modified from time to time.

"Note Rate" means, with respect to each Interest Period, a fixed rate equal to 4.469% per annum with respect to the Class A Notes, 5.769% with respect to the Class B Notes, and 8.180% with respect to the Class C Notes.

"Noteholder" means with respect to any Note, the holder of record of such Note.

"Notes" has the meaning specified in paragraph (a) of the Designation.

"Notice Persons" means the applicable Rating Agency; provided that with respect to any provision requiring the consent or approval of the Notice Persons, such consent or approval shall be deemed to have been obtained if the Rating Agency Condition is satisfied.

"Payment Account" means the account established as such for the benefit of the Secured Parties of this Series 2002-B pursuant to subsection 5.3(c) of the Base Indenture.

"Payment Date" means October 21, 2002 and the twentieth day of each calendar month thereafter, or if such twentieth day is not a Business Day, the next succeeding Business Day.

"Payoff Date" means the date on which all principal and interest on the Notes and any other amounts directly related to Series 2002-B payable to any Noteholder under the Transaction Documents have been indefeasibly paid in full.

"Permanent Regulation S Global Note" has the meaning specified in paragraph 6(a)(ii).

"Permissible Uses" means the amount of funds to be used by the Issuer to pay (i) the Servicer Letter of Credit Bank any amounts payable thereto by the Issuer under the reimbursement agreement for the Servicer Letter of Credit, (ii) the Sellers for Subsequently Purchased Receivables (directly or through repayment of any subordinated notes issued to the Sellers), (iii) its equity owners, as a dividend distribution (so long as the Issuer has a net worth (in accordance with GAAP) of at least 1% of the outstanding principal amount of the Notes after giving effect thereto) and (iv) other expenses of the Issuer not prohibited by the Transaction Documents.

"Portfolio Yield" means, with respect to Eligible Receivables for any Monthly Period, the ratio (expressed as a percentage) computed as of the last day of such Monthly Period by dividing (i) the amount of all Finance Charge Collections (other than amounts described in clause (iii) of the definition thereof) received during such Monthly Period, by (ii) (A) the aggregate Outstanding Principal Balance of all Receivables as of the last day of the previous Monthly Period plus (B) the aggregate Outstanding Principal Balance of all Receivables as of such last day of such Monthly Period divided by (C) two and multiplying the result by (iii) twelve.

"Potential Series 2002-B Pay Out Event" shall mean an event which upon the lapse of time or the giving of notice, or both, would constitute a Series 2002-B Pay Out Event.

"Preference Amount" means any amount previously distributed to a Noteholder on the Notes that is recoverable and sought to be recovered as a voidable preference by a trustee in bankruptcy pursuant to the Bankruptcy Code, in accordance with a final nonappealable order of a court having competent jurisdiction.

"Principal Reallocation Amount" means the Investor Percentage (determined with regard to only (and only to the extent of) those Series with respect to which principal is being reallocated pursuant to a corresponding provision at such time) of the Available Issuer Interest (after giving effect to any reduction pursuant to Section 5.16 or the definition of Required Reserve Amount on such day or pursuant to any comparable provisions of any other Series Supplement of any other Series on such day) at such time.

"QIB" has the meaning specified in paragraph 6(a)(i).

"Rapid Amortization Period" means the Amortization Period commencing on the Rapid Pay Out Commencement Date and ending on the Series 2002-B Termination Date.

"Rapid Pay Out Commencement Date" means the earliest of (i) the Controlled Amortization Termination Date, (ii) the date on which an Issuer Pay Out Event is deemed to occur pursuant to Section 9.1 of the Base Indenture or (iii) the date on which a Series 2002-B Pay Out Event is deemed to occur pursuant to Section 9 of this Series Supplement.

"Rating Agencies" means Moody's and, with respect to the Class C Notes, Fitch.

"Redemption Date" means the date on which the Notes are redeemed in full pursuant to Section 4 hereof.

"Reference Banks" means four major banks in the London interbank market selected by the Trustee.

"Regulation S" has the meaning specified in specified in paragraph 6(a)(ii).

"Required Amount" has the meaning specified in subsection 5.14(a).

"Required Class A Principal Distribution" has the meaning specified in paragraph 5.15(e)(i).

"Required Class B Principal Distribution" has the meaning specified in paragraph 5.15(e)(ii).

"Required Class C Principal Distribution" has the meaning specified in paragraph 5.15(e)(iii).

"Required Interest Distribution" has the meaning specified in paragraph 5.15(a)(i).

"Required Persons" means Holders of Notes voting together without regard to class representing at least 66-2/3% of the aggregate Note Principal of all Notes.

"Required Reserve Amount" shall mean, at any time, the sum of (a) an amount equal to (i) the Note Principal at such time, multiplied by (ii)(A) the Required Reserve Percentage at such time, divided by (B) 100% minus the Required Reserve Percentage at such time plus (b) the Series 2002-B Concentration Amount, if any, at such time; provided, however, that the Required Reserve Amount shall be fixed during the Controlled Amortization Period and the Rapid Amortization Period as of the earlier of (i) the Scheduled Pay Out Commencement Date and (ii) the Rapid Pay Out Commencement Date; provided, further, that the Required Reserve Amount may only increase from time to time to the extent of the Investor Percentage (determined with regard to only (and only to the extent of) those Series with respect to which the "Required Reserve Amount" is increasing at such time) of the Available Issuer Interest (after giving effect to any reductions pursuant to Section 5.16, but prior to any reductions with respect to Principal Reallocation Amounts on such day, or pursuant to any comparable provisions of any other Series Supplement for any Series on such day) at such time.

"Required Reserve Percentage" means 10%.

"Restricted Global Note" has the meaning specified in paragraph 6(a)(i).

"Restricted Period" has the meaning specified in paragraph 6(c)(ii).

"Revolving Period" means the period from and including the Closing Date to, but not including, the earlier of (i) the Scheduled Pay Out Commencement Date and (ii) the Rapid Pay Out Commencement Date.

"Rule 144A" has the meaning specified in paragraph 6(a)(i).

"Scheduled Pay Out Commencement Date" means the Payment Date on October 20, 2006.

"Series 2002-B" means the Series of the Asset Backed Fixed Rate Notes represented by the Notes.

"Series 2002-B Concentration Amount" means, at any time, the Investor Percentage at such time of the sum of (a) the excess, if any, of (i) the aggregate Outstanding Principal Balance of all Eligible Installment Contract Receivables the final maturity date of which has been extended over (ii) 15% of the Outstanding Principal Balance of all Eligible Receivables, plus (b) the excess, if any, of (i) the aggregate Outstanding Principal Balance of all Eligible Revolving Charge Receivables that provide for a minimum monthly payment of less than 1/30 of the highest outstanding balance since the last date on which such outstanding balance was zero or the final maturity date of which has been otherwise extended over (ii) the excess, if any, of (A) 15% of the Outstanding Principal Balance of all Eligible Receivables over (B) the aggregate Outstanding Principal Balance of all Eligible Installment Contract Receivables the final maturity date of which has been extended, in each case as of the end of the preceding Monthly Period.

"Series 2002-B Pay Out Event" has the meaning specified in Section 9.

"Series 2002-B Termination Date" means the earliest to occur of (a) the Payment Date on which the Notes, plus all other amounts due and owing to the Noteholders, are paid in full, (b) the Legal Final Payment Date and (c) the Indenture Termination Date.

"Series Principal Shortfall" means with respect to the Notes and any Series Transfer Date that falls during the Rapid Amortization Period, the excess, if any, of (a) the Investor Interest (but not less than the Note Principal) over (b) the Investor Principal Collections for such Series Transfer Date.

"Shared Principal Collections" means, with respect to any Series Transfer Date, either (a) the amount allocated to the Notes which may be applied to the "Series Principal Shortfall" with respect to other outstanding Series or (b) the amounts allocated to the notes of other Series which the applicable Series Supplements for such Series specify are to be treated as "Shared Principal Collections" and which may be applied to cover the Series Principal Shortfall with respect to the Notes.

"Solvent" means with respect to any Person that as of the date of determination both (A)(i) the then fair saleable value of the property of such Person is (y) greater than the total amount of liabilities (including Contingent Liabilities) of such Person and (z) not less than the amount that will be required to pay the probable liabilities on such Person's then existing debts as they become absolute and matured considering all financing alternatives and potential asset sales reasonably available to such Person; (ii) such Person's capital is not unreasonably small in relation to its business or any contemplated or undertaken transaction; and (iii) such Person does not intend to incur, or believe (nor should it reasonably believe) that it will incur, debts beyond its ability to pay such debts as they become due; and (B) such Person is "solvent" within the meaning given that term and similar terms under applicable laws relating to fraudulent transfers and conveyances. For purposes of this definition, the amount of any contingent liability at any time shall be computed as the amount that, in light of all of the facts and circumstances existing at such

time, represents the amount that can reasonably be expected to become an actual or matured liability.

"Temporary Regulation S Global Note" has the meaning specified in paragraph 6(a)(ii).

"U.S. Person" has the meaning specified in Regulation S.

SECTION 2. Article 3 of the Base Indenture. Article 3 shall be read in its entirety as follows and shall be applicable only to the Notes:

ARTICLE 3

INITIAL ISSUANCE OF NOTES

SECTION 3.1 Initial Issuance.

(a) Subject to satisfaction of the conditions precedent set forth in subsection (b) of this Section 3.1, on the Closing Date, the Issuer will issue the Notes in accordance with Section 2.2 of the Base Indenture and Section 6 hereof in the aggregate initial principal amount equal to the Initial Note Principal.

(b) The Notes will be issued on the Closing Date pursuant to subsection (a) above, only upon satisfaction of each of the following conditions with respect to such initial issuance:

(i) The amount of each Note shall be equal to or greater than $500,000;

(ii) The Coverage Test is satisfied;

(iii) Such issuance and the application of the proceeds thereof shall not result in the occurrence of (1) a Pay Out Event for any Series, Servicer Default or an Event of Default, or (2) an event or occurrence, which, with the passing of time or the giving of notice thereof, or both, would become a Pay Out Event for any Series, Servicer Default or an Event of Default; and

(iv) All required consents have been obtained and all other conditions precedent to the purchase of the Notes under the Note Purchase Agreement shall have been satisfied.

(c) Upon receipt of the proceeds of such issuance by or on behalf of the Issuer, the Trustee shall, or shall cause the Transfer Agent and Registrar to, indicate in the Note Register the amount thereof.

(d) The Issuer shall not issue additional Notes of this Series.

SECTION 3. Servicing Compensation. The share of the Servicing Fee allocable to Series 2002-B with respect to any Series Transfer Date shall be equal to the Investor Percentage of the Servicing Fee for the relevant Monthly Period. The Servicing Fee shall be paid by the cash flows from the Trust Estate allocated to the Noteholders or the noteholders of other Series (as provided in the related series supplements) and in no event shall the Issuer, the Trustee or the Noteholders be liable therefor. The Servicing Fee allocable to Series 2002-B shall be payable to the Servicer solely to the extent amounts are available for distribution in respect thereof pursuant to paragraph 5.15(a)(ii) and subsection 5.17(a).

SECTION 4. Cleanup Call.

(a) The Notes shall be subject to purchase by the initial Servicer, at its option, in accordance with the terms specified in subsection 12.4(a) of the Base Indenture, on any Payment Date on or after the Payment Date on which the Investor Interest is reduced to an amount less than or equal to 10% of the Initial Note Principal.

(b) The deposit to the Payment Account required in connection with any such purchase will be equal to the sum of (a) the Note Principal, plus (b) accrued and unpaid interest on the Notes through the day preceding the Payment Date on which the purchase occurs, plus (c) any other amounts payable to the Noteholders pursuant to the Note Purchase Agreement, minus (d) the amounts, if any, on deposit at such Payment Date in the Payment Account for the payment of the foregoing amounts.

SECTION 5. Delivery and Payment for the Notes. The Trustee shall execute, authenticate and deliver the Notes in accordance with Section 2.4 of the Base Indenture and Section 6 below.

SECTION 6. Form of Delivery of the Notes; Depository; Denominations; Transfer Provisions.

(a) The Notes shall be delivered as Registered Notes representing Book-Entry Notes as provided in this subsection (a). For purposes of this Series Supplement, the term "Global Notes" refers to the Restricted Global Note, the Temporary Regulation S Global Note and the Permanent Regulation S Global Note, all as defined below.

(i) Restricted Global Note. The Notes to be sold in the United States will be issued in book-entry form and represented by a permanent global Note in fully registered form without interest coupons (the "Restricted Global Note"), substantially in the form set forth as Exhibit A-1, B-1 or C-1 hereto, as applicable, and will be sold, only in the United States (1) by the Issuer to an institutional "accredited investor" within the meaning of Regulation D under the Securities Act in reliance on

an exemption from the registration requirements of the Securities Act and (2) thereafter offered and sold to qualified institutional buyers ("QIBs") within the meaning of, and in reliance on, Rule 144A under the Securities Act ("Rule 144A") and shall be deposited with a custodian for, and registered in the name of a nominee of DTC, duly executed by the Issuer and authenticated by the Trustee as provided in the Base Indenture for credit to the accounts of the subscribers at DTC. The initial principal amount of the Restricted Global Note may from time to time be increased or decreased by adjustments made on the records of the custodian for DTC, DTC or its nominee, as the case may be, as hereinafter provided. Interests in the Restricted Global Note will be exchangeable for Definitive Notes only in accordance with the provisions of Section 2.18 of the Base Indenture.

(ii) Temporary Regulation S Global Note; Permanent Regulation S Global Note. The Notes to be offered and sold to Non-U.S. Persons outside of the United States and in reliance on Regulation S ("Regulation S") under the Securities Act, shall initially be issued in the form of a temporary global Note in fully registered form without interest coupons (the "Temporary Regulation S Global Note") substantially in the form attached hereto as Exhibit A-2, B-2 or C-2, as applicable, which shall be deposited with a custodian for, and registered in the name of a nominee of DTC, duly executed by the Issuer and authenticated by the Trustee as provided in the Base Indenture, for the credit to the subscribers' accounts at Clearstream and Euroclear. Interests in a Temporary Regulation S Global Note will be exchangeable, in whole or in part, for interests in a corresponding permanent global Note in fully registered form without interest coupons (the "Permanent Regulation S Global Note"), representing the Notes, substantially in the form attached hereto as Exhibit A-3, B-3 or C-3, as applicable, in accordance with the provisions of the Temporary Regulation S Global Note and this Series Supplement. Until the Exchange Date, interests in the Temporary Regulation S Global Note may only be held through Euroclear or Clearstream (as indirect participants in DTC). The initial principal amount of the Temporary Regulation S Global Note and the Permanent Regulation S Global Note may from time to time be increased or decreased by adjustments made on the records of the custodian for DTC, DTC or its nominee, as the case may be, as hereinafter provided. Interests in the Permanent Regulation S Global Note will be exchangeable for Definitive Notes only in accordance with the provisions of Section 2.18 of the Base Indenture.

(b) The Notes will be issuable in minimum denominations of $500,000.

(c) The Global Notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the Global Notes may not be exchanged for Definitive Notes except in the limited circumstances described in Section 2.18 of the Base Indenture; provided, however, that notwithstanding anything in the

Indenture to the contrary, Definitive Notes shall not be issued in respect of any Temporary Regulation S Global Note unless the Restricted Period has expired and then only with respect to beneficial interests therein as to which the Trustee has received from Euroclear or Clearstream, as applicable, a certificate substantially in the form of Exhibit E-2 hereto. Beneficial interests in the Global Notes may be transferred only (x) to a Person the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A and whom the transferor has notified that it may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A, (y) outside the United States to non-U.S. Persons in a transaction in compliance with Regulation S or (z) in a transaction otherwise exempt from the registration requirements of the Securities Act (and based on an opinion of counsel to such effect if the Issuer or the Transfer Agent and Registrar so requests), in each case in compliance with the Indenture and all applicable securities laws of any State of the United States or any other applicable jurisdiction. Each transferee of a beneficial interest in a Global Note shall be deemed to have made the acknowledgments, representations and agreements set forth in subsection (d) hereof. Any such transfer shall also be made in accordance with the following provisions:

(i) Transfer of Interests Within a Global Note. Beneficial interests in a Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in the same Global Note in accordance with the transfer restrictions set forth in the foregoing paragraph of this subsection 6(c) and the transferee shall be deemed to have made the representations contained in subsection 6(d). Notwithstanding the foregoing, if such transferor is relying on an exemption from the registration requirements of the Securities Act other than Rule 144A or Regulation S, such transferor shall provide the Issuer and the Transfer Agent and Registrar with a certificate substantially in the form of Exhibit E-1 and, if requested by the Issuer or the Trustee, an opinion of counsel in form and substance acceptable to the Issuer and to the Transfer Agent and Registrar to the effect that such transfer is in compliance with the Securities Act.

(ii) Temporary Regulation S Global Note to Permanent Regulation S Global Note. Interests in the Temporary Regulation S Global Note will be exchanged for interests in the Permanent Regulation S Global Note, on and after the first day following the 40-day period (the "Restricted Period") beginning on the later of the commencement of the offering of the Notes or the Closing Date on which the Trustee has received a certificate substantially in the form of Exhibit E-2 (the "Exchange Date"). To effect such exchange the Issuer shall execute and the Trustee shall authenticate a Permanent Regulation S Global Note, representing the principal amount of interests in the Temporary Regulation S Global Note initially exchanged for interests in the Permanent Regulation S Global Note. Such Permanent Regulation S Global Note shall be deposited with a custodian for, and registered in the name of, a nominee of DTC. Upon any exchange of interests in the Temporary Regulation S Global Note for interests in the Permanent Regulation S Global Note, the Transfer

Agent and Registrar shall endorse the Temporary Regulation S Global Note to reflect the reduction in the principal amount represented thereby by the amount so exchanged and shall endorse the Permanent Regulation S Global Note to reflect the corresponding increase in the amount represented thereby. The Temporary Regulation S Global Note or the Permanent Regulation S Global Note shall also be endorsed upon any cancellation of principal amounts upon surrender of interests in such Notes purchased by the Issuer or upon any repayment of the principal amount represented thereby in respect of such Notes.

(iii) Restricted Global Note to Temporary Regulation S Global Note During the Restricted Period. If, prior to the Exchange Date, a holder of a beneficial interest in the Restricted Global Note wishes at any time to exchange its interest in the Restricted Global Note for an interest in the Temporary Regulation S Global Note, or to transfer its interest in the Restricted Global Note to a Non-U.S. Person, in a transaction in compliance with Regulation S who wishes to take delivery thereof in the form of an interest in the Temporary Regulation S Global Note, such holder may, subject to this subsection 6(c) and the rules and procedures of DTC, exchange or cause the exchange or transfer of such interest for an equivalent beneficial interest in the Temporary Regulation S Global Note. Upon receipt by the Transfer Agent and Registrar of (1) instructions given in accordance with DTC's procedures from an agent member directing the Transfer Agent and Registrar to credit or cause to be credited a beneficial interest in the Temporary Regulation S Global Note in an amount equal to the beneficial interest in the Restricted Global Note to be exchanged or transferred, (2) a written order given in accordance with DTC's procedures containing information regarding the Euroclear or Clearstream account to be credited with such increase and the name of such account, and (3) a certificate in the form of Exhibit E-3 attached hereto given by the holder of such beneficial interest stating that the exchange or transfer of such interest has been made in compliance with the transfer restrictions applicable to the Notes and pursuant to and in accordance with Regulation S, the Transfer Agent and Registrar shall instruct DTC to reduce the Restricted Global Note by the aggregate principal amount of the beneficial interest in the Restricted Global Note to be so exchanged or transferred and the Transfer Agent and Registrar shall instruct DTC, concurrently with such reduction, to increase the principal amount of the Temporary Regulation S Global Note by the aggregate principal amount of the beneficial interest in the Restricted Global Note to be so exchanged or transferred, and to credit or cause to be credited to the account of the Person specified in such instructions (who shall be the agent member of Euroclear or Clearstream, or both, as the case may be) a beneficial interest in the Temporary Regulation S Global Note equal to the reduction in the principal amount of the Restricted Global Note.

(iv) Restricted Global Note to Permanent Regulation S Global Note After the Exchange Date. If, after the Exchange Date, a holder of a beneficial interest in the Restricted Global Note registered in the name of DTC or its nominee wishes at any time to exchange its interest in such Restricted Global Note for an interest in the Permanent Regulation S Global Note, or to transfer its interest in such Restricted Global Note to a Non-U.S. Person, in a transaction in compliance with Regulation S, who wishes to take delivery thereof in the form of an interest in the Permanent Regulation S Global Note, such holder may, subject to this subsection 6(c) and the rules and procedures of DTC, exchange or cause the exchange or transfer of such interest for an equivalent beneficial interest in the Permanent Regulation S Global Note. Upon receipt by the Transfer Agent and Registrar of (1) instructions given in accordance with DTC's procedures from an agent member directing the Transfer Agent and Registrar to credit or cause to be credited a beneficial interest in the Permanent Regulation S Global Note in an amount equal to the beneficial interest in the Restricted Global Note to be exchanged or transferred, (2) a written order given in accordance with DTC's procedures containing information regarding the account to be credited with such increase and (3) a certificate in the form of Exhibit E-4 attached hereto given by the holder of such beneficial interest stating that the exchange or transfer of such interest has been made in compliance with the transfer restrictions applicable to the Notes and pursuant to and in accordance with Regulation S, the Transfer Agent and Registrar shall instruct DTC to reduce the Restricted Global Note by the aggregate principal amount of the beneficial interest in the Restricted Global Note to be so exchanged or transferred and the Transfer Agent and Registrar shall instruct DTC, concurrently with such reduction, to increase the principal amount of the Permanent Regulation S Global Note by the aggregate principal amount of the beneficial interest in the Restricted Global Note to be so exchanged or transferred, and to credit or cause to be credited to the account of the Person specified in such instructions a beneficial interest in the Permanent Regulation S Global Note equal to the reduction in the principal amount of the Restricted Global Note.

(v) Temporary Regulation S Global Note to Restricted Global Note. If a holder of a beneficial interest in the Temporary Regulation S Global Note registered in the name of DTC or its nominee wishes at any time to exchange its interest in such Temporary Regulation S Global Note for an interest in the Restricted Global Note, or to transfer its interest in such Temporary Regulation S Global Note to a Person who wishes to take delivery thereof in the form of an interest in the Restricted Global Note, such holder may, subject to this subsection 6(c) and the rules and procedures of Euroclear or Clearstream and DTC, as the case may be, exchange or cause the exchange or transfer of such interest for an equivalent beneficial interest in the Restricted Global Note. Upon receipt by the Transfer Agent and Registrar of (1) instructions from Euroclear or Clearstream or DTC, as the case maybe, directing the

Transfer Agent and Registrar to credit or cause to be credited a beneficial interest in the Restricted Global Note equal to the beneficial interest in the Temporary Regulation S Global Note to be exchanged or transferred, such instructions to contain information regarding the agent member's account with DTC to be credited with such increase, and, with respect to an exchange or transfer of an interest in the Temporary Regulation S Global Note after the Exchange Date, information regarding the agent member's account with DTC to be debited with such decrease, and (2) with respect to an exchange or transfer of an interest in the Temporary Regulation S Global Note for an interest in the Restricted Global Note prior to the Exchange Date, a certificate in the form of Exhibit E-5 attached hereto given by the holder of such beneficial interest and stating that the Person transferring such interest in the Temporary Regulation S Global Note reasonably believes that the Person acquiring such interest in the Restricted Global Note is a QIB and is obtaining such beneficial interest in a transaction meeting the requirements of Rule 144A, Euroclear or Clearstream or the Transfer Agent and Registrar, as the case may be, shall instruct DTC to reduce the Temporary Regulation S Global Note by the aggregate principal amount of the beneficial interest in the Temporary Regulation S Global Note to be exchanged or transferred, and the Transfer Agent and Registrar shall instruct DTC, concurrently with such reduction, to increase the principal amount of the Restricted Global Note by the aggregate principal amount of the beneficial interest in the Temporary Regulation S Global Note to be so exchanged or transferred, and to credit or cause to be credited to the account of the Person specified in such instructions a beneficial interest in the Restricted Global Note equal to the reduction in the principal amount of the Temporary Regulation S Global Note.

(vi) Transfers of Interests in Permanent Regulation S Global Note. The Transfer Agent and Registrar shall register any transfer of interests in a Permanent Regulation S Global Note in accordance with Section 2.6 of the Base Indenture to U.S. Persons without requiring any additional certification; provided, however, that all other transfer restrictions set forth in this Section 6 shall remain in full force and effect and each such transferee shall be deemed to have made the representations and warranties set forth in subsection (d) below (but excluding the certification and opinion of counsel provisions of paragraph (1) thereof).

(d) Each transferee of a beneficial interest in a Global Note shall be deemed to have represented and agreed that:

(1) it either (A) (i) is a QIB, (ii) is aware that the sale to it is being made in reliance on Rule 144A and (iii) is acquiring the Notes for its own account or for the account of a QIB or (B) is a Non-U.S. Person and is not acquiring the Notes for the account or benefit of a U.S. Person and is purchasing the Notes in an offshore transaction within the meaning of Regulation S or (C) is acquiring the Notes pursuant to another exemption from the

registration requirements of the Securities Act and has furnished the Issuer and the Transfer Agent and Registrar any required certification and/or an opinion of counsel as to such exemption in form and substance satisfactory to Transfer Agent and Registrar;

(2) it understands and agrees that the Notes have not been and will not be registered under the Securities Act, and that, if in the future it decides to offer, resell, pledge or otherwise transfer such Notes, such Notes may be offered, sold, pledged or otherwise transferred only (a) to a Person who the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A and whom the transferor has notified that it may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A, (b) outside the United States to a Non-U.S. Person in a transaction meeting the requirements of Rule 903 or 904 of Regulation S, or (c) in a transaction otherwise exempt from the registration requirements of the Securities Act (based on an opinion of counsel if the Issuer or the Transfer Agent and Registrar so requests in form and substance satisfactory to Transfer Agent and Registrar) and, in each case, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction and in accordance with the restrictions set forth in the Series Supplement and the Notes;

(3) it will, and each subsequent holder is required to, notify any purchaser of Notes from it of the resale restrictions referred to above, if then applicable;

(4) it understands that the following legend will be placed on the Notes unless the Issuer determines otherwise in compliance with applicable law:

> THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION. THIS NOTE MAY BE RESOLD, PLEDGED OR TRANSFERRED ONLY (1) TO A PERSON THE TRANSFEROR REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A")) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) OUTSIDE THE UNITED STATES TO A NON U.S. PERSON (AS SUCH TERM IS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) IN A TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR (4) IN A TRANSACTION OTHERWISE EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER JURISDICTION AND BASED ON AN OPINION OF

COUNSEL IF THE ISSUER OR TRANSFER AGENT AND REGISTRAR SO REQUEST, IN EACH SUCH CASE, IN COMPLIANCE WITH THE INDENTURE AND ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY TRANSFEREE FROM IT OF THE RESALE RESTRICTIONS SET FORTH ABOVE.

BY ACQUIRING THIS NOTE, EACH PURCHASER WILL BE DEEMED TO HAVE REPRESENTED, WARRANTED AND COVENANTED EITHER THAT (A) IT IS NOT AN "EMPLOYEE BENEFIT PLAN" SUBJECT TO THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), A "PLAN" DESCRIBED IN SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, AN ENTITY DEEMED TO HOLD "PLAN ASSETS" OF ANY OF THE FOREGOING BY REASON OF INVESTMENT BY AN "EMPLOYEE BENEFIT PLAN" OR "PLAN" IN SUCH ENTITY, OR A GOVERNMENTAL PLAN SUBJECT TO APPLICABLE LAW THAT IS SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF ERISA OR SECTION 4975 OF THE CODE OR (B) ITS PURCHASE AND HOLDING OF THIS NOTE WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL PLAN, ANY SUBSTANTIALLY SIMILAR APPLICABLE LAW).

(5) it acknowledges that the Notes will be evidenced by Global Notes and that the foregoing restrictions apply to holders of beneficial interests in the Notes as well as to Holders of the Notes;

(6) it acknowledges that the Trustee, the Issuer, the initial purchasers or placement agents for the Notes and their Affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that if any of the acknowledgments, representations or agreements deemed to have been made by its purchase of such Notes is no longer accurate, it will promptly notify the Issuer and the initial purchasers or placement agents for the Notes in writing. If it is acquiring any Notes for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account; and

(7) it acknowledges that either (i) no part of the assets used by it to acquire the Notes constitutes assets of any employee benefit plan subject to ERISA, Section

4975 of the Code or any entity deemed to hold plan assets of any of the foregoing by reason of investment by an employee benefit plan or plan in the entity or (ii) its purchase and holding of the Notes will not, throughout the term of holding, constitute a non-exempt "prohibited transaction" under Section 406 of ERISA or Section 4975 of the Code by reason of the application of one or more statutory or administrative exemptions from such prohibited transaction rules or otherwise.

In addition, such transferee shall be responsible for providing additional information or certification, as shall be reasonably requested by the Trustee or Issuer, to support the truth and accuracy of the foregoing acknowledgments, representations and agreements, it being understood that such additional information is not intended to create additional restrictions on the transfer of the Notes.

(e) Other Transfers or Exchanges. In the event that a Global Note is exchanged for Notes in definitive registered form without interest coupons, pursuant to Section 2.18 of the Base Indenture, such Definitive Notes may be exchanged or transferred for one another only in accordance with such procedures as are substantially consistent with Section 2.18 of the Base Indenture and the provisions of Section 6 of this Series Supplement above (including the certification requirements intended to insure that such exchanges or transfers comply with Rule 144A or Regulation S, as the case may be) and as may be from time to time adopted by the Issuer and the Trustee, and such holder shall provide the Issuer and the Transfer Agent and Registrar with a certification to that effect (in substantially the form of Exhibit E-1 hereto) and, if requested by the Issuer or the Trustee, an opinion of counsel in form and substance acceptable to the Issuer and to the Transfer Agent and Registrar to the effect that such transfer is in compliance with the Securities Act, and the transferee of any such Note shall be deemed to have made the representations set forth in subsection (d) above other than the representation contained in paragraph (5) thereof.

SECTION 7. Article 5 of Base Indenture. Sections 5.1, 5.2, 5.3, 5.4, 5.5, 5.6, 5.7, 5.8, 5.9 and 5.10 of the Base Indenture shall be read in their entirety as provided in the Base Indenture. The following provisions, however, shall constitute part of Article 5 of the Indenture solely for purposes of Series 2002-B and shall be applicable only to the Notes (except as otherwise provided in the following provisions or in another Series Supplement):

ARTICLE 5

ALLOCATION AND APPLICATION OF COLLECTIONS

SECTION 5.11 Allocations.

(a) Allocations of Collections. On each day any Collections are deposited in the Collection Account, the Servicer shall, prior to the close of business on such day, make the following deposits from the Collection Account:

(i) Deposit into the Principal Account all Collections received in respect of Principal Receivables on such date (such deposit to be applied in accordance with the Indenture and subsection 5.15(b)); and

(ii) Deposit into the Finance Charge Account all Collections received in respect of Finance Charges, Recoveries, Investment Earnings or otherwise (but not in respect of Principal Receivables) on such date (such deposit to be applied in accordance with the Indenture and subsection 5.15(a)).

(b) Excess Funding Collections. Any Collections deposited into the Excess Funding Account pursuant to Section 5.15 or 5.20(e) shall be held in the Excess Funding Account and, prior to the commencement of the Rapid Amortization Period, shall be first applied in accordance with Section 5.17 and then paid, first, to the Servicer Letter of Credit Bank to the extent of any amounts payable thereto by the Issuer under the reimbursement agreement for the Servicer Letter of Credit and, second, to the Issuer, in each case, on any date (so long as the Coverage Test remains satisfied (or will be satisfied on such date through the use of such Collections to pay for Subsequently Purchased Receivables from one or more Sellers) and such payment and the application thereof shall not result in the occurrence of (1) a Pay Out Event for any Series, a Servicer Default or an Event of Default, or (2) in the case of Permissible Uses of the type described in clauses (ii) and (iii) of the definition thereof, an event or occurrence, which, with the passing of time or the giving of notice thereof, or both, would become a Pay Out Event for any Series, Servicer Default or an Event of Default) to the extent of (and to be used solely for) Permissible Uses on such date as determined by the Servicer; provided, however, that if an Accumulation Period or an Amortization Period commences with respect to any Series, any funds on deposit in the Excess Funding Account shall be first applied in accordance with Section 5.17 and then released from the Excess Funding Account, deposited in the Principal Account and treated as Shared Principal Collections to the extent needed to cover principal payments due to such Series; provided, however, that $10,000 shall remain on deposit in the Excess Funding Account for use to pay expenses of the Issuer not prohibited by the Transaction Documents, as determined by the Servicer.

SECTION 5.12 Determination of Monthly Interest. The amount of monthly interest payable on the Notes shall be determined as of each Determination Date and shall be an amount equal to the product of (i)(A) a fraction, the numerator of which is the actual number of days in the related Interest Period and the denominator of which is 360, times (B) the weighted average Note Rate in effect with respect to the related Interest Period, and (ii) the average daily outstanding principal balance of the Notes during such Interest Period (the "Monthly Interest"); provided, however, that in addition to Monthly Interest, an amount equal to the sum of (i) the amount of any unpaid Deficiency Amount, as defined below and (ii) an amount equal to the product (such product being herein called the "Additional Interest") of (A) a fraction, the numerator of which is the actual number of days in the related Interest Period and the denominator of which is 360, times (B) a rate equal to 2% per annum over the Note Rate in effect with respect to the related Interest Period, times

(C) any Deficiency Amount, as defined below (or the portion thereof which has not theretofore been paid to Noteholders) shall also be payable to the Noteholders. The "Deficiency Amount" for any Determination Date shall be equal to the excess, if any, of (x) the sum of the Monthly Interest, the Additional Interest and the Deficiency Amount as determined pursuant to the preceding sentence for the Interest Period ended immediately prior to the preceding Payment Date, over (y) the amount actually paid in respect thereof on the preceding Payment Date; provided, that the Deficiency Amount on the initial Determination Date shall be zero.

SECTION 5.13. Determination of Monthly Principal. The amount on deposit in the Principal Account allocable to the repayment of principal of the Notes shall be determined as of each Series Transfer Date ("Monthly Principal"), beginning with the first Series Transfer Date occurring after the Controlled Amortization Period or the Rapid Amortization Period begins, and shall be equal to the lesser of (i) the Available Investor Principal Collections on deposit in the Principal Account on such Series Transfer Date, (ii) the Investor Interest (after taking into account any adjustments to be made on such Series Transfer Date pursuant to Section 5.16) on such Series Transfer Date and (iii) during the Controlled Amortization Period, the Controlled Distribution Amount.

SECTION 5.14. Coverage of Required Amount.

(a) On or before each Series Transfer Date, the Servicer shall determine the amount (the "Required Amount"), if any, by which an amount equal to the sum of (i) the Monthly Interest for such Series Transfer Date, plus (ii) the Deficiency Amount, if any, for such Series Transfer Date, plus (iii) the Additional Interest, if any, for such Series Transfer Date, plus (iv) the Investor Percentage of the Trustee and Back-Up Servicer Fees and Expenses for such Series Transfer Date, plus (v) the Investor Percentage of the Servicing Fee for the prior Monthly Period, plus (vi) any amounts described in clauses (iv) and (v) above that were due but not paid on any prior Series Transfer Date, plus (vii) the Aggregate Investor Default Amount, if any, for the prior Monthly Period exceeds the Available Funds for the related Monthly Period.

(b) In the event that the Required Amount for such Series Transfer Date is greater than zero, (i) the Servicer shall give written notice to the Trustee of such positive Required Amount on or before such Series Transfer Date, and (ii) to the extent available in each case, the Required Amount shall be paid first from the Finance Charge Account, and second from the Excess Funding Account on such Series Transfer Date pursuant to subsection 5.17(a).

SECTION 5.15. Monthly Payments. On or before each Series Transfer Date, the Servicer shall instruct the Trustee in writing (which writing shall be substantially in the form of the Monthly Servicer Report attached as Exhibit A to the Servicing Agreement) to withdraw, and the Trustee, acting in accordance with such instructions, shall withdraw on such Series Transfer Date or the related Payment Date, as applicable, to the extent of the funds credited to the relevant accounts, the amounts in respect of the Notes required to be withdrawn from the Finance Charge Account, the Principal Account, the Payment Account and the Cash Reserve Account as follows:

(a) An amount equal to the Available Funds deposited into the Finance Charge Account for the related Monthly Period shall be distributed on each Series Transfer Date in the following priority:

(i) first, an amount equal to the Investor Percentage of the Trustee and Back-Up Servicer Fees and Expenses for such Series Transfer Date (plus the Investor Percentage of any Trustee and Back-Up Servicer Fees and Expenses due but not paid to the Trustee on any prior Series Transfer Date) shall be paid to the Trustee and, second, an amount equal to Monthly Interest for such Series Transfer Date, plus the amount of any Deficiency Amount for such Series Transfer Date, plus the amount of any Additional Interest for such Series Transfer Date shall be deposited by the Trustee into the Payment Account for distribution to the Class A Noteholders, Class B Noteholders and Class C Noteholders (based on the amounts payable thereto determined in accordance with the respective Note Rates and distributed on a pari passu basis) on the related Payment Date (the "Required Interest Distribution");

(ii) an amount equal to the Investor Percentage of the Servicing Fee for such Series Transfer Date (plus the Investor Percentage of any Servicing Fee due but not paid to the Servicer on any prior Series Transfer Date) shall be paid to the Servicer;

(iii) an amount equal to the Aggregate Investor Default Amount, if any, for the preceding Monthly Period shall be treated as a portion of Investor Principal Collections and deposited into the Principal Account on such Series Transfer Date;

(iv) an amount equal to the excess, if any, of the Cash Reserve Account Required Amount over the amount already on deposit in the Cash Reserve Account shall be deposited into the Cash Reserve Account;

(v) to the extent the Available Issuer Interest is greater than zero (after giving effect to all other reductions thereof on such date and the payment pursuant to this clause (v) and the corresponding provision of each other Series Supplement), an amount equal to the Investor Percentage of any amounts payable to the Servicer Letter of Credit Bank by the Issuer under the reimbursement agreement for the Servicer Letter of Credit shall be paid to the Servicer Letter of Credit Bank;

(vi) to the extent the Available Issuer Interest is greater than zero (after giving effect to all other reductions thereof on such date and the payment pursuant to this clause (vi) and the corresponding provision of each other Series Supplement), an amount equal to the Investor Percentage of any unreimbursed expenses of the Trustee shall be paid to the Trustee; and

(vii) the balance, if any, shall constitute Excess Spread and shall be allocated and distributed as set forth in Section 5.17.

(b) During the Revolving Period (unless the next Business Day after such Series Transfer Date is the Scheduled Pay Out Commencement Date), an amount equal to the Available Investor Principal Collections deposited into the Principal Account for the related Monthly Period shall be distributed on each Series Transfer Date in the following priority:

(i) an amount, not in excess of the Principal Reallocation Amount, to pay or deposit any amounts described in clauses (a)(i), (ii), (iv), (v) and (vi) above (in such order) that remain unpaid or undeposited after giving effect to the application of funds, pursuant to clause (a) above;

(ii) an amount equal to the lesser of (A) the product of (1) a fraction, the numerator of which is equal to the Available Investor Principal Collections remaining after the application specified in paragraph 5.15(b)(i) above and the denominator of which is equal to the sum of the portion of the "Available Investor Principal Collections" for each Series that are available for sharing as specified in the related Series Supplement and (2) the Cumulative Series Principal Shortfall, if any, and (B) Available Investor Principal Collections remaining after the application specified in paragraph 5.15(b)(i) above, shall remain in the Principal Account to be treated as Shared Principal Collections and applied to Series other than this Series 2002-B; and

(iii) the balance, if any, shall be deposited into the Excess Funding Account.

(c)(A) During the Controlled Amortization Period (or if the next Business Day after such Series Transfer Date is the Scheduled Pay Out Commencement Date), an amount equal to the Available Investor Principal Collections deposited into the Principal Account for the related Monthly Period shall be distributed on each Series Transfer Date in the following priority:

(i) an amount equal to the Monthly Principal for such Series Transfer Date shall be deposited into the Payment Account;

(ii) an amount, not in excess of the Principal Reallocation Amount, to pay or deposit any amounts described in clauses(a)(i), (ii), (iv) and (v) above (in such order) that remain unpaid or undeposited after giving effect to the application of funds, pursuant to clause (a) above;

(iii) an amount equal to the lesser of (A) the product of (1) a fraction, the numerator of which is equal to the Available Investor Principal Collections remaining

after the application specified in paragraphs 5.15(c)(A)(i) and (ii) above and the denominator of which is equal to the sum of the "Available Investor Principal Collections" for each Series that are available for sharing as specified in the related Series Supplement and (2) the Cumulative Series Principal Shortfall, if any, and (B) the Available Investor Principal Collections remaining after the application specified in paragraphs 5.15(c)(A)(i) and (ii) above, shall remain in the Principal Account to be treated as Shared Principal Collections and applied to Series other than this Series 2002-B; and

(iv) the balance, if any, shall be deposited into the Excess Funding Account.

(B) During the Rapid Amortization Period, an amount equal to the Available Investor Principal Collections deposited into the Principal Account for the related Monthly Period shall be distributed on each Series Transfer Date in the following priority:

(i) an amount equal to the Monthly Principal for such Series Transfer Date shall be deposited into the Payment Account;

(ii) an amount, not in excess of the Principal Reallocation Amount, to pay or deposit any amounts described in clauses(a)(i), (ii), (iv) and (v) above (in such order) that remain unpaid or undeposited after giving effect to the application of funds, pursuant to clause (a) above;

(iii) an amount equal to the lesser of (A) the product of (1) a fraction, the numerator of which is equal to the Available Investor Principal Collections remaining after the application specified in paragraphs 5.15(c)(B)(i) and (ii) above and the denominator of which is equal to the sum of the "Available Investor Principal Collections" for each Series that are available for sharing as specified in the related Series Supplement and (2) the Cumulative Series Principal Shortfall, if any, and (B) the Available Investor Principal Collections remaining after the application specified in paragraphs 5.15(c)(B)(i) and (ii) above, shall remain in the Principal Account to be treated as Shared Principal Collections and applied to Series other than this Series 2002-B; and

(iv) the balance, if any, shall be deposited into the Excess Funding Account.

(d) On each Payment Date, the Trustee, acting in accordance with instructions from the Servicer, shall pay to the Noteholders (based on the amounts payable thereto determined in accordance with the respective Note Rates and distributed on a pari passu basis) the amount deposited into the Payment Account pursuant to paragraph 5.15(a)(i) (including, without limitation,

indirectly pursuant to paragraphs 5.15(b)(i) and (c)(ii) above) on the immediately preceding Series Transfer Date.

(e) On the first Payment Date occurring after the Controlled Amortization Period or the Rapid Amortization Period begins, and on each Payment Date thereafter, the Trustee, acting in accordance with instructions from the Servicer, shall pay the amount deposited into the Payment Account pursuant to paragraph 5.15(c) on the immediately preceding Series Transfer Date to the following Persons or accounts (as the case may be) in the following priority:

(i) to the Class A Noteholders, an amount equal to the least of (A) the Monthly Principal, (B) the Class A Note Principal and (C) during the Controlled Amortization Period, the Class A Controlled Distribution Amount (the "Required Class A Principal Distribution");

(ii) to the Class B Noteholders, an amount equal to the least of (A) the Monthly Principal minus the amount distributed pursuant to clause (i) above, (B) the Class B Note Principal and (C) during the Controlled Amortization Period, the Class B Controlled Distribution Amount (the "Required Class B Principal Distribution");

(iii) to the Class C Noteholders, an amount equal to the least of (A) the Monthly Principal minus the amount distributed pursuant to clauses (i) and (ii) above, (B) the Class C Note Principal and (C) during the Controlled Amortization Period, the Class C Controlled Distribution Amount (the "Required Class C Principal Distribution");

(iv) to the Noteholders, any other amounts (including, without limitation, accrued and unpaid interest) payable thereto pursuant to any Transaction Document;

(v) to the extent the Available Issuer Interest is greater than zero (after giving effect to all other reductions thereof on such date and the payment pursuant to this clause (v) and the corresponding provision of each other Series Supplement), to the Trustee to pay unreimbursed expenses of the Trustee; and

(vi) the balance, if any, shall be deposited into the Excess Funding Account.

(f) On any Redemption Date, the amounts required to be on deposit in the Payment Account pursuant to Section 4, shall be paid to the following Persons:

(i) to the Class A Noteholders, the Class A Note Principal;

(ii) to the Class B Noteholders, the Class B Note Principal;

(iii) to the Class C Noteholders, the Class C Note Principal; and

(iv) to the Noteholders, any other amounts (including, without limitation, accrued and unpaid interest) payable thereto pursuant to the Note Purchase Agreement.

(g) On each Payment Date, the Trustee, acting in accordance with instructions from the Servicer, shall pay the amount on deposit in the Cash Reserve Account to the following Persons in the following priority:

(i) to the Noteholders (based on the amounts payable thereto determined in accordance with the respective Note Rates and distributed on a pari passu basis), an amount equal to the excess, if any, of (A) the Required Interest Distributions over (B) the amount distributed thereto pursuant to subsection 5.15(d) ;

(ii) during the Controlled Amortization Period or the Rapid Amortization Period, to the Class A Noteholders, an amount equal to the excess, if any, of (A) the Required Class A Principal Distributions over (B) the amount distributed thereto pursuant to paragraph 5.15(e)(i);

(iii) during the Controlled Amortization Period or the Rapid Amortization Period, to the Class B Noteholders, an amount equal to the excess, if any, of (A) the Required Class B Principal Distributions over (B) the amount distributed thereto pursuant to paragraph 5.15(e)(ii); and

(iv) during the Controlled Amortization Period or the Rapid Amortization Period, to the Class C Noteholders, am amount equal to the excess, if any, of (A) the Required Class C Principal Distributions over (B) the amount distributed thereto pursuant to paragraph 5.15(e)(iii).

SECTION 5.16. Investor Charge-Offs.

(a) On or before each Series Transfer Date, the Servicer shall calculate the Aggregate Investor Default Amount. If, on any Series Transfer Date, the Aggregate Investor Default Amount exceeds the aggregate amount to be distributed with respect thereto for the relevant Monthly Period pursuant to subsection 5.15(a)(iii) and Section 5.17(a), the Investor Interest shall be reduced by the amount of such excess, but only to the extent such excess exceeds the Investor Percentage (determined with regard to only (and only to the extent of) those Series with respect to which the "Investor Interest" is being so reduced with respect to Defaulted Receivables during such Monthly Period) of the Available Issuer Interest (such reduction, an "Investor Charge-Off"). The Investor

Interest shall thereafter be reimbursed on any Series Transfer Date by the amount of Excess Spread and funds on deposit in the Excess Funding Account allocated and available for such purpose pursuant to subsection 5.17(b).

(b) Except as otherwise expressly provided herein, if losses and investment expenses attributable to the investment of amounts on deposit in any Trust Account or any Series Account exceed interest and investment earnings in respect of such amounts during any Monthly Period, the net losses and expenses shall be allocated first to the Issuer Interest and second between the "Investor Interests" of all outstanding Series, in the same proportion that losses in respect of Principal Receivables are so allocated for such Monthly Period.

SECTION 5.17. Allocation of Excess Amounts. On or before each Series Transfer Date, the Trustee, acting pursuant to the Servicer's instructions, shall apply Excess Spread in the Finance Charge Account and to the extent necessary (to cover amounts described in clauses (a) and (b) below) transfer funds from the Excess Funding Account (after giving effect to the deposits to be made therein on such date) to the Finance Charge Account in order to make the following distributions on each Series Transfer Date (in the following order of priority) for the related Monthly Period:

(a) an amount equal to the Required Amount, if any, with respect to such Series Transfer Date will be used to fund such Required Amount and be applied in accordance with, and in the priority set forth in, subsection 5.15(a);

(b) an amount equal to the aggregate amount by which the Investor Interest has been reduced on previous Series Transfer Dates (but has not been reimbursed) for reasons other than a reduction of the Required Reserve Amount and/or the payment of principal to the Noteholders will be treated as a portion of Investor Principal Collections and deposited into the Principal Account on such Series Transfer Date; and

(c) any remaining Excess Spread shall be treated as a portion of Investor Principal Collections and deposited into the Principal Account on such Series Transfer Date.

To the extent that there are insufficient funds in the Excess Funding Account to make all payments required under subsections 5.17(a) and (b) above and under the corresponding provisions for each other Series, the amount on deposit in the Excess Funding Account shall be allocated to each Series on a pro rata basis (based on the "Investor Interest" of each such Series).

SECTION 5.18. Servicer's Failure to Make a Deposit or Payment. If the Servicer fails to make, or give instructions to make, any payment, deposit or withdrawal (other than as required by subsection 12.4(a) and Section 12.1) required to be made or given by the Servicer at the time specified in the Base Indenture or this Series Supplement (including applicable grace periods), the Trustee shall make such payment, deposit or withdrawal from the applicable account without

instruction from the Servicer. The Trustee shall be required to make any such payment, deposit or withdrawal hereunder only to the extent that the Trustee has sufficient information to allow it to determine the amount thereof. The Servicer shall, upon request of the Trustee, promptly provide the Trustee with all information necessary to allow the Trustee to make such payment, deposit or withdrawal. Such funds or the proceeds of such withdrawal shall be applied by the Trustee in the manner in which such payment or deposit should have been made by the Servicer.

SECTION 5.19. Shared Principal Collections.

(a) The portion of Shared Principal Collections allocable to Series 2002-B on deposit in the Principal Account on any Series Transfer Date shall be treated and applied as an Available Investor Principal Collection pursuant to Section 5.15.

(b) "Shared Principal Collections allocable to Series 2002-B" on any Series Transfer Date means an amount equal to the Series Principal Shortfall, if any, with respect to Series 2002-B on such Series Transfer Date; provided, however, that if the aggregate amount of Shared Principal Collections for all Series for such Series Transfer Date is less than the Cumulative Series Principal Shortfall for such Series Transfer Date, then "Shared Principal Collections allocable to Series 2002-B" on such Series Transfer Date shall equal the product of (i) Shared Principal Collections for all Series for such Series Transfer Date and (ii) a fraction, the numerator of which is the Series Principal Shortfall with respect to Series 2002-B and the denominator of which shall be the aggregate amount of "Cumulative Series Principal Shortfall" for all Series for such Series Transfer Date.

(c) Solely for the purpose of determining the amount of Available Investor Principal Collections to be treated as Shared Principal Collections on any Series Transfer Date allocable to other Series, on each Determination Date, the Servicer shall determine the Required Amount and Excess Spread as of such Determination Date for the following Series Transfer Date.

SECTION 5.20. Cash Reserve Account.

(a) The Servicer has established and maintained and shall continue to maintain, with a Qualified Institution, in the name of the Trustee, on behalf of the Issuer, for the benefit of the Secured Parties in Series 2002-B, a segregated trust account (the "Cash Reserve Account"), bearing a designation clearly indicating that the funds deposited therein are held for the benefit of such Secured Parties. The Trustee shall possess all right, title and interest in all funds on deposit from time to time in the Cash Reserve Account and in all proceeds thereof. The Cash Reserve Account shall be under the sole dominion and control of the Trustee for the benefit of the Secured Parties in Series 2002-B, and the Trustee shall be the entitlement holder of the Cash Reserve Account. If at any time the institution holding the Cash Reserve Account ceases to be a Qualified Institution, the Trustee shall notify the Rating Agency and within 10 Business Days establish a new Cash Reserve Account meeting the conditions specified above with a Qualified Institution, and shall transfer any cash or any

investments to such new Cash Reserve Account. The Trustee, at the direction of the Servicer, shall (i) make withdrawals from the Cash Reserve Account from time to time in accordance with subsection 5.15(g) and (ii) make deposits into the Cash Reserve Account as specified in paragraph 5.15(a)(iv).

(b) Funds on deposit in the Cash Reserve Account shall be invested by the Trustee (at the Servicer's written direction) in Permitted Investments. Funds on deposit in the Cash Reserve Account on any Payment Date, after giving effect to any withdrawals that day, shall be invested in Permitted Investments that will mature so that such funds will be available for withdrawal on or before the next Payment Date. The Trustee shall:

(i) hold each Permitted Investment (other than such as are described in clause (c) of the definition thereof) that constitutes investment property through a securities intermediary, which securities intermediary shall (I) agree that such investment property shall at all times be credited to a securities account of which the Trustee is the entitlement holder, (II) comply with entitlement orders originated by the Trustee without the further consent of any other person or entity, (III) agree that all property credited to such securities account shall be treated as a financial asset, (IV) waive any lien on, security interest in, or right of set-off with respect to any property credited to such securities account, and (V) agree that its jurisdiction for purposes of Section 8-110 and Section 9-305(a)(3) of the UCC shall be New York, and that such agreement shall be governed by the laws of the State of New York; and

(ii) maintain for the benefit of the Secured Parties relating to Series 2002-B, possession or control of each other Permitted Investment (including any negotiable instruments, if any, evidencing such Permitted Investments) not described in clause (i) above (other than such as are described in clause (c) of the definition thereof); provided that no Permitted Investment shall be disposed of prior to its maturity date if such disposition would result in a loss. Terms used in clause (i) above that are defined in the New York UCC and not otherwise defined herein shall have the meaning set forth in the New York UCC.

(c) All interest and earnings (net of losses and investment expenses) accrued on funds on deposit in the Cash Reserve Account shall be treated as Investment Earnings.

(d) On the Closing Date, the Trustee, on behalf of the Issuer, shall deposit $8,000,000 into the Cash Reserve Account from the net proceeds of the sale of the Notes.

(e) Amounts on deposit in the Cash Reserve Account on any Payment Date (after giving effect to distributions therefrom pursuant to Section 5.15(g)) in excess of the Cash Reserve Account Required Amount shall be deposited by the Trustee, at the direction of the Servicer, into the Excess Funding Account.

SECTION 5.21. Excess Funding Account.

(a) The Servicer has established and maintained and shall continue to maintain, with a Qualified Institution, in the name of the Trustee, on behalf of the Issuer, for the benefit of the Secured Parties, a segregated trust account (the "Excess Funding Account"), bearing a designation clearly indicating that the funds deposited therein are held for the benefit of such Secured Parties. The Trustee shall possess all right, title and interest in all funds on deposit from time to time in the Excess Funding Account and in all proceeds thereof. The Excess Funding Account shall be under the sole dominion and control of the Trustee for the benefit of the Secured Parties, and the Trustee shall be the entitlement holder of the Excess Funding Account. If at any time the institution holding the Excess Funding Account ceases to be a Qualified Institution, the Trustee shall notify the Rating Agency and within ten (10) Business Days establish a new Excess Funding Account meeting the conditions specified above with a Qualified Institution, and shall transfer any cash or any investments to such new Excess Funding Account. The Trustee, at the direction of the Servicer, shall (i) make withdrawals from the Excess Funding Account from time to time for the purposes set forth in subsection 5.11(b) and any comparable provision of any other Series Supplement and (ii) make deposits into the Excess Funding Account as specified in subsections 5.11(b) and 5.20(e) and any comparable provision of any other Series Supplement.

(b) Funds on deposit in the Excess Funding Account shall be invested by the Trustee (at the Servicer's written discretion) in Permitted Investments. Funds on deposit in the Excess Funding Account on any Series Transfer Date, after giving effect to any withdrawals that day, shall be invested in Permitted Investments that will mature so that such funds will be available for withdrawal on or before the next Series Transfer Date. The Trustee shall:

(i) hold each Permitted Investment (other than such as are described in clause (c) of the definition thereof) that constitutes investment property through a securities intermediary, which securities intermediary shall (I) agree that such investment property shall at all times be credited to a securities account of which the Trustee is the entitlement holder, (II) comply with entitlement orders originated by the Trustee without the further consent of any other person or entity, (III) agree that all property credited to such securities account shall be treated as a financial asset, (IV) waive any lien on, security interest in, or right of set-off with respect to any property credited to such securities account, and (V) agree that its jurisdiction for purposes of Sections 8-110 and Section 9-305(a)(3) of the UCC shall be New York, and that such agreement shall be governed by the laws of the State of New York; and

(ii) maintain for the benefit of the Secured Parties, possession or control of each other Permitted Investment (including any negotiable instruments, if any, evidencing such Permitted Investments) not described in clause (i) above (other than such as are described in clause (c) of the definition thereof); provided that no

Permitted Investment shall be disposed of prior to its maturity date if such disposition would result in a loss. Terms used in clause (i) above that are defined in the New York UCC and not otherwise defined herein shall have the meaning set forth in the New York UCC.

(c) All interest and earnings (net of losses and investment expenses) accrued on funds on deposit in the Excess Funding Account to the extent allocable to this Series shall be treated as Collections, deposited into the Finance Charge Account and applied in accordance with the Indenture.

SECTION 8. Article 6 of the Base Indenture. Article 6 of the Base Indenture shall read in its entirety as follows and shall be applicable only to the Noteholders:

ARTICLE 6

DISTRIBUTIONS AND REPORTS

SECTION 6.1 Distributions.

(a) On each Payment Date, the Trustee shall distribute (in accordance with the Monthly Servicer Report delivered by the Servicer on or before the related Series Transfer Date pursuant to subsection 2.09(a) of the Servicing Agreement) to each Noteholder of record on the immediately preceding Record Date (other than as provided in Section 12.5 respecting a final distribution), such Noteholder's pro rata share (based on the aggregate Investor Interests represented by the Notes held by such Noteholder) of the amounts on deposit in the Payment Account that are payable to the Noteholders pursuant to Section 5.15 by wire transfer to an account designated by such Noteholders, except that, with respect to Notes registered in the name of the nominee of a Clearing Agency, such distribution shall be made in immediately available funds.

(b) Notwithstanding anything to the contrary contained in the Base Indenture or this Series Supplement, if the amount distributable in respect of principal on the Notes on any Payment Date is less than one dollar, then no such distribution of principal need be made on such Payment Date.

SECTION 6.2 Monthly Noteholders' Statement.

(a) On or before each Payment Date, the Trustee shall forward to each Noteholder, with respect to each Noteholder's interest and to the applicable Rating Agency and each Notice Person a statement substantially in the form of Exhibit D hereto prepared by the Servicer and delivered to the Trustee on the preceding Determination Date and setting forth, among other things, the following information:

(i) the total amount distributed to Class A Noteholders, Class B Noteholders and Class C Noteholders;

(ii) the amount of such distribution allocable to Monthly Principal;

(iii) the amount of such distribution allocable to Trustee and Back-Up Servicer Fees and Expenses, Monthly Interest, Deficiency Amounts and Additional Interest, respectively;

(iv) the amount of Collections of Principal Receivables received during the related Monthly Period and allocated in respect of the Notes;

(v) the amount of Recoveries, premium refunds and Collections of Finance Charges received during the related Monthly Period and allocated in respect of the Notes;

(vi) the aggregate Outstanding Principal Balance of the Receivables, the Issuer Interest, the Investor Interest, the Floating Investor Percentage and the Fixed Investor Percentage as of the end of the preceding Monthly Period;

(vii) the aggregate Outstanding Principal Balance of Receivables, including earned and unearned Finance Charges, but excluding bankrupt accounts and accounts in repossession, which were 1-30 days, 31-60 days, 61-90 days, 91-120 days, 121-180 days and more than 180 days delinquent, respectively, as of the end of the preceding Monthly Period;

(viii) the Net Portfolio Yield, Gross Loss Rate and the Aggregate Investor Default Amount as of the end of the preceding Monthly Period;

(ix) the aggregate amount of Investor Charge-Offs and other reductions in the absence of principal distributions on the Investor Interests for such Series Transfer Date;

(x) the aggregate amount of Investor Charge-Offs and other reductions in the absence of principal distributions on the Investor Interests deemed to have been reimbursed on such Series Transfer Date;

(xi) the Class A Note Principal, the Class B Note Principal and the Class C Note Principal, as of the end of the day on the Payment Date;

(xii) the average daily balance of the Class A Notes, Class B Notes and Class C Notes for the related Interest Period;

(xiii) the amount of the Servicing Fee and the Investor Percentage of the Servicing Fee for such Series Transfer Date;

(xiv) the Note Rate for the Interest Period ending on the day before such Payment Date;

(xv) the amount of Available Funds on deposit in the Finance Charge Account on the related Series Transfer Date;

(xvi) the date on which the Rapid Amortization Period commenced, if applicable;

(xvii) the Cash Option Amount, if any;

(xviii) the Minimum Issuer Interest, Available Issuer Interest and Aggregate Net Investor Charge-Offs, if any, as of the end of the preceding Monthly Period;

(xix) the aggregate Outstanding Principal Balance of all Receivables the final maturity date of which has been extended by up to six months, more than six months to twelve months and more than twelve months, respectively, as of the end of the preceding Monthly Period;

(xx) the aggregate amount of reductions of the Outstanding Principal Balance of the Receivables as a result of cancellations of service maintenance contracts and credit insurance during the related Monthly Period; and

(xxi) the aggregate Outstanding Principal Balance of all Receivables any Obligor of which is an Opportunity Customer as of the end of the preceding Monthly Period.

(b) Annual Noteholders' Tax Statement. To the extent required by the Code, on or before January 31 of each calendar year, beginning with the calendar year 2003, the Trustee shall distribute to each Person who at any time during the preceding calendar year was a Noteholder, a statement prepared by the Trustee containing the information required to be contained in the regular monthly report to Noteholders, as set forth in subclauses (i), (ii) and (iii) above, aggregated for such calendar year or the applicable portion thereof during which such Person was a Noteholder, together with such other customary information (consistent with the treatment of the Notes as debt). Such obligations of the Trustee shall be deemed to have been satisfied to the extent that substantially comparable information shall be provided by the Trustee pursuant to any requirements of the Code as from time to time in effect.

SECTION 9. Series 2002-B Pay Out Events. If any one of the following events (a "Series 2002-B Pay Out Event") shall occur with respect to the Notes:

(a) failure on the part of the Issuer (i) to pay any amount described in clauses (i)-(vi) of the definition of Required Amount or to make any payment or deposit required by the terms of this Series Supplement, the Note Purchase Agreement or any other Transaction Document, on or before the date two (2) Business Days after the date on which such payment or deposit is required to be made herein or therein (or, in the case of a deposit to be made with respect to any Monthly Period, by the related Payment Date), or (ii) duly to observe or perform in any respect any other covenants or agreements of the Issuer set forth in this Series Supplement, the Note Purchase Agreement or any other Transaction Document which failure, solely in the case of this clause (ii), continues unremedied for a period of thirty (30) Business Days after the Issuer has knowledge thereof, or after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Issuer by the Servicer or any Noteholder; provided, however, that a Series 2002-B Pay Out Event pursuant to this Section 9(a) shall not be deemed to have occurred hereunder if such Series 2002-B Pay Out Event is the result of a breach of a representation, warranty, statement or certificate with respect to any Receivable, and the Servicer has received a Deemed Collection in connection therewith, in an amount equal to the Outstanding Principal Balance of such Receivable and all accrued and unpaid interest thereon for application in accordance with Article 5 of the Base Indenture as modified by this Series Supplement;

(b) any representation or warranty made by the Issuer in this Series Supplement, the Note Purchase Agreement or any other Transaction Document or any information delivered by the Issuer pursuant thereto shall prove to have been incorrect in any respect when made or when delivered which, solely to the extent such incorrect representation or warranty may be cured without any actual or potential detriment to any Secured Party, continues unremedied for a period of thirty (30) Business Days after the date on which the Issuer has knowledge thereof or on which written notice thereof, requiring the same to be remedied, shall have been given to the Issuer by the Servicer or any Noteholder; provided, however, that a Series 2002-B Pay Out Event pursuant to this Section 9(b) shall not be deemed to have occurred hereunder if such Series 2002-B Pay Out Event is the result of a breach of a representation, warranty, statement or certificate with respect to any Receivable, and the Servicer has received a Deemed Collection in connection therewith, in an amount equal to the Outstanding Principal Balance of such Receivable and all accrued and unpaid interest thereon for application in accordance with Article 5 of the Base Indenture as modified by this Series Supplement;

(c) the Issuer, any Seller, the Initial Seller or CAI shall become the subject of any Event of Bankruptcy or voluntarily suspend payment of its obligations; or the Issuer shall become unable for any reason (other than by reason of a determination by one or more Sellers not to sell receivables to the Issuer pursuant to the Purchase Agreement) to pledge Receivables to the Trustee in accordance with the provisions of this Series Supplement;

(d) the Issuer, any Seller, the Initial Seller or CAI shall become an "investment company" within the meaning of the Investment Company Act of 1940, as amended;

(e) any Servicer Default (other than a Servicer Default specified in clause (e), (h), (i) or (j) of Section 2.04 of the Servicing Agreement) shall occur, or a Servicer Default specified in clause (e), (h), (i) or (j) of Section 2.04 of the Servicing Agreement shall occur and not be cured within ten (10) days after the earlier of discovery by the Servicer or the date on which written notice of such Servicer Default, requiring the same to be remedied, shall have been given to the Servicer by the Issuer or any Noteholder;

(f) on the close of the Issuer's business on the last day of any Monthly Period, the Net Portfolio Yield averaged over any three consecutive Monthly Periods is less than 2.00%;

(g) an Event of Default;

(h) on any date of determination, the Gross Loss Rate shall be equal to or exceed 10.0% on a rolling three-month average basis;

(i) a "Pay Out Event" occurs under any other Series (unless such Pay Out Event is solely as a result of an "Enhancement Provider Default" under such other Series or the downgrade of the rating of the "Enhancement Provider" of such other Series) resulting in the commencement of a "Rapid Amortization Period" for such other Series;

(j) at any time CAI is the Servicer, any event of default (not cured or waived within ten (10) Business Days) under (A) the Retailer Credit Agreement, (B) any inventory financing agreement between any lender and the Servicer, the Parent, any Seller or the Initial Seller, or (C) any indenture, credit or loan agreement or other agreement or instrument of any kind pursuant to which Indebtedness of the Servicer, the Parent, any Seller or the Initial Seller in an aggregate principal amount in excess of $1,000,000 is outstanding or by which the same is evidenced, shall have occurred and be continuing;

(k) the Trustee shall, for any reason, fail or cease to have a valid and perfected first priority security interest in the Receivables and Related Security, and any other Issuer assets in the Trust Estate free and clear of any Adverse Claims (and, solely with respect to the Collections and proceeds with respect to the foregoing or other proceeds of any item of collateral described above, to the extent provided in Section 9-315 of the UCC);

(l) the Coverage Test is not satisfied or the Required Reserve Amount cannot increase as a result of the limitation in the second proviso in the definition thereof and in either case such condition continues unremedied for three (3) Business Days;

(m) the imposition of (i) non de-minimis tax liens against the Issuer, (ii) tax liens against any Seller or the Initial Seller unless such lien would not have a Material Adverse Effect and has been released within thirty (30) days of the earlier of (a) the date such Seller or the Initial Seller has knowledge of the imposition of such tax lien or (b) the date on which such Seller or the Initial Seller receives notice of the imposition of such tax lien, and (iii) ERISA liens against the Issuer, the Initial Seller or any Seller;

(n) there shall have occurred a Change in Control;

(o) the Servicer shall become unable for any reason to transfer the Collections on, or other proceeds of, Receivables to the Issuer in accordance with the provisions of this Series Supplement;

(p) the occurrence and continuation of a Purchase Termination Event under and as defined in the Purchase Agreement; or

(q) the failure of the Issuer to pay when due any amount due with respect to any Indebtedness to which it is a party (other than Issuer Obligations);

then, (i) in the case of any event described in subparagraph (a), (b), (e), (h), (j), (k), (l), (m), (n), (p) or (q) after the applicable grace period, if any, set forth in such subparagraphs, Holders of Notes (voting together without regard to class) representing at least 51% of the aggregate Note Principal of all Notes by written notice to the Trustee, the Issuer and the Servicer may declare that the Rapid Pay Out Commencement Date has occurred as of the date of such notice and (ii) in the case of an event described in subparagraphs (c), (d), (f), (g), (i) or (o) or, three (3) Business Days following the occurrence and continuation of an event described in subparagraph (l), the Rapid Pay Out Commencement Date shall occur without any notice or other action on the part of any party hereto immediately upon the occurrence of such event.

Notwithstanding anything to the contrary in the Base Indenture, no Series 2002-B Pay Out Event may be amended, waived or deleted, and no new Series 2002-B Series Pay Out Event may be added, without the prior consent of the Required Persons for Series 2002-B.

SECTION 10. Article 7 of the Base Indenture. Article 7 of the Base Indenture shall read in its entirety as follows:

ARTICLE 7

REPRESENTATIONS AND WARRANTIES OF THE ISSUER

SECTION 7.1 Representations and Warranties of the Issuer. The Issuer hereby represents and warrants to the Trustee and each of the Secured Parties that:

(a) Organization and Good Standing, etc. The Issuer has been duly organized and is validly existing and in good standing under the laws of its state of Texas, with power and authority to own its properties and to conduct its respective businesses as such properties are presently owned and such business is presently conducted. The Issuer is not organized under the laws of any other jurisdiction or governmental authority. The Issuer is duly licensed or qualified to do business as a foreign entity in good standing in the jurisdiction where its principal place of business and chief executive office is located and in each other jurisdiction in which the failure to be so licensed or qualified would be reasonably likely to have a Material Adverse Effect.

(b) Power and Authority; Due Authorization. The Issuer has (a) all necessary power, authority and legal right to (i) execute, deliver and perform its obligations under this Indenture and each of the other Transaction Documents to which it is a party and (b) duly authorized, by all necessary action, the execution, delivery and performance of this Indenture and the other Transaction Documents to which it is a party and the borrowing, and the granting of security therefor, on the terms and conditions provided herein.

(c) No Violation. The consummation of the transactions contemplated by this Indenture and the other Transaction Documents and the fulfillment of the terms hereof will not (a) conflict with, result in any breach of any of the terms and provisions of, or constitute (with or without notice or lapse of time or both) a default under, (i) the organizational documents of the Issuer or (ii) any indenture, loan agreement, pooling and servicing agreement, receivables purchase agreement, mortgage, deed of trust, or other agreement or instrument to which the Issuer is a party or by which it or its properties is bound, (b) result in or require the creation or imposition of any Adverse Claim upon its properties pursuant to the terms of any such indenture, loan agreement, pooling and servicing agreement, receivables purchase agreement, mortgage, deed of trust, or other agreement or instrument, other than pursuant to the terms of the Transaction Documents, or (c) violate any law or any order, rule, or regulation applicable to the Issuer or of any court or of any federal, state or foreign regulatory body, administrative agency, or other governmental instrumentality having jurisdiction over the Issuer or any of its respective properties.

(d) Validity and Binding Nature. This Indenture is, and the other Transaction Documents to which it is a party when duly executed and delivered by the Issuer and the other parties thereto will be, the legal, valid and binding obligation of the Issuer enforceable in accordance with their respective terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally and by general principles of equity.

(e) Government Approvals. No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body required for the due execution, delivery or performance by the Issuer of any Transaction

Document to which it is a party remains unobtained or unfiled, except for the filing of the UCC financing statements referred to in Section 15.4.

(f) [Reserved].

(g) Margin Regulations. The Issuer is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock, and no proceeds with respect to the sale of the Notes, directly or indirectly, will be used for a purpose that violates, or would be inconsistent with, Regulations T, U and X promulgated by the Federal Reserve Board from time to time.

(h) Perfection. (i) Immediately preceding the Closing Date and the date of each recomputation of the Investor Interest, the Issuer shall be the owner of all of the Receivables and Related Security and Collections and proceeds with respect thereto, free and clear of all Adverse Claims. On or prior to the Initial Closing Date and the date of each recomputation of the Investor Interest, all financing statements and other documents required to be recorded or filed in order to perfect and protect the the assets of the Trust Estate against all creditors (other than Secured Parties) of, and purchasers (other than Secured Parties) from, the Issuer, each Seller and the Initial Seller will have been (or will be within ten (10) days of the Initial Closing Date) duly filed in each filing office necessary for such purpose, and all filing fees and taxes, if any, payable in connection with such filings shall have been (or will be within ten (10) days of the Initial Closing Date) paid in full;

(ii) the Indenture constitutes a valid grant of a security interest to the Trustee for the benefit of the Purchasers and the other Secured Parties in all right, title and interest of the Issuer in the Receivables, the Related Security and Collections and proceeds with respect thereto and all other assets of the Trust Estate, now existing or hereafter created or acquired. Accordingly, to the extent the UCC applies with respect to the perfection of such security interest, upon the filing of any financing statements described in Article 8 of the Indenture, and, solely with respect to the Related Security, to the extent required for perfection under the relevant UCC, the delivery of possession of all instruments, if any, included in such Related Security to the Servicer), the Trustee shall have a first priority perfected security interest in such property and the proceeds thereof (to the extent provided in Section 9-315), subject to Permitted Encumbrances and, to the extent the UCC does not apply to the perfection of such security interest, all notices, filings and other actions required by all applicable law have been taken to perfect and protect such security interest or lien against and prior to all Adverse Claims with respect to the relevant Receivables, Related Security and Collections and proceeds with respect thereto and all other assets of the Trust Estate. Except as otherwise specifically provided in the Transaction Documents, neither the

Issuer nor any Person claiming through or under the Issuer has any claim to or interest in the Collection Account; and

(iii) immediately prior to, and after giving effect to, the initial purchase of the Notes, the Issuer will be Solvent.

(i) Offices. The principal place of business and chief executive office of the Issuer is located at the address referred to in Section 15.4 (or at such other locations, notified to the Trustee in jurisdictions where all action required thereby has been taken and completed).

(j) Tax Status. The Issuer has filed all tax returns (Federal, State and local) required to be filed by it and has paid or made adequate provision for the payment of all taxes, assessments and other governmental charges then due and payable (including for such purposes, the setting aside of appropriate reserves for taxes, assessments and other governmental charges being contested in good faith).

(k) Use of Proceeds. No proceeds of any Notes will be used by the Issuer to acquire any security in any transaction which is subject to Section 13 or 14 of the Securities Exchange Act of 1934, as amended.

(l) Compliance with Applicable Laws; Licenses, etc.

(i) The Issuer is in compliance with the requirements of all applicable laws, rules, regulations, and orders of all governmental authorities, a breach of any of which, individually or in the aggregate, would be reasonably likely to have a Material Adverse Effect.

(ii) The Issuer has not failed to obtain any licenses, permits, franchises or other governmental authorizations necessary to the ownership of its properties or to the conduct of its business, which violation or failure to obtain would be reasonably likely to have a Material Adverse Effect.

(m) No Proceedings. Except as described in Schedule 1,

(i) there is no order, judgment, decree, injunction, stipulation or consent order of or with any court or other government authority to which the Issuer is subject, and there is no action, suit, arbitration, regulatory proceeding or investigation pending, or, to the knowledge of the Issuer, threatened, before or by any court, regulatory body, administrative agency or other tribunal or governmental instrumentality, against the Issuer that, individually or in the aggregate, is reasonably likely to have a Material Adverse Effect; and

(ii) there is no action, suit, proceeding, arbitration, regulatory or governmental investigation, pending or, to the knowledge of the Issuer, threatened, before or by any court, regulatory body, administrative agency, or other tribunal or governmental instrumentality (A) asserting the invalidity of this Indenture, the Notes or any other Transaction Document, (B) seeking to prevent the issuance of the Notes pursuant hereto or the consummation of any of the other transactions contemplated by this Indenture or any other Transaction Document or (C) seeking to adversely affect the federal income tax attributes of the Issuer.

(n) Investment Company Act, Etc. The Issuer is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or a "holding company", or a "subsidiary company", of a "holding company", or an "affiliate" of a "holding company", or of a "subsidiary company" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

(o) Eligible Receivables. Each Receivable included as an Eligible Receivable in any Monthly Servicer Report shall be an Eligible Receivable as of the date so included. Each Receivable, including Subsequently Purchased Receivables, purchased by the Issuer on any Purchase Date shall be an Eligible Receivable as of such Purchase Date unless otherwise specified to the Trustee in writing prior to such Purchase Date.

(p) Receivables Schedule. The Receivable File is a true and correct schedule of the Receivables included in the Trust Estate.

(q) ERISA. (i) Each of the Issuer and its ERISA Affiliates is in compliance in all material respects with ERISA unless any failure to so comply could not reasonably be expected to have a Material Adverse Effect and (ii) no Lien exists in favor of the Pension Benefit Guaranty Corporation on any of the Receivables. No ERISA Event has occurred with respect to Title IV Plans of the Issuer. No ERISA Event has occurred with respect to Title IV plans of the Issuer's ERISA Affiliates that have an aggregate Unfunded Pension Liability equal to or greater than $1,000,000.

(r) Accuracy of Information. All information heretofore furnished by, or on behalf of, the Issuer to the Trustee or any of the Noteholders in connection with any Transaction Document, or any transaction contemplated thereby, is true and accurate in every material respect (without omission of any information necessary to prevent such information from being materially misleading).

(s) No Material Adverse Change. Since January 31, 2002, there has been no material adverse change in the collectibility of the Receivables or the Issuer's (i) financial condition, business, operations or prospects or (ii) ability to perform its obligations under any Transaction Document.

(t) Trade Names and Subsidiaries. Set forth on Schedule 2 hereto is a complete list of trade names of the Issuer for the six year period preceding the Closing Date. The Issuer has no Subsidiaries and does not own or hold, directly or indirectly, any equity interest in any Person.

(u) Notes. The Notes have been duly and validly authorized, and, when executed and authenticated in accordance with the terms of the Indenture, and delivered to and paid for in accordance with each of the Note Purchase Agreements, will be duly and validly issued and outstanding and will be entitled to the benefits of the Indenture.

(v) Sales by Sellers or the Initial Seller. (a) Each sale of Receivables by any Seller or the Initial Seller to the Issuer shall have been effected under, and in accordance with the terms of, the Purchase Agreement, including the payment by the Issuer to such Seller or the Initial Seller of an amount equal to the purchase price therefor as described in the Purchase Agreement, and each such sale shall have been made for "reasonably equivalent value" (as such term is used under Section 548 of the Federal Bankruptcy Code) and not for or on account of "antecedent debt" (as such term is used under Section 547 of the Federal Bankruptcy Code) owed by the Issuer to such Seller or the Initial Seller.

SECTION 7.2 Reaffirmation of Representations and Warranties by the Issuer. On the Closing Date and on each Business Day, the Issuer shall be deemed to have certified that all representations and warranties described in Section 7.1 hereof are true and correct on and as of such day as though made on and as of such day (except to the extent they relate to an earlier date or later time, and then as of such earlier date or later time).

SECTION 11. [Reserved].

SECTION 12. [Reserved].

SECTION 13. Counterparts. This Series Supplement may be executed in any number of counterparts, and by different parties in separate counterparts, each of which so executed shall be deemed to be an original, but all of such counterparts shall together constitute but one and the same instrument.

SECTION 14. Governing Law. THIS SERIES SUPPLEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS. EACH OF THE PARTIES TO THIS SERIES SUPPLEMENT AND EACH NOTEHOLDER HEREBY AGREES TO THE NON-EXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR

THE SOUTHERN DISTRICT OF NEW YORK AND ANY APPELLATE COURT HAVING JURISDICTION TO REVIEW THE JUDGMENTS THEREOF. EACH OF THE PARTIES HERETO AND EACH NOTEHOLDER HEREBY WAIVES ANY OBJECTION BASED ON FORUM NON CONVENIENS AND ANY OBJECTION TO VENUE OF ANY ACTION INSTITUTED HEREUNDER IN ANY OF THE AFOREMENTIONED COURTS AND CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT.

SECTION 15. Waiver of Trial by Jury. To the extent permitted by applicable law, each of the parties hereto and each of the Noteholders irrevocably waives all right of trial by jury in any action, proceeding or counterclaim arising out of or in connection with this Series Supplement or the Transaction Documents or any matter arising hereunder or thereunder.

SECTION 16. No Petition. The Trustee, by entering into this Series Supplement and each Noteholder, by accepting a Note hereby covenant and agree that they will not prior to the date which is one year and one day after payment in full of the last maturing Note of any Series and termination of the Indenture institute against the Issuer, or join in any institution against the Issuer of, any bankruptcy proceedings under any United States Federal or state bankruptcy or similar law in connection with any obligations relating to the Noteholders, the Servicing Agreement, the Base Indenture or this Series Supplement.

SECTION 17. Rights of the Trustee. The rights, privileges and immunities afforded to the Trustee under the Base Indenture shall apply hereunder as if fully set forth herein.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Series Supplement to be duly executed by their respective officers as of the day and year first above written.

CONN FUNDING II, L.P., as Issuer

By: Conn Funding II GP, L.L.C.,
its general partner

By: /s/ David R. Atnip

Name: David R. Atnip
Title: Secretary/Treasurer

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, not in its individual capacity, but solely as Trustee

By: /s/ Marianna C. Stershic

Name: Marianna Stershic
Title: Vice President

FORM OF
RESTRICTED GLOBAL NOTE

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION. THIS NOTE MAY BE RESOLD, PLEDGED OR TRANSFERRED ONLY (1) TO A PERSON THE TRANSFEROR REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A")) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) OUTSIDE THE UNITED STATES TO A NON-U.S. PERSON (AS SUCH TERM IS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) IN A TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR (4) IN A TRANSACTION OTHERWISE EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER JURISDICTION AND BASED ON AN OPINION OF COUNSEL IF THE ISSUER OR TRANSFER AGENT AND REGISTRAR SO REQUEST, IN EACH SUCH CASE, IN COMPLIANCE WITH THE INDENTURE AND ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY TRANSFEREE FROM IT OF THE RESALE RESTRICTIONS SET FORTH ABOVE.

BY ACQUIRING THIS NOTE, EACH PURCHASER WILL BE DEEMED TO HAVE REPRESENTED, WARRANTED AND COVENANTED EITHER THAT (A) IT IS NOT AN "EMPLOYEE BENEFIT PLAN" SUBJECT TO THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), A "PLAN" DESCRIBED IN

SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, AN ENTITY DEEMED TO HOLD "PLAN ASSETS" OF ANY OF THE FOREGOING BY REASON OF INVESTMENT BY AN "EMPLOYEE BENEFIT PLAN" OR "PLAN" IN SUCH ENTITY, OR A GOVERNMENTAL PLAN SUBJECT TO APPLICABLE LAW THAT IS SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF ERISA OR SECTION 4975 OF THE CODE OR (B) ITS PURCHASE AND HOLDING OF THIS NOTE WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL PLAN, ANY SUBSTANTIALLY SIMILAR APPLICABLE LAW).

THE INDENTURE (AS DEFINED BELOW) CONTAINS FURTHER RESTRICTIONS ON THE TRANSFER AND RESALE OF THIS NOTE. EACH TRANSFEREE OF THIS NOTE, BY ACCEPTANCE HEREOF, IS DEEMED TO HAVE ACCEPTED THIS NOTE, SUBJECT TO THE FOREGOING RESTRICTIONS ON TRANSFERABILITY. IN ADDITION, EACH TRANSFEREE OF THIS NOTE, BY ACCEPTANCE HEREOF, IS DEEMED TO HAVE MADE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN THE INDENTURE.

BY ACCEPTANCE HEREOF, THE HOLDER OF THIS NOTE AGREES TO THE TERMS AND CONDITIONS SET FORTH IN THE INDENTURE AND HEREIN.

EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

No. R144A-1 $120,000,000
CUSIP No. 207415 AA 8
ISIN US207415AA81

SEE REVERSE FOR CERTAIN DEFINITIONS

THE PRINCIPAL OF THIS CLASS A NOTE MAY BE PAYABLE IN INSTALLMENTS AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL AMOUNT OF THIS CLASS A NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF.

CONN FUNDING II, L.P.

4.469% ASSET BACKED FIXED RATE NOTES, CLASS A, SERIES 2002-B

Conn Funding II, L.P., a limited partnership organized and existing under the laws of the State of Texas (herein referred to as the "Issuer"), for value received, hereby promises to pay Cede & Co., or registered assigns, the principal sum set forth above or such other principal sum set forth on Schedule A attached hereto (which sum shall not exceed $120,000,000), payable on each Payment Date after the end of the Revolving Period (as defined in the Series 2002-B Supplement) in an amount equal to the Monthly Principal, as defined in Section 5.13 of the Series 2002-B Supplement, dated as of September 1, 2002 (as amended, supplemented or otherwise modified from time to time, the "Series 2002-B Supplement"), between the Issuer and the Trustee to the Base Indenture (described below); provided, however, that the entire unpaid principal amount of this Note shall be due and payable on May 21, 2012 (the "Legal Final Payment Date"). The Issuer will pay interest on this Class A Note at the Note Rate (as defined in the Series 2002-B Supplement) on each Payment Date until the principal of this Class A Note is paid or made available for payment, on the average daily outstanding principal balance of this Class A Note during the related Interest Period (as defined in the Series 2002-B Supplement). Interest will be computed on the basis set forth in the Indenture. Such principal of and interest on this Class A Note shall be paid in the manner specified on the reverse hereof. The aggregate principal sum of the Regulations S Global Notes and the Restricted Global Note shall not exceed $120,000,000.

The Class A Notes are subject to optional redemption in accordance with the Indenture on or after any Payment Date on which the Investor Interest is reduced to an amount less than or equal to 10% of the Initial Note Principal.

The principal of and interest on this Class A Note are payable in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

Reference is made to the further provisions of this Class A Note set forth on the reverse hereof and to the Indenture, which shall have the same effect as though fully set forth on the face of this Class A Note.

Unless the certificate of authentication hereon has been executed by the Trustee whose name appears below by manual signature, this Class A Note shall not be entitled to any benefit under the Indenture referred to on the reverse hereof, or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Issuer, has caused this instrument to be signed, manually or in facsimile, by its Authorized Officer as of the date set forth below.

CONN FUNDING II, L.P.

By: Conn Funding II GP, L.L.C.,
its general partner

By:

Authorized Officer

Attested to:

By:

Authorized Officer

CERTIFICATE OF AUTHENTICATION

This is one of the Class A Notes referred to in the within mentioned Series 2002-B Supplement.

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, not in its individual capacity, but solely as Trustee

By

Authorized Officer

[REVERSE OF NOTE]

This Class A Note is one of a duly authorized issue of Class A Notes of the Issuer, designated as its 4.469% Asset Backed Fixed Rate Notes, Class A, Series 2002-B (herein called the "Class A Notes"), all issued under the Series 2002-B Supplement to the Base Indenture dated as of September 1, 2002 (such Base Indenture, as supplemented by the Series 2002-B Supplement and supplements relating to other series of notes, as supplemented or amended, is herein called the "Indenture"), between the Issuer and WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, as trustee (the "Trustee," which term includes any successor Trustee under the Indenture), to which Indenture reference is hereby made for a statement of the respective rights and obligations thereunder of the Issuer, the Trustee and the Class A Noteholders. The Class A Notes are subject to all terms of the Indenture. All terms used in this Class A Note that are defined in the Indenture shall have the meanings assigned to them in or pursuant to the Indenture.

Principal of the Class A Notes will be payable on each Payment Date after the end of the Revolving Period as described on the face hereof and may be prepaid as set forth in the Indenture. "Payment Date" means the twentieth day of each calendar month, or, if any such date is not a Business Day, the next succeeding Business Day, commencing on October 21, 2002.

All principal payments on the Class A Notes shall be made pro rata to the Class A Noteholders entitled thereto.

Subject to certain limitations set forth in the Indenture, payments of interest on this Class A Note due and payable on each Payment Date, together with the installment of principal, if any, to the extent not in full payment of this Class A Note, shall be made by wire transfer in immediately available funds to the Person whose name appears as the Class A Noteholder on the Note Register as of the close of business on each Record Date without requiring that this Class A Note be submitted for notation of payment. Any reduction in the principal amount of this Class A Note effected by any payments made on any Payment Date or date of prepayment shall be binding upon all future Class A Noteholders and of any Class A Note issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not noted on Schedule A attached hereto. If funds are expected to be available, as provided in the Indenture, for payment in full of the then remaining unpaid principal amount of this Class A Note on a Payment Date, then the Trustee, in the name of and on behalf of the Issuer, will notify the Person who was the Holder hereof as of the Record Date preceding such Payment Date by notice mailed prior to such Payment Date and the amount then due and payable shall be payable only upon presentation and surrender of this Class A Note at the Trustee's principal Corporate Trust Office or at the office of the Trustee's agent appointed for such purposes located in the City of New York.

On any redemption, purchase, exchange or cancellation of any of the beneficial interests represented by this Restricted Global Note, details of such redemption, purchase,

exchange or cancellation shall be entered by the Paying Agent in Schedule A hereto recording any such redemption, purchase, exchange or cancellation. Upon any such redemption, purchase, exchange or cancellation, the principal amount of this Restricted Global Note and the beneficial interests represented by the Restricted Global Note shall be reduced or increased, as appropriate, by the principal amount so redeemed, purchased, exchanged or cancelled.

Each Class A Noteholder, by acceptance of a Class A Note, covenants and agrees that by accepting the benefits of the Indenture that such Class A Noteholder will not prior to the date which is one year and one day after the payment in full of the last maturing note of any Series and the termination of the Indenture institute against the Issuer or join in any institution against the Issuer of, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings, under any United States Federal or state bankruptcy or similar law in connection with any obligations relating to the Notes, the Indenture or the Transaction Documents.

Each Class A Noteholder, by acceptance of a Class A Note, covenants and agrees that by accepting the benefits of the Indenture that such Noteholder will treat such Note as indebtedness for all Federal, state and local income and franchise tax purposes.

Prior to the due presentment for registration of transfer of this Class A Note, the Issuer, the Trustee and any agent of the Issuer or the Trustee may treat the Person in whose name this Class A Note (as of the day of determination or as of such other date as may be specified in the Indenture) is registered as the owner hereof for all purposes, whether or not this Class A Note be overdue, and neither the Issuer, the Trustee nor any such agent shall be affected by notice to the contrary.

As provided in the Indenture, no recourse may be taken, directly or indirectly, with respect to the obligations of the Issuer under the Indenture, including this Class A Note, against any Seller, the Initial Seller, the Servicer, the Trustee or any partner, owner, incorporator, beneficiary, beneficial owner, agent, officer, director, employee, shareholder or agent of the Issuer, any Seller, the Initial Seller, the Servicer or the Trustee except as any such Person may have expressly agreed.

The term "Issuer" as used in this Class A Note includes any successor to the Issuer under the Indenture.

The Issuer is permitted by the Indenture, under certain circumstances, to merge or consolidate, subject to the rights of the Trustee and the Noteholders under the Indenture.

The Class A Notes are issuable only in registered form as provided in the Indenture in denominations as provided in the Indenture, subject to certain limitations therein set forth.

This Class A Note and the Indenture shall be construed in accordance with the laws of the State of New York, without reference to its conflict of law provisions, and the obligations, rights and remedies of the parties hereunder and thereunder shall be determined in accordance with such laws.

No reference herein to the Indenture and no provision of this Class A Note or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and interest on this Class A Note.

ASSIGNMENT

Social Security or taxpayer I.D. or other identifying number of assignee

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____

(name and address of assignee)

the within Class A Note and all rights thereunder, and hereby irrevocably constitutes and appoints _____, attorney, to transfer said Class A Note on the books kept for registration thereof, with full power of substitution in the premises.

Dated: /1/

Signature Guaranteed:

- ---

- ---

/1/ NOTE: The signature to this assignment must correspond with the name of the registered owner as it appears on the face of the within Note in every particular, without alteration, enlargement or any change whatsoever.

SCHEDULE A

SCHEDULE OF EXCHANGES
BETWEEN THE TEMPORARY REGULATION S GLOBAL NOTE
OR THE PERMANENT REGULATION S GLOBAL NOTE AND
THIS RESTRICTED GLOBAL NOTE, OR REDEMPTIONS
OR PURCHASES AND CANCELLATIONS

The following increases or decreases in principal amount of this Restricted Global Note or redemptions, purchases or cancellation of this Restricted Global Note have been made:

Date of exchange, or redemption or purchase or cancellation	Increase or decrease in principal amount of this Restricted Global Note due to exchanges between the Temporary Regulation S Global Note or the Permanent Regulation S Global Note and this Restricted Global Note	Remaining principal amount of this Restricted Global Note following such exchange, or redemption or purchase or cancellation	Notation made by or on behalf of the Issuer

FORM OF
TEMPORARY REGULATION S GLOBAL NOTE

THIS GLOBAL NOTE IS A TEMPORARY GLOBAL NOTE FOR PURPOSES OF REGULATION S UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). NEITHER THIS TEMPORARY REGULATION S GLOBAL NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD OR DELIVERED, EXCEPT AS PERMITTED UNDER THE INDENTURE REFERRED TO BELOW.

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION. THIS NOTE MAY BE RESOLD, PLEDGED OR TRANSFERRED ONLY (1) TO A PERSON THE TRANSFEROR REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A")) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) OUTSIDE THE UNITED STATES TO A NON-U.S. PERSON (AS SUCH TERM IS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) IN A TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR (4) IN A TRANSACTION OTHERWISE EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER JURISDICTION AND BASED ON AN OPINION OF COUNSEL IF THE ISSUER OR TRANSFER AGENT AND REGISTRAR SO REQUEST, IN EACH SUCH CASE, IN COMPLIANCE WITH THE INDENTURE AND ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY TRANSFEREE FROM IT OF THE RESALE RESTRICTIONS SET FORTH ABOVE.

BY ACQUIRING THIS NOTE, EACH PURCHASER WILL BE DEEMED TO HAVE REPRESENTED, WARRANTED AND COVENANTED EITHER THAT (A) IT IS NOT AN "EMPLOYEE BENEFIT PLAN" SUBJECT TO THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), A "PLAN" DESCRIBED IN SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, AN ENTITY DEEMED TO HOLD "PLAN ASSETS" OF ANY OF THE FOREGOING BY REASON OF INVESTMENT BY AN "EMPLOYEE BENEFIT PLAN" OR "PLAN" IN SUCH ENTITY, OR A GOVERNMENTAL PLAN SUBJECT TO APPLICABLE LAW THAT IS SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF ERISA OR SECTION 4975 OF THE CODE OR (B) ITS PURCHASE AND HOLDING OF THIS NOTE WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL PLAN, ANY SUBSTANTIALLY SIMILAR APPLICABLE LAW).

THE INDENTURE CONTAINS FURTHER RESTRICTIONS ON THE TRANSFER AND RESALE OF THIS NOTE. EACH TRANSFEREE OF THIS NOTE, BY ACCEPTANCE HEREOF, IS DEEMED TO HAVE ACCEPTED THIS NOTE, SUBJECT TO THE FOREGOING RESTRICTIONS ON TRANSFERABILITY. IN ADDITION, EACH TRANSFEREE OF THIS NOTE, BY ACCEPTANCE HEREOF, IS DEEMED TO HAVE MADE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN THE INDENTURE.

BY ACCEPTANCE HEREOF, THE HOLDER OF THIS NOTE AGREES TO THE TERMS AND CONDITIONS SET FORTH IN THE INDENTURE AND HEREIN.

No. TREGS-1 $120,000,000
CUSIP No. U20772 AA 4
ISIN USU20772AA47

SEE REVERSE FOR CERTAIN DEFINITIONS

THE PRINCIPAL OF THIS CLASS A NOTE MAY BE PAYABLE IN INSTALLMENTS AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL AMOUNT OF THIS CLASS A NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF.

CONN FUNDING II, L.P.

4.469% ASSET BACKED FIXED RATE NOTES, CLASS A, SERIES 2002-B

Conn Funding II, L.P., a limited partnership organized and existing under the laws of the State of Texas (herein referred to as the "Issuer"), for value received, hereby promises to pay Cede & Co., or registered assigns, the principal sum set forth above or such other principal sum set forth on Schedule A attached hereto (which sum shall not exceed $120,000,000), payable on each Payment Date after the end of the Revolving Period (as defined in the Series 2002-B Supplement) in an amount equal to the Monthly Principal, as defined in Section 5.13 of the Series 2002-B Supplement, dated as of September 1, 2002 (as amended, supplemented or otherwise modified from time to time, the "Series 2002-B Supplement"), between the Issuer and the Trustee to the Base Indenture (described below); provided, however, that the entire unpaid principal amount of this Class A Note shall be due and payable on May 21, 2012 (the "Legal Final Payment Date"). The Issuer will pay interest on this Class A Note on each Payment Date at the Note Rate (as defined in the Series 2002-B Supplement) on each Payment Date until the principal of this Class A Note is paid or made available for payment, on the average daily outstanding principal balance of this Class A Note during the related Interest Period (as defined in the Series 2002-B Supplement). Interest will be computed on the basis set forth in the Indenture. Such principal of and interest on this Class A Note shall be paid in the manner specified on the reverse hereof. The aggregate principal sum of the Regulation S Global Notes and the Restricted Global Note shall not exceed $120,000,000.

The Class A Notes are subject to optional redemption in accordance with the Indenture on or after any Payment Date on which the Investor Interest is reduced to an amount less than or equal to 10% of the Initial Note Principal.

The principal of and interest on this Class A Note are payable in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

Reference is made to the further provisions of this Class A Note set forth on the reverse hereof and to the Indenture, which shall have the same effect as though fully set forth on the face of this Class A Note.

Unless the certificate of authentication hereon has been executed by the Trustee whose name appears below by manual signature, this Class A Note shall not be entitled to any benefit under the Indenture referred to on the reverse hereof, or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Issuer, has caused this instrument to be signed, manually or in facsimile, by its Authorized Officer as of the date set forth below.

CONN FUNDING II, L.P.

By: Conn Funding II GP, L.L.C.,
its general partner

By:

Authorized Officer

Attested to:

By:

Authorized Officer

CERTIFICATE OF AUTHENTICATION

This is one of the Class A Notes referred to in the within mentioned Series 2002-B Supplement.

WELLS FARGO BANK MINNESOTA,
NATIONAL ASSOCIATION, not in its
individual capacity, but solely as
Trustee

By

Authorized Officer

[REVERSE OF NOTE]

This Class A Note is one of a duly authorized issue of Class A Notes of the Issuer, designated as its 4.469% Asset Backed Fixed Rate Notes, Class A, Series 2002-B (herein called the "Class A Notes"), all issued under the Series 2002-B Supplement to the Base Indenture dated as of September 1, 2002 (such Base Indenture, as supplemented by the Series 2002-B Supplement and supplements relating to other series of notes, as supplemented or amended, is herein called the "Indenture"), between the Issuer and WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, as trustee (the "Trustee", which term includes any successor Trustee under the Indenture), to which Indenture reference is hereby made for a statement of the respective rights and obligations thereunder of the Issuer, the Trustee and the Holders of the Class A Notes. The Class A Notes are subject to all terms of the Indenture. All terms used in this Class A Note that are defined in the Indenture shall have the meanings assigned to them in or pursuant to the Indenture.

Principal of the Class A Notes will be payable on each Payment Date after the end of the Revolving Period as described on the face hereof and may be prepaid as set forth in the Indenture. "Payment Date" means the twentieth day of each calendar month, or, if any such date is not a Business Day, the next succeeding Business Day, commencing on October 21, 2002.

All principal payments on the Class A Notes shall be made pro rata to the Class A Noteholders entitled thereto.

Subject to certain limitations set forth in the Indenture, payments of interest on this Class A Note due and payable on each Payment Date, together with the installment of principal, if any, to the extent not in full payment of this Class A Note, shall be made by wire transfer in immediately available funds to the Person whose name appears as the Class A Noteholder on the Note Register as of the close of business on each Record Date without requiring that this Class A Note be submitted for notation of payment. Any reduction in the principal amount of this Class A Note effected by any payments made on any Payment Date or date of prepayment shall be binding upon all future Class A Noteholders and of any Class A Note issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not noted on Schedule A attached hereto. If funds are expected to be available, as provided in the Indenture, for payment in full of the then remaining unpaid principal amount of this Class A Note on a Payment Date, then the Trustee, in the name of and on behalf of the Issuer, will notify the Person who was the Holder hereof as of the Record Date preceding such Payment Date by notice mailed prior to such Payment Date and the amount then due and payable shall be payable only upon presentation and surrender of this Class A Note at the Trustee's principal Corporate Trust Office or at the office of the Trustee's agent appointed for such purposes located in the City of New York.

Any interest in a Class A Note evidenced by this Temporary Regulation S Global Note is exchangeable for an interest in a Permanent Regulation S Global Note upon the later of (i) the Exchange Date and (ii) the furnishing of a certificate, the form of which is attached as Exhibit C-2 to the Series 2002-B Supplement. Interests in this Temporary Regulation S Global Note are

exchangeable for interests in a Permanent Regulation S Global Note or a Restricted Global Note only upon presentation of the applicable certificate required by Section 6 of the Series 2002-B Supplement to the Base Indenture. Upon exchange of all interests in this Temporary Regulation S Global Note for interests in the Permanent Regulation S Global Note and/or the Restricted Global Note, the Trustee shall cancel this Temporary Regulation S Global Note.

Until the provision of the certifications required by Section 6 of the Series 2002-B Supplement, beneficial interests in a Regulation S Global Note may only be held through Euroclear or Clearstream or another agent member of Euroclear or Clearstream acting for and on behalf of them.

On any redemption, purchase, exchange or cancellation of any of the beneficial interests represented by this Temporary Regulation S Global Note, details of such redemption, purchase, exchange or cancellation shall be entered by the Paying Agent in Schedule A hereto recording any such redemption, purchase, exchange or cancellation and shall be signed on by or on behalf of the Issuer. Upon any such redemption, purchase, exchange or cancellation, the principal amount of this Temporary Regulation S Global Note and the beneficial interests represented by the Permanent Regulation S Global Note shall be reduced or increased, as appropriate, by the principal amount so redeemed, purchased, exchanged or cancelled.

Each Class A Noteholder, by acceptance of a Class A Note, covenants and agrees that by accepting the benefits of the Indenture that such Class A Noteholder will not prior to the date which is one year and one day after the payment in full of the last maturing note of any Series and the termination of the Indenture institute against the Issuer or join in any institution against the Issuer of, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings, under any United Stated Federal or state bankruptcy or similar law in connection with any obligations relating to the Class A Notes, the Indenture or the Transaction Documents.

Each Class A Noteholder, by acceptance of a Class A Note, covenants and agrees that by accepting the benefits of the Indenture that such Class A Noteholder will treat such Class A Note as indebtedness for all federal, state and local income and franchise tax purposes.

Prior to the due presentment for registration of transfer of this Class A Note, the Issuer, the Trustee and any agent of the Issuer or the Trustee may treat the Person in whose name this Class A Note (as of the day of determination or as of such other date as may be specified in the Indenture) is registered as the owner hereof for all purposes, whether or not this Class A Note be overdue, and neither the Issuer, the Trustee nor any such agent shall be affected by notice to the contrary.

As provided in the Indenture, no recourse may be taken, directly or indirectly, with respect to the obligations of the Issuer under the Indenture, including this Class A Note, against any Seller, the Initial Seller, the Servicer, the Trustee or any partner, owner, incorporator, beneficiary,

beneficial owner, agent, officer, director, employee, shareholder or agent of the Issuer, any Seller, the Initial Seller, the Servicer or the Trustee except as any such Person may have expressly agreed.

The term "Issuer" as used in this Class A Note includes any successor to the Issuer under the Indenture.

The Issuer is permitted by the Indenture, under certain circumstances, to merge or consolidate, subject to the rights of the Trustee and the Noteholders under the Indenture.

The Class A Notes are issuable only in registered form as provided in the Indenture in denominations as provided in the Indenture, subject to certain limitations therein set forth.

This Class A Note and the Indenture shall be construed in accordance with the laws of the State of New York, without reference to its conflict of law provisions, and the obligations, rights and remedies of the parties hereunder and thereunder shall be determined in accordance with such laws.

No reference herein to the Indenture and no provision of this Class A Note or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and interest on this Class A Note.

ASSIGNMENT

Social Security or taxpayer I.D. or other identifying number of assignee

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____

(name and address of assignee)

the within Class A Note and all rights thereunder, and hereby irrevocably constitutes and appoints _____, attorney, to transfer said Class A Note on the books kept for registration thereof, with full power of substitution in the premises.

Dated: /2/

Signature Guaranteed:

- ---

- ---

/2/ NOTE: The signature to this assignment must correspond with the name of the registered owner as it appears on the face of the within Class A Note in every particular, without alteration, enlargement or any change whatsoever.

SCHEDULE A

SCHEDULE OF EXCHANGES
FOR NOTES REPRESENTED BY THE TEMPORARY
REGULATION S GLOBAL NOTE, THE PERMANENT REGULATION S GLOBAL
NOTE OR THE RESTRICTED GLOBAL NOTE, OR REDEMPTIONS OR
PURCHASES AND CANCELLATIONS

The following exchanges of a part of this Temporary Regulation S Global Note for the Permanent Regulation S Global Note or the Restricted Global Note or an exchange of a part of the Restricted Global Note for a part of this Temporary Regulation S Global Note, in whole or in part, or redemptions, purchases or cancellation of this Temporary Regulation S Global Note have been made:

Date of exchange, or redemption or purchase or cancellation	Part of principal amount of this Temporary Regulation S Global Note exchanged for Notes represented by the Permanent Regulation S Global Note or the Restricted Global Note, or redeemed or purchased or cancelled	Part of principal amount of the Regulation S Global Note exchanged for Notes represented by this Temporary Regulation S Global Note	Remaining principal amount of this Temporary Regulation S Global Note following such exchange, or redemption or purchase or cancellation	Amount of interest paid with delivery of the Permanent Regulation S Global Note	Notation made by or on behalf of the Issuer

FORM OF
PERMANENT REGULATION S GLOBAL NOTE

THIS GLOBAL NOTE IS A PERMANENT GLOBAL NOTE FOR PURPOSES OF REGULATION S UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). NEITHER THIS PERMANENT GLOBAL NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD OR DELIVERED, EXCEPT AS PERMITTED UNDER THE INDENTURE REFERRED TO BELOW.

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION. THIS NOTE MAY BE RESOLD, PLEDGED OR TRANSFERRED ONLY (1) TO A PERSON THE TRANSFEROR REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A")) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) OUTSIDE THE UNITED STATES TO A NON-U.S. PERSON (AS SUCH TERM IS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) IN A TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR (4) IN A TRANSACTION OTHERWISE EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER JURISDICTION AND BASED ON AN OPINION OF COUNSEL IF THE ISSUER OR TRANSFER AGENT AND REGISTRAR SO REQUEST, IN EACH SUCH CASE, IN COMPLIANCE WITH THE INDENTURE AND ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY TRANSFEREE FROM IT OF THE RESALE RESTRICTIONS SET FORTH ABOVE.

BY ACQUIRING THIS NOTE, EACH PURCHASER WILL BE DEEMED TO HAVE REPRESENTED, WARRANTED AND COVENANTED EITHER THAT (A) IT IS NOT AN "EMPLOYEE BENEFIT PLAN" SUBJECT TO THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), A "PLAN" DESCRIBED IN SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, AN ENTITY DEEMED TO HOLD "PLAN ASSETS" OF ANY OF THE FOREGOING BY REASON OF INVESTMENT BY AN "EMPLOYEE BENEFIT PLAN" OR "PLAN" IN SUCH ENTITY, OR A GOVERNMENTAL PLAN SUBJECT TO APPLICABLE LAW THAT IS SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF ERISA OR SECTION 4975 OF THE CODE OR (B) ITS PURCHASE AND HOLDING OF THIS NOTE WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL PLAN, ANY SUBSTANTIALLY SIMILAR APPLICABLE LAW).

THE INDENTURE CONTAINS FURTHER RESTRICTIONS ON THE TRANSFER AND RESALE OF THIS NOTE. EACH TRANSFEREE OF THIS NOTE, BY ACCEPTANCE HEREOF, IS DEEMED TO HAVE ACCEPTED THIS NOTE, SUBJECT TO THE FOREGOING RESTRICTIONS ON TRANSFERABILITY. IN ADDITION, EACH TRANSFEREE OF THIS NOTE, BY ACCEPTANCE HEREOF, IS DEEMED TO HAVE MADE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN THE INDENTURE.

BY ACCEPTANCE HEREOF, THE HOLDER OF THIS NOTE AGREES TO THE TERMS AND CONDITIONS SET FORTH IN THE INDENTURE AND HEREIN.

No. REGS-1 $120,000,000
CUSIP No. U20772 AA 4
ISIN USU20772AA47

SEE REVERSE FOR CERTAIN DEFINITIONS

THE PRINCIPAL OF THIS CLASS A NOTE MAY BE PAYABLE IN INSTALLMENTS AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL AMOUNT OF THIS CLASS A NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF.

CONN FUNDING II, L.P.

4.469% ASSET BACKED FIXED RATE NOTES, CLASS A, SERIES 2002-B

Conn Funding II, L.P., a limited partnership organized and existing under the laws of the State of Texas (herein referred to as the "Issuer"), for value received, hereby promises to pay Cede & Co., or registered assigns, the principal sum set forth above or such other principal amount set forth on Schedule A attached hereto (which sum shall not exceed $120,000,000), payable on each Payment Date after the end of the Revolving Period (as defined in the Series 2002-B Supplement) in an amount equal to the Monthly Principal, as defined in Section 5.13 of the Series 2002-B Supplement, dated as of September 1, 2002 (as amended, supplemented or otherwise modified from time to time, the "Series 2002-B Supplement"), between the Issuer and the Trustee to the Base Indenture (described below); provided, however, that the entire unpaid principal amount of this Class A Note shall be due and payable on May 21, 2012 (the "Legal Final Payment Date"). The Issuer will pay interest on this Class A Note on each Payment Date at the Note Rate (as defined in the Series 2002-B Supplement) on each Payment Date until the principal of this Class A Note is paid or made available for payment, on the average daily outstanding principal balance of this Class A Note during the related Interest Period (as defined in the Series 2002-B Supplement). Interest will be computed on the basis set forth in the Indenture. Such principal of and interest on this Class A Note shall be paid in the manner specified on the reverse hereof. The aggregate principal sum of the Regulation S Global Notes and the Restricted Global Note shall not exceed $120,000,000.

The Class A Notes are subject to optional redemption in accordance with the Indenture on or after any Payment Date on which the Investor Interest is reduced to an amount less than or equal to 10% of the Initial Note Principal.

The principal of and interest on this Class A Note are payable in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

Reference is made to the further provisions of this Class A Note set forth on the reverse hereof and to the Indenture, which shall have the same effect as though fully set forth on the face of this Class A Note.

Unless the certificate of authentication hereon has been executed by the Trustee whose name appears below by manual signature, this Class A Note shall not be entitled to any benefit under the Indenture referred to on the reverse hereof, or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Issuer, has caused this instrument to be signed, manually or in facsimile, by its Authorized Officer as of the date set forth below.

CONN FUNDING II, L.P.

By: Conn Funding II GP, L.L.C.,
its general partner

By:

Authorized Officer

Attested to:

By:

Authorized Officer

CERTIFICATE OF AUTHENTICATION

This is one of the Class A Notes referred to in the within mentioned Series 2002-B Supplement.

WELLS FARGO BANK MINNESOTA,
NATIONAL ASSOCIATION, not in
its individual capacity, but
solely as Trustee

By

Authorized Officer

[REVERSE OF NOTE]

This Class A Note is one of a duly authorized issue of Class A Notes of the Issuer, designated as its 4.469% Asset Backed Fixed Rate Notes, Class A, Series 2002-B (herein called the "Class A Notes"), all issued under the Series 2002-B Supplement to the Base Indenture dated as of September 1, 2002 (such Base Indenture, as supplemented by the Series 2002-B Supplement and supplements relating to other series of notes, as supplemented or amended, is herein called the "Indenture"), between the Issuer and WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, as trustee (the "Trustee", which term includes any successor Trustee under the Indenture), to which Indenture reference is hereby made for a statement of the respective rights and obligations thereunder of the Issuer, the Trustee and the Class A Noteholders. The Class A Notes are subject to all terms of the Indenture. All terms used in this Class A Note that are defined in the Indenture shall have the meanings assigned to them in or pursuant to the Indenture.

Principal of the Class A Notes will be payable on each Payment Date after the end of the Revolving Period as described on the face hereof and may be prepaid as set forth in the Indenture. "Payment Date" means the twentieth day of each calendar month, or, if any such date is not a Business Day, the next succeeding Business Day, commencing on October 21, 2002.

All principal payments on the Class A Notes shall be made pro rata to the Class A Noteholders entitled thereto.

Subject to certain limitations set forth in the Indenture, payments of interest on this Class A Note due and payable on each Payment Date, together with the installment of principal, if any, to the extent not in full payment of this Class A Note, shall be made by wire transfer in immediately available funds to the Person whose name appears as the Class A Noteholder on the Note Register as of the close of business on each Record Date without requiring that this Class A Note be submitted for notation of payment. Any reduction in the principal amount of this Class A Note effected by any payments made on any Payment Date or date of prepayment shall be binding upon all future Class A Noteholders and of any Class A Note issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not noted on Schedule A attached hereto. If funds are expected to be available, as provided in the Indenture, for payment in full of the then remaining unpaid principal amount of this Class A Note on a Payment Date, then the Trustee, in the name of and on behalf of the Issuer, will notify the Person who was the Holder hereof as of the Record Date preceding such Payment Date by notice mailed prior to such Payment Date and the amount then due and payable shall be payable only upon presentation and surrender of this Class A Note at the Trustee's principal Corporate Trust Office or at the office of the Trustee's agent appointed for such purposes located in the City of New York.

On any redemption, purchase, exchange or cancellation of any of the beneficial interest represented by this Permanent Regulation S Global Note, details of such redemption, purchase, exchange or cancellation shall be entered by the Paying Agent in Schedule A hereto recording any such redemption, purchase, exchange or cancellation and shall be signed by or on

behalf of the Issuer. Upon any such redemption, purchase, exchange or cancellation, the principal amount of this Permanent Regulation S Global Note and the beneficial interests represented by this Permanent Regulation S Global Note shall be reduced or increased, as appropriate, by the principal amount so redeemed, purchased, exchanged or cancelled.

Each Class A Noteholder, by acceptance of a Class A Note, covenants and agrees that by accepting the benefits of the Indenture that such Class A Noteholder will not prior to the date which is one year and one day after the payment in full of the last maturing note of any Series and the termination of the Indenture institute against the Issuer or join in any institution against the Issuer of, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings, under any United Stated federal or state bankruptcy or similar law in connection with any obligations relating to the Class A Notes, the Indenture or the Transaction Documents.

Each Class A Noteholder, by acceptance of a Class A Note, covenants and agrees that by accepting the benefits of the Indenture that such Class A Noteholder will treat such Class A Note as indebtedness for all federal, state and local income and franchise tax purposes.

Prior to the due presentment for registration of transfer of this Class A Note, the Issuer, the Trustee and any agent of the Issuer or the Trustee may treat the Person in whose name this Class A Note (as of the day of determination or as of such other date as may be specified in the Indenture) is registered as the owner hereof for all purposes, whether or not this Class A Note be overdue, and neither the Issuer, the Trustee nor any such agent shall be affected by notice to the contrary.

As provided in the Indenture, no recourse may be taken, directly or indirectly, with respect to the obligations of the Issuer under the Indenture, including this Class A Note, against any Seller, the Initial Seller, the Servicer, the Trustee or any partner, owner, incorporator, beneficiary, beneficial owner, agent, officer, director, employee, shareholder or agent of the Issuer, any Seller, the Initial Seller, the Servicer or the Trustee except as any such Person may have expressly agreed.

The term "Issuer" as used in this Class A Note includes any successor to the Issuer under the Indenture.

The Issuer is permitted by the Indenture, under certain circumstances, to merge or consolidate, subject to the rights of the Trustee and the Noteholders under the Indenture.

The Class A Notes are issuable only in registered form as provided in the Indenture in denominations as provided in the Indenture, subject to certain limitations therein set forth.

This Class A Note and the Indenture shall be construed in accordance with the laws of the State of New York, without reference to its conflict of law provisions, and the obligations, rights and remedies of the parties hereunder and thereunder shall be determined in accordance with such laws.

No reference herein to the Indenture and no provision of this Class A Note or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and interest on this Class A Note.

ASSIGNMENT

Social Security or taxpayer I.D. or other identifying number of assignee

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____

(name and address of assignee)

the within Class A Note and all rights thereunder, and hereby irrevocably constitutes and appoints _____, attorney, to transfer said Class A Note on the books kept for registration thereof, with full power of substitution in the premises.

Dated: /3/

Signature Guaranteed:

- ----------

/3/ NOTE: The signature to this assignment must correspond with the name of the registered owner as it appears on the face of the within Class A Note in every particular, without alteration, enlargement or any change whatsoever.

SCHEDULE OF EXCHANGES
BETWEEN THIS PERMANENT REGULATION S
GLOBAL NOTE AND THE TEMPORARY REGULATION S GLOBAL NOTE AND
THE RESTRICTED GLOBAL NOTE,
OR REDEMPTIONS OR PURCHASES AND CANCELLATIONS

The following increases or decreases in the principal amount of this Permanent Regulation S Global Note or redemptions, purchases or cancellation of this Permanent Regulation S Global Note have been made:

Date of exchange, or redemption or purchase or cancellation	Increases or decreases in principal amount of this Permanent Regulation S Global Note due to exchanges between the Temporary Regulation S Global Note or the Restricted Global Note and this Permanent Regulation S Global Note	Remaining principal amount of this Permanent Regulation S Global Note following such exchange, or redemption or purchase or cancellation	Notation made by or on behalf of the Issuer

FORM OF
RESTRICTED GLOBAL NOTE

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION. THIS NOTE MAY BE RESOLD, PLEDGED OR TRANSFERRED ONLY (1) TO A PERSON THE TRANSFEROR REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A")) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) OUTSIDE THE UNITED STATES TO A NON-U.S. PERSON (AS SUCH TERM IS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) IN A TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR (4) IN A TRANSACTION OTHERWISE EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER JURISDICTION AND BASED ON AN OPINION OF COUNSEL IF THE ISSUER OR TRANSFER AGENT AND REGISTRAR SO REQUEST, IN EACH SUCH CASE, IN COMPLIANCE WITH THE INDENTURE AND ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY TRANSFEREE FROM IT OF THE RESALE RESTRICTIONS SET FORTH ABOVE.

BY ACQUIRING THIS NOTE, EACH PURCHASER WILL BE DEEMED TO HAVE REPRESENTED, WARRANTED AND COVENANTED EITHER THAT (A) IT IS NOT AN "EMPLOYEE BENEFIT PLAN" SUBJECT TO THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), A "PLAN" DESCRIBED IN SECTION

4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, AN ENTITY DEEMED TO HOLD "PLAN ASSETS" OF ANY OF THE FOREGOING BY REASON OF INVESTMENT BY AN "EMPLOYEE BENEFIT PLAN" OR "PLAN" IN SUCH ENTITY, OR A GOVERNMENTAL PLAN SUBJECT TO APPLICABLE LAW THAT IS SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF ERISA OR SECTION 4975 OF THE CODE OR (B) ITS PURCHASE AND HOLDING OF THIS NOTE WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL PLAN, ANY SUBSTANTIALLY SIMILAR APPLICABLE LAW).

THE INDENTURE (AS DEFINED BELOW) CONTAINS FURTHER RESTRICTIONS ON THE TRANSFER AND RESALE OF THIS NOTE. EACH TRANSFEREE OF THIS NOTE, BY ACCEPTANCE HEREOF, IS DEEMED TO HAVE ACCEPTED THIS NOTE, SUBJECT TO THE FOREGOING RESTRICTIONS ON TRANSFERABILITY. IN ADDITION, EACH TRANSFEREE OF THIS NOTE, BY ACCEPTANCE HEREOF, IS DEEMED TO HAVE MADE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN THE INDENTURE.

BY ACCEPTANCE HEREOF, THE HOLDER OF THIS NOTE AGREES TO THE TERMS AND CONDITIONS SET FORTH IN THE INDENTURE AND HEREIN.

EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

No. R144A-1 $57,778,000
CUSIP No. 207415 AB 6
ISIN US207415AB64

SEE REVERSE FOR CERTAIN DEFINITIONS

THE PRINCIPAL OF THIS CLASS B NOTE MAY BE PAYABLE IN INSTALLMENTS AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL AMOUNT OF THIS CLASS B NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF.

CONN FUNDING II, L.P.

5.769% ASSET BACKED FIXED RATE NOTES, CLASS B, SERIES 2002-B

Conn Funding II, L.P., a limited partnership organized and existing under the laws of the State of Texas (herein referred to as the "Issuer"), for value received, hereby promises to pay Cede & Co., or registered assigns, the principal sum set forth above or such other principal sum set forth on Schedule A attached hereto (which sum shall not exceed $57,778,000), payable on each Payment Date after the end of the Revolving Period (as defined in the Series 2002-B Supplement) in an amount equal to the Monthly Principal, as defined in Section 5.13 of the Series 2002-B Supplement, dated as of September 1, 2002 (as amended, supplemented or otherwise modified from time to time, the "Series 2002-B Supplement"), between the Issuer and the Trustee to the Base Indenture (described below); provided, however, that the entire unpaid principal amount of this Note shall be due and payable on May 21, 2012 (the "Legal Final Payment Date"). The Issuer will pay interest on this Class B Note at the Note Rate (as defined in the Series 2002-B Supplement) on each Payment Date until the principal of this Class B Note is paid or made available for payment, on the average daily outstanding principal balance of this Class B Note during the related Interest Period (as defined in the Series 2002-B Supplement). Interest will be computed on the basis set forth in the Indenture. Such principal of and interest on this Note shall be paid in the manner specified on the reverse hereof. The aggregate principal sum of the Regulations S Global Notes and the Restricted Global Note shall not exceed $57,778,000.

The Class B Notes are subject to optional redemption in accordance with the Indenture on or after any Payment Date on which the Investor Interest is reduced to an amount less than or equal to 10% of the Initial Note Principal.

The principal of and interest on this Class B Note are payable in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

Reference is made to the further provisions of this Class B Note set forth on the reverse hereof and to the Indenture, which shall have the same effect as though fully set forth on the face of this Class B Note.

Unless the certificate of authentication hereon has been executed by the Trustee whose name appears below by manual signature, this Class B Note shall not be entitled to any benefit under the Indenture referred to on the reverse hereof, or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Issuer, has caused this instrument to be signed, manually or in facsimile, by its Authorized Officer as of the date set forth below.

CONN FUNDING II, L.P.

By: Conn Funding II GP, L.L.C.,
its general partner

By:

Authorized Officer

Attested to:

By:

Authorized Officer

CERTIFICATE OF AUTHENTICATION

This is one of the Class B Notes referred to in the within mentioned Series 2002-B Supplement.

WELLS FARGO BANK MINNESOTA,
NATIONAL ASSOCIATION, not in its
individual capacity, but solely as
Trustee

By

Authorized Officer

[REVERSE OF NOTE]

This Class B Note is one of a duly authorized issue of Class B Notes of the Issuer, designated as its 5.769% Asset Backed Fixed Rate Notes, Class B, Series 2002-B (herein called the "Class B Notes"), all issued under the Series 2002-B Supplement to the Base Indenture dated as of September 1, 2002 (such Base Indenture, as supplemented by the Series 2002-B Supplement and supplements relating to other series of notes, as supplemented or amended, is herein called the "Indenture"), between the Issuer and WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, as trustee (the "Trustee," which term includes any successor Trustee under the Indenture), to which Indenture reference is hereby made for a statement of the respective rights and obligations thereunder of the Issuer, the Trustee and the Class B Noteholders. The Class B Notes are subject to all terms of the Indenture. All terms used in this Class B Note that are defined in the Indenture shall have the meanings assigned to them in or pursuant to the Indenture.

Principal of the Class B Notes will be payable on each Payment Date after the end of the Revolving Period as described on the face hereof and may be prepaid as set forth in the Indenture. "Payment Date" means the twentieth day of each calendar month, or, if any such date is not a Business Day, the next succeeding Business Day, commencing on October 21, 2002.

All principal payments on the Class B Notes shall be made pro rata to the Class B Noteholders entitled thereto.

Subject to certain limitations set forth in the Indenture, payments of interest on this Class B Note due and payable on each Payment Date, together with the installment of principal, if any, to the extent not in full payment of this Class B Note, shall be made by wire transfer in immediately available funds to the Person whose name appears as the Class B Noteholder on the Note Register as of the close of business on each Record Date without requiring that this Class B Note be submitted for notation of payment. Any reduction in the principal amount of this Class B Note effected by any payments made on any Payment Date or date of prepayment shall be binding upon all future Class B Noteholders and of any Class B Note issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not noted on Schedule A attached hereto. If funds are expected to be available, as provided in the Indenture, for payment in full of the then remaining unpaid principal amount of this Class B Note on a Payment Date, then the Trustee, in the name of and on behalf of the Issuer, will notify the Person who was the Holder hereof as of the Record Date preceding such Payment Date by notice mailed prior to such Payment Date and the amount then due and payable shall be payable only upon presentation and surrender of this Class B Note at the Trustee's principal Corporate Trust Office or at the office of the Trustee's agent appointed for such purposes located in the City of New York.

On any redemption, purchase, exchange or cancellation of any of the beneficial interests represented by this Restricted Global Note, details of such redemption, purchase, exchange or cancellation shall be entered by the Paying Agent in Schedule A hereto recording any such redemption, purchase, exchange or cancellation. Upon any such redemption, purchase, exchange

or cancellation, the principal amount of this Restricted Global Note and the beneficial interests represented by the Restricted Global Note shall be reduced or increased, as appropriate, by the principal amount so redeemed, purchased, exchanged or cancelled.

Each Class B Noteholder, by acceptance of a Class B Note, covenants and agrees that by accepting the benefits of the Indenture that such Class B Noteholder will not prior to the date which is one year and one day after the payment in full of the last maturing note of any Series and the termination of the Indenture institute against the Issuer or join in any institution against the Issuer of, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings, under any United States Federal or state bankruptcy or similar law in connection with any obligations relating to the Notes, the Indenture or the Transaction Documents.

Each Class B Noteholder, by acceptance of a Class B Note, covenants and agrees that by accepting the benefits of the Indenture that such Noteholder will treat such Note as indebtedness for all Federal, state and local income and franchise tax purposes.

Prior to the due presentment for registration of transfer of this Class B Note, the Issuer, the Trustee and any agent of the Issuer or the Trustee may treat the Person in whose name this Class B Note (as of the day of determination or as of such other date as may be specified in the Indenture) is registered as the owner hereof for all purposes, whether or not this Class B Note be overdue, and neither the Issuer, the Trustee nor any such agent shall be affected by notice to the contrary.

As provided in the Indenture, no recourse may be taken, directly or indirectly, with respect to the obligations of the Issuer under the Indenture, including this Class B Note, against any Seller, the Initial Seller, the Servicer, the Trustee or any partner, owner, incorporator, beneficiary, beneficial owner, agent, officer, director, employee, shareholder or agent of the Issuer, any Seller, the Initial Seller, the Servicer or the Trustee except as any such Person may have expressly agreed.

The term "Issuer" as used in this Class B Note includes any successor to the Issuer under the Indenture.

The Issuer is permitted by the Indenture, under certain circumstances, to merge or consolidate, subject to the rights of the Trustee and the Noteholders under the Indenture.

The Class B Notes are issuable only in registered form as provided in the Indenture in denominations as provided in the Indenture, subject to certain limitations therein set forth.

This Class B Note and the Indenture shall be construed in accordance with the laws of the State of New York, without reference to its conflict of law provisions, and the obligations, rights and remedies of the parties hereunder and thereunder shall be determined in accordance with such laws.

No reference herein to the Indenture and no provision of this Class B Note or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and interest on this Class B Note.

ASSIGNMENT

Social Security or taxpayer I.D. or other identifying number of assignee

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____

(name and address of assignee)

the within Class B Note and all rights thereunder, and hereby irrevocably constitutes and appoints _____, attorney, to transfer said Class B Note on the books kept for registration thereof, with full power of substitution in the premises.

Dated: /4/

Signature Guaranteed:

- ---

/4/ NOTE: The signature to this assignment must correspond with the name of the registered owner as it appears on the face of the within Class A Note in every particular, without alteration, enlargement or any change whatsoever.

SCHEDULE A

SCHEDULE OF EXCHANGES
BETWEEN THE TEMPORARY REGULATION S GLOBAL NOTE
OR THE PERMANENT REGULATION S GLOBAL NOTE AND
THIS RESTRICTED GLOBAL NOTE, OR REDEMPTIONS
OR PURCHASES AND CANCELLATIONS

The following increases or decreases in principal amount of this Restricted Global Note or redemptions, purchases or cancellation of this Restricted Global Note have been made:

Date of exchange, or redemption or purchase or cancellation	Increase or decrease in principal amount of this Restricted Global Note due to exchanges between the Temporary Regulation S Global Note or the Permanent Regulation S Global Note and this Restricted Global Note	Remaining principal amount of this Restricted Global Note following such exchange, or redemption or purchase or cancellation	Notation made by or on behalf of the Issuer

FORM OF
TEMPORARY REGULATION S GLOBAL NOTE

THIS GLOBAL NOTE IS A TEMPORARY GLOBAL NOTE FOR PURPOSES OF REGULATION S UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). NEITHER THIS TEMPORARY REGULATION S GLOBAL NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD OR DELIVERED, EXCEPT AS PERMITTED UNDER THE INDENTURE REFERRED TO BELOW.

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION. THIS NOTE MAY BE RESOLD, PLEDGED OR TRANSFERRED ONLY (1) TO A PERSON THE TRANSFEROR REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A")) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) OUTSIDE THE UNITED STATES TO A NON-U.S. PERSON (AS SUCH TERM IS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) IN A TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR (4) IN A TRANSACTION OTHERWISE EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER JURISDICTION AND BASED ON AN OPINION OF COUNSEL IF THE ISSUER OR TRANSFER AGENT AND REGISTRAR SO REQUEST, IN EACH SUCH CASE, IN COMPLIANCE WITH THE INDENTURE AND ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY TRANSFEREE FROM IT OF THE RESALE RESTRICTIONS SET FORTH ABOVE.

BY ACQUIRING THIS NOTE, EACH PURCHASER WILL BE DEEMED TO HAVE REPRESENTED, WARRANTED AND COVENANTED EITHER THAT (A) IT IS NOT AN "EMPLOYEE BENEFIT PLAN" SUBJECT TO THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), A "PLAN" DESCRIBED IN SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, AN ENTITY DEEMED TO HOLD "PLAN ASSETS" OF ANY OF THE FOREGOING BY REASON OF INVESTMENT BY AN "EMPLOYEE BENEFIT PLAN" OR "PLAN" IN SUCH ENTITY, OR A GOVERNMENTAL PLAN SUBJECT TO APPLICABLE LAW THAT IS SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF ERISA OR SECTION 4975 OF THE CODE OR (B) ITS PURCHASE AND HOLDING OF THIS NOTE WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL PLAN, ANY SUBSTANTIALLY SIMILAR APPLICABLE LAW).

THE INDENTURE CONTAINS FURTHER RESTRICTIONS ON THE TRANSFER AND RESALE OF THIS NOTE. EACH TRANSFEREE OF THIS NOTE, BY ACCEPTANCE HEREOF, IS DEEMED TO HAVE ACCEPTED THIS NOTE, SUBJECT TO THE FOREGOING RESTRICTIONS ON TRANSFERABILITY. IN ADDITION, EACH TRANSFEREE OF THIS NOTE, BY ACCEPTANCE HEREOF, IS DEEMED TO HAVE MADE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN THE INDENTURE.

BY ACCEPTANCE HEREOF, THE HOLDER OF THIS NOTE AGREES TO THE TERMS AND CONDITIONS SET FORTH IN THE INDENTURE AND HEREIN.

No. TREGS-1 $57,778,000
CUSIP No. U20772 AB 2
ISIN USU20772AB20

SEE REVERSE FOR CERTAIN DEFINITIONS

THE PRINCIPAL OF THIS CLASS B NOTE MAY BE PAYABLE IN INSTALLMENTS AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL AMOUNT OF THIS CLASS B NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF.

CONN FUNDING II, L.P.

5.769% ASSET BACKED FIXED RATE NOTES, CLASS B SERIES 2002-B

Conn Funding II, L.P., a limited partnership organized and existing under the laws of the State of Texas (herein referred to as the "Issuer"), for value received, hereby promises to pay Cede & Co., or registered assigns, the principal sum set forth above or such other principal sum set forth on Schedule A attached hereto (which sum shall not exceed $57,778,000), payable on each Payment Date after the end of the Revolving Period (as defined in the Series 2002-B Supplement) in an amount equal to the Monthly Principal, as defined in Section 5.13 of the Series 2002-B Supplement, dated as of September 1, 2002 (as amended, supplemented or otherwise modified from time to time, the "Series 2002-B Supplement"), between the Issuer and the Trustee to the Base Indenture (described below); provided, however, that the entire unpaid principal amount of this Class B Note shall be due and payable on May 21, 2012 (the "Legal Final Payment Date"). The Issuer will pay interest on this Class B Note on each Payment Date at the Note Rate (as defined in the Series 2002-B Supplement) on each Payment Date until the principal of this Class B Note is paid or made available for payment, on the average daily outstanding principal balance of this Class B Note during the related Interest Period (as defined in the Series 2002-B Supplement). Interest will be computed on the basis set forth in the Indenture. Such principal of and interest on this Class B Note shall be paid in the manner specified on the reverse hereof. The aggregate principal sum of the Regulation S Global Notes and the Restricted Global Note shall not exceed $57,778,000.

The Class B Notes are subject to optional redemption in accordance with the Indenture on or after any Payment Date on which the Investor Interest is reduced to an amount less than or equal to 10% of the Initial Note Principal.

The principal of and interest on this Class B Note are payable in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

Reference is made to the further provisions of this Class B Note set forth on the reverse hereof and to the Indenture, which shall have the same effect as though fully set forth on the face of this Class B Note.

Unless the certificate of authentication hereon has been executed by the Trustee whose name appears below by manual signature, this Class B Note shall not be entitled to any benefit under the Indenture referred to on the reverse hereof, or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Issuer, has caused this instrument to be signed, manually or in facsimile, by its Authorized Officer as of the date set forth below.

CONN FUNDING II, L.P.

By: Conn Funding II GP, L.L.C.,
its general partner

By:

Authorized Officer

Attested to:

By:

Authorized Officer

CERTIFICATE OF AUTHENTICATION

This is one of the Class B Notes referred to in the within mentioned Series 2002-B Supplement.

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, not in its individual capacity, but solely as Trustee

By

Authorized Officer

[REVERSE OF NOTE]

This Class B Note is one of a duly authorized issue of Class B Notes of the Issuer, designated as its 5.769% Asset Backed Fixed Rate Notes, Class B, Series 2002-B (herein called the "Class B Notes"), all issued under the Series 2002-B Supplement to the Base Indenture dated as of September 1, 2002 (such Base Indenture, as supplemented by the Series 2002-B Supplement and supplements relating to other series of notes, as supplemented or amended, is herein called the "Indenture"), between the Issuer and WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, as trustee (the "Trustee", which term includes any successor Trustee under the Indenture), to which Indenture reference is hereby made for a statement of the respective rights and obligations thereunder of the Issuer, the Trustee and the Holders of the Class B Notes. The Class B Notes are subject to all terms of the Indenture. All terms used in this Class B Note that are defined in the Indenture shall have the meanings assigned to them in or pursuant to the Indenture.

Principal of the Class B Notes will be payable on each Payment Date after the end of the Revolving Period as described on the face hereof and may be prepaid as set forth in the Indenture. "Payment Date" means the twentieth day of each calendar month, or, if any such date is not a Business Day, the next succeeding Business Day, commencing on October 21, 2002.

All principal payments on the Class B Notes shall be made pro rata to the Class B Noteholders entitled thereto.

Subject to certain limitations set forth in the Indenture, payments of interest on this Class B Note due and payable on each Payment Date, together with the installment of principal, if any, to the extent not in full payment of this Class B Note, shall be made by wire transfer in immediately available funds to the Person whose name appears as the Class B Noteholder on the Note Register as of the close of business on each Record Date without requiring that this Class B Note be submitted for notation of payment. Any reduction in the principal amount of this Class B Note effected by any payments made on any Payment Date or date of prepayment shall be binding upon all future Class B Noteholders and of any Class B Note issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not noted on Schedule A attached hereto. If funds are expected to be available, as provided in the Indenture, for payment in full of the then remaining unpaid principal amount of this Class B Note on a Payment Date, then the Trustee, in the name of and on behalf of the Issuer, will notify the Person who was the Holder hereof as of the Record Date preceding such Payment Date by notice mailed prior to such Payment Date and the amount then due and payable shall be payable only upon presentation and surrender of this Class B Note at the Trustee's principal Corporate Trust Office or at the office of the Trustee's agent appointed for such purposes located in the City of New York.

Any interest in a Class B Note evidenced by this Temporary Regulation S Global Note is exchangeable for an interest in a Permanent Regulation S Global Note upon the later of (i) the Exchange Date and (ii) the furnishing of a certificate, the form of which is attached as Exhibit C-2 to the Series 2002-B Supplement. Interests in this Temporary Regulation S Global Note are

exchangeable for interests in a Permanent Regulation S Global Note or a Restricted Global Note only upon presentation of the applicable certificate required by Section 6 of the Series 2002-B Supplement to the Base Indenture. Upon exchange of all interests in this Temporary Regulation S Global Note for interests in the Permanent Regulation S Global Note and/or the Restricted Global Note, the Trustee shall cancel this Temporary Regulation S Global Note.

Until the provision of the certifications required by Section 6 of the Series 2002-B Supplement, beneficial interests in a Regulation S Global Note may only be held through Euroclear or Clearstream or another agent member of Euroclear or Clearstream acting for and on behalf of them.

On any redemption, purchase, exchange or cancellation of any of the beneficial interests represented by this Temporary Regulation S Global Note, details of such redemption, purchase, exchange or cancellation shall be entered by the Paying Agent in Schedule A hereto recording any such redemption, purchase, exchange or cancellation and shall be signed on by or on behalf of the Issuer. Upon any such redemption, purchase, exchange or cancellation, the principal amount of this Temporary Regulation S Global Note and the beneficial interests represented by the Permanent Regulation S Global Note shall be reduced or increased, as appropriate, by the principal amount so redeemed, purchased, exchanged or cancelled.

Each Class B Noteholder, by acceptance of a Class B Note, covenants and agrees that by accepting the benefits of the Indenture that such Class B Noteholder will not prior to the date which is one year and one day after the payment in full of the last maturing note of any Series and the termination of the Indenture institute against the Issuer or join in any institution against the Issuer of, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings, under any United Stated Federal or state bankruptcy or similar law in connection with any obligations relating to the Class B Notes, the Indenture or the Transaction Documents.

Each Class B Noteholder, by acceptance of a Class B Note, covenants and agrees that by accepting the benefits of the Indenture that such Class B Noteholder will treat such Class B Note as indebtedness for all federal, state and local income and franchise tax purposes.

Prior to the due presentment for registration of transfer of this Class B Note, the Issuer, the Trustee and any agent of the Issuer or the Trustee may treat the Person in whose name this Class B Note (as of the day of determination or as of such other date as may be specified in the Indenture) is registered as the owner hereof for all purposes, whether or not this Class B Note be overdue, and neither the Issuer, the Trustee nor any such agent shall be affected by notice to the contrary.

As provided in the Indenture, no recourse may be taken, directly or indirectly, with respect to the obligations of the Issuer under the Indenture, including this Class B Note, against any Seller, the Initial Seller, the Servicer, the Trustee or any partner, owner, incorporator, beneficiary,

beneficial owner, agent, officer, director, employee, shareholder or agent of the Issuer, any Seller, the Initial Seller, the Servicer or the Trustee except as any such Person may have expressly agreed.

The term "Issuer" as used in this Class B Note includes any successor to the Issuer under the Indenture.

The Issuer is permitted by the Indenture, under certain circumstances, to merge or consolidate, subject to the rights of the Trustee and the Noteholders under the Indenture.

The Class B Notes are issuable only in registered form as provided in the Indenture in denominations as provided in the Indenture, subject to certain limitations therein set forth.

This Class B Note and the Indenture shall be construed in accordance with the laws of the State of New York, without reference to its conflict of law provisions, and the obligations, rights and remedies of the parties hereunder and thereunder shall be determined in accordance with such laws.

No reference herein to the Indenture and no provision of this Class B Note or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and interest on this Class B Note.

ASSIGNMENT

Social Security or taxpayer I.D. or other identifying number of assignee

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____

(name and address of assignee)

the within Class B Note and all rights thereunder, and hereby irrevocably constitutes and appoints _____, attorney, to transfer said Class B Note on the books kept for registration thereof, with full power of substitution in the premises.

Dated: /5/

Signature Guaranteed:

- ----------

/5/ NOTE: The signature to this assignment must correspond with the name of the registered owner as it appears on the face of the within Class B Note in every particular, without alteration, enlargement or any change whatsoever.

SCHEDULE A

SCHEDULE OF EXCHANGES
FOR NOTES REPRESENTED BY THE TEMPORARY
REGULATION S GLOBAL NOTE, THE PERMANENT REGULATION S GLOBAL
NOTE OR THE RESTRICTED GLOBAL NOTE, OR REDEMPTIONS OR PURCHASES AND
CANCELLATIONS

The following exchanges of a part of this Temporary Regulation S Global Note for the Permanent Regulation S Global Note or the Restricted Global Note or an exchange of a part of the Restricted Global Note for a part of this Temporary Regulation S Global Note, in whole or in part, or redemptions, purchases or cancellation of this Temporary Regulation S Global Note have been made:

Date of exchange, or redemption or purchase or cancellation	Part of principal amount of this Temporary Regulation S Global Note exchanged for Notes represented by the Permanent Regulation S Global Note or the Restricted Global Note, or redeemed or purchased or cancelled	Part of principal amount of the Regulation S Global Note exchanged for Notes represented by this Temporary Regulation S Global Note	Remaining principal amount of this Temporary Regulation S Global Note following such exchange, or redemption or purchase or cancellation	Amount of interest paid with delivery of the Permanent Regulation S Global Note	Notation made by or on behalf of the Issuer

FORM OF
PERMANENT REGULATION S GLOBAL NOTE

THIS GLOBAL NOTE IS A PERMANENT GLOBAL NOTE FOR PURPOSES OF REGULATION S UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). NEITHER THIS PERMANENT GLOBAL NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD OR DELIVERED, EXCEPT AS PERMITTED UNDER THE INDENTURE REFERRED TO BELOW.

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION. THIS NOTE MAY BE RESOLD, PLEDGED OR TRANSFERRED ONLY (1) TO A PERSON THE TRANSFEROR REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A")) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) OUTSIDE THE UNITED STATES TO A NON-U.S. PERSON (AS SUCH TERM IS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) IN A TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR (4) IN A TRANSACTION OTHERWISE EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER JURISDICTION AND BASED ON AN OPINION OF COUNSEL IF THE ISSUER OR TRANSFER AGENT AND REGISTRAR SO REQUEST, IN EACH SUCH CASE, IN COMPLIANCE WITH THE INDENTURE AND ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY TRANSFEREE FROM IT OF THE RESALE RESTRICTIONS SET FORTH ABOVE.

BY ACQUIRING THIS NOTE, EACH PURCHASER WILL BE DEEMED TO HAVE REPRESENTED, WARRANTED AND COVENANTED EITHER THAT (A) IT IS NOT AN "EMPLOYEE BENEFIT PLAN" SUBJECT TO THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), A "PLAN" DESCRIBED IN SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, AN ENTITY DEEMED TO HOLD "PLAN ASSETS" OF ANY OF THE FOREGOING BY REASON OF INVESTMENT BY AN "EMPLOYEE BENEFIT PLAN" OR "PLAN" IN SUCH ENTITY, OR A GOVERNMENTAL PLAN SUBJECT TO APPLICABLE LAW THAT IS SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF ERISA OR SECTION 4975 OF THE CODE OR (B) ITS PURCHASE AND HOLDING OF THIS NOTE WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL PLAN, ANY SUBSTANTIALLY SIMILAR APPLICABLE LAW).

THE INDENTURE CONTAINS FURTHER RESTRICTIONS ON THE TRANSFER AND RESALE OF THIS NOTE. EACH TRANSFEREE OF THIS NOTE, BY ACCEPTANCE HEREOF, IS DEEMED TO HAVE ACCEPTED THIS NOTE, SUBJECT TO THE FOREGOING RESTRICTIONS ON TRANSFERABILITY. IN ADDITION, EACH TRANSFEREE OF THIS NOTE, BY ACCEPTANCE HEREOF, IS DEEMED TO HAVE MADE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN THE INDENTURE.

BY ACCEPTANCE HEREOF, THE HOLDER OF THIS NOTE AGREES TO THE TERMS AND CONDITIONS SET FORTH IN THE INDENTURE AND HEREIN.

No. REGS-1 $57,778,000
CUSIP No. U20772 AB 2
ISIN USU20772A520

SEE REVERSE FOR CERTAIN DEFINITIONS

THE PRINCIPAL OF THIS CLASS B NOTE MAY BE PAYABLE IN INSTALLMENTS AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL AMOUNT OF THIS CLASS B NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF.

CONN FUNDING II, L.P.

5.769% ASSET BACKED FIXED RATE NOTES, CLASS B, SERIES 2002-B

Conn Funding II, L.P., a limited partnership organized and existing under the laws of the State of Texas (herein referred to as the "Issuer"), for value received, hereby promises to pay Cede & Co., or registered assigns, the principal sum set forth above or such other principal amount set forth on Schedule A attached hereto (which sum shall not exceed $57,778,000), payable on each Payment Date after the end of the Revolving Period (as defined in the Series 2002-B Supplement) in an amount equal to the Monthly Principal, as defined in Section 5.13 of the Series 2002-B Supplement, dated as of September 1, 2002 (as amended, supplemented or otherwise modified from time to time, the "Series 2002-B Supplement"), between the Issuer and the Trustee to the Base Indenture (described below); provided, however, that the entire unpaid principal amount of this Class B Note shall be due and payable on May 21, 2012 (the "Legal Final Payment Date"). The Issuer will pay interest on this Class B Note on each Payment Date at the Note Rate (as defined in the Series 2002-B Supplement) on each Payment Date until the principal of this Class B Note is paid or made available for payment, on the average daily outstanding principal balance of this Class B Note during the related Interest Period (as defined in the Series 2002-B Supplement). Interest will be computed on the basis set forth in the Indenture. Such principal of and interest on this Class B Note shall be paid in the manner specified on the reverse hereof. The aggregate principal sum of the Regulation S Global Notes and the Restricted Global Note shall not exceed $57,778,000.

The Class B Notes are subject to optional redemption in accordance with the Indenture on or after any Payment Date on which the Investor Interest is reduced to an amount less than or equal to 10% of the Initial Note Principal.

The principal of and interest on this Class B Note are payable in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

Reference is made to the further provisions of this Class B Note set forth on the reverse hereof and to the Indenture, which shall have the same effect as though fully set forth on the face of this Class B Note.

Unless the certificate of authentication hereon has been executed by the Trustee whose name appears below by manual signature, this Class B Note shall not be entitled to any benefit under the Indenture referred to on the reverse hereof, or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Issuer, has caused this instrument to be signed, manually or in facsimile, by its Authorized Officer as of the date set forth below.

CONN FUNDING II, L.P.

By: Conn Funding II GP, L.L.C.,
its general partner

By:

Authorized Officer

Attested to:

By:

Authorized Officer

CERTIFICATE OF AUTHENTICATION

This is one of the Class B Notes referred to in the within mentioned Series 2002-B Supplement.

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, not in its individual capacity, but solely as Trustee

By

Authorized Officer

[REVERSE OF NOTE]

This Class B Note is one of a duly authorized issue of Class B Notes of the Issuer, designated as its 5.769% Asset Backed Fixed Rate Notes, Class B, Series 2002-B (herein called the "Class B Notes"), all issued under the Series 2002-B Supplement to the Base Indenture dated as of September 1, 2002 (such Base Indenture, as supplemented by the Series 2002-B Supplement and supplements relating to other series of notes, as supplemented or amended, is herein called the "Indenture"), between the Issuer and WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, as trustee (the "Trustee", which term includes any successor Trustee under the Indenture), to which Indenture reference is hereby made for a statement of the respective rights and obligations thereunder of the Issuer, the Trustee and the Class B Noteholders. The Class B Notes are subject to all terms of the Indenture. All terms used in this Class B Note that are defined in the Indenture shall have the meanings assigned to them in or pursuant to the Indenture.

Principal of the Class B Notes will be payable on each Payment Date after the end of the Revolving Period as described on the face hereof and may be prepaid as set forth in the Indenture. "Payment Date" means the twentieth day of each calendar month, or, if any such date is not a Business Day, the next succeeding Business Day, commencing on October 21, 2002.

All principal payments on the Class B Notes shall be made pro rata to the Class B Noteholders entitled thereto.

Subject to certain limitations set forth in the Indenture, payments of interest on this Class B Note due and payable on each Payment Date, together with the installment of principal, if any, to the extent not in full payment of this Class B Note, shall be made by wire transfer in immediately available funds to the Person whose name appears as the Class B Noteholder on the Note Register as of the close of business on each Record Date without requiring that this Class B Note be submitted for notation of payment. Any reduction in the principal amount of this Class B Note effected by any payments made on any Payment Date or date of prepayment shall be binding upon all future Class B Noteholders and of any Class B Note issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not noted on Schedule A attached hereto. If funds are expected to be available, as provided in the Indenture, for payment in full of the then remaining unpaid principal amount of this Class B Note on a Payment Date, then the Trustee, in the name of and on behalf of the Issuer, will notify the Person who was the Holder hereof as of the Record Date preceding such Payment Date by notice mailed prior to such Payment Date and the amount then due and payable shall be payable only upon presentation and surrender of this Class B Note at the Trustee's principal Corporate Trust Office or at the office of the Trustee's agent appointed for such purposes located in the City of New York.

On any redemption, purchase, exchange or cancellation of any of the beneficial interest represented by this Permanent Regulation S Global Note, details of such redemption, purchase, exchange or cancellation shall be entered by the Paying Agent in Schedule A hereto recording any such redemption, purchase, exchange or cancellation and shall be signed by or on

behalf of the Issuer. Upon any such redemption, purchase, exchange or cancellation, the principal amount of this Permanent Regulation S Global Note and the beneficial interests represented by this Permanent Regulation S Global Note shall be reduced or increased, as appropriate, by the principal amount so redeemed, purchased, exchanged or cancelled.

Each Class B Noteholder, by acceptance of a Class B Note, covenants and agrees that by accepting the benefits of the Indenture that such Class B Noteholder will not prior to the date which is one year and one day after the payment in full of the last maturing note of any Series and the termination of the Indenture institute against the Issuer or join in any institution against the Issuer of, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings, under any United Stated federal or state bankruptcy or similar law in connection with any obligations relating to the Class B Notes, the Indenture or the Transaction Documents.

Each Class B Noteholder, by acceptance of a Class B Note, covenants and agrees that by accepting the benefits of the Indenture that such Class B Noteholder will treat such Class B Note as indebtedness for all federal, state and local income and franchise tax purposes.

Prior to the due presentment for registration of transfer of this Class B Note, the Issuer, the Trustee and any agent of the Issuer or the Trustee may treat the Person in whose name this Class B Note (as of the day of determination or as of such other date as may be specified in the Indenture) is registered as the owner hereof for all purposes, whether or not this Class B Note be overdue, and neither the Issuer, the Trustee nor any such agent shall be affected by notice to the contrary.

As provided in the Indenture, no recourse may be taken, directly or indirectly, with respect to the obligations of the Issuer under the Indenture, including this Class B Note, against any Seller, the Initial Seller the Servicer, the Trustee or any partner, owner, incorporator, beneficiary, beneficial owner, agent, officer, director, employee, shareholder or agent of the Issuer, any Seller, the Initial Seller, the Servicer or the Trustee except as any such Person may have expressly agreed.

The term "Issuer" as used in this Class B Note includes any successor to the Issuer under the Indenture.

The Issuer is permitted by the Indenture, under certain circumstances, to merge or consolidate, subject to the rights of the Trustee and the Noteholders under the Indenture.

The Class B Notes are issuable only in registered form as provided in the Indenture in denominations as provided in the Indenture, subject to certain limitations therein set forth.

This Class B Note and the Indenture shall be construed in accordance with the laws of the State of New York, without reference to its conflict of law provisions, and the obligations, rights and remedies of the parties hereunder and thereunder shall be determined in accordance with such laws.

No reference herein to the Indenture and no provision of this Class B Note or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and interest on this Class B Note.

ASSIGNMENT

Social Security or taxpayer I.D. or other identifying number of assignee

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto_____

(name and address of assignee)

the within Class B Note and all rights thereunder, and hereby irrevocably constitutes and appoints _____, attorney, to transfer said Class B Note on the books kept for registration thereof, with full power of substitution in the premises.

Dated: /6/

Signature Guaranteed:

- ---

/6/ NOTE: The signature to this assignment must correspond with the name of the registered owner as it appears on the face of the within Class B Note in every particular, without alteration, enlargement or any change whatsoever.

SCHEDULE OF EXCHANGES
BETWEEN THIS PERMANENT REGULATION S
GLOBAL NOTE AND THE TEMPORARY REGULATION S GLOBAL NOTE AND
THE RESTRICTED GLOBAL NOTE,
OR REDEMPTIONS OR PURCHASES AND CANCELLATIONS

The following increases or decreases in the principal amount of this Permanent Regulation S Global Note or redemptions, purchases or cancellation of this Permanent Regulation S Global Note have been made:

Date of exchange, or redemption or purchase or cancellation	Increases or decreases in principal amount of this Permanent Regulation S Global Note due to exchanges between the Temporary Regulation S Global Note or the Restricted Global Note and this Permanent Regulation S Global Note	Remaining principal amount of this Permanent Regulation S Global Note following such exchange, or redemption or purchase or cancellation	Notation made by or on behalf of the Issuer

FORM OF
RESTRICTED GLOBAL NOTE

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION. THIS NOTE MAY BE RESOLD, PLEDGED OR TRANSFERRED ONLY (1) TO A PERSON THE TRANSFEROR REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A")) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) OUTSIDE THE UNITED STATES TO A NON-U.S. PERSON (AS SUCH TERM IS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) IN A TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR (4) IN A TRANSACTION OTHERWISE EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER JURISDICTION AND BASED ON AN OPINION OF COUNSEL IF THE ISSUER OR TRANSFER AGENT AND REGISTRAR SO REQUEST, IN EACH SUCH CASE, IN COMPLIANCE WITH THE INDENTURE AND ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY TRANSFEREE FROM IT OF THE RESALE RESTRICTIONS SET FORTH ABOVE.

BY ACQUIRING THIS NOTE, EACH PURCHASER WILL BE DEEMED TO HAVE REPRESENTED, WARRANTED AND COVENANTED EITHER THAT (A) IT IS NOT AN "EMPLOYEE BENEFIT PLAN" SUBJECT TO THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), A "PLAN" DESCRIBED IN SECTION

4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, AN ENTITY DEEMED TO HOLD "PLAN ASSETS" OF ANY OF THE FOREGOING BY REASON OF INVESTMENT BY AN "EMPLOYEE BENEFIT PLAN" OR "PLAN" IN SUCH ENTITY, OR A GOVERNMENTAL PLAN SUBJECT TO APPLICABLE LAW THAT IS SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF ERISA OR SECTION 4975 OF THE CODE OR (B) ITS PURCHASE AND HOLDING OF THIS NOTE WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL PLAN, ANY SUBSTANTIALLY SIMILAR APPLICABLE LAW).

THE INDENTURE (AS DEFINED BELOW) CONTAINS FURTHER RESTRICTIONS ON THE TRANSFER AND RESALE OF THIS NOTE. EACH TRANSFEREE OF THIS NOTE, BY ACCEPTANCE HEREOF, IS DEEMED TO HAVE ACCEPTED THIS NOTE, SUBJECT TO THE FOREGOING RESTRICTIONS ON TRANSFERABILITY. IN ADDITION, EACH TRANSFEREE OF THIS NOTE, BY ACCEPTANCE HEREOF, IS DEEMED TO HAVE MADE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN THE INDENTURE.

BY ACCEPTANCE HEREOF, THE HOLDER OF THIS NOTE AGREES TO THE TERMS AND CONDITIONS SET FORTH IN THE INDENTURE AND HEREIN.

EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

No. R144A-1 $22,222,000
CUSIP No. 207415 AC 4
ISIN US207415AC48

SEE REVERSE FOR CERTAIN DEFINITIONS

THE PRINCIPAL OF THIS CLASS C NOTE MAY BE PAYABLE IN INSTALLMENTS AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL AMOUNT OF THIS CLASS C NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF.

CONN FUNDING II, L.P.

8.180% ASSET BACKED FIXED RATE NOTES, CLASS C, SERIES 2002-B

Conn Funding II, L.P., a limited partnership organized and existing under the laws of the State of Texas (herein referred to as the "Issuer"), for value received, hereby promises to pay Cede & Co., or registered assigns, the principal sum set forth above or such other principal sum set forth on Schedule A attached hereto (which sum shall not exceed $22,222,000), payable on each Payment Date after the end of the Revolving Period (as defined in the Series 2002-B Supplement) in an amount equal to the Monthly Principal, as defined in Section 5.13 of the Series 2002-B Supplement, dated as of September 1, 2002 (as amended, supplemented or otherwise modified from time to time, the "Series 2002-B Supplement"), between the Issuer and the Trustee to the Base Indenture (described below); provided, however, that the entire unpaid principal amount of this Note shall be due and payable on May 21, 2012 (the "Legal Final Payment Date"). The Issuer will pay interest on this Class C Note at the Note Rate (as defined in the Series 2002-B Supplement) on each Payment Date until the principal of this Note is paid or made available for payment, on the average daily outstanding principal balance of this Note during the related Interest Period (as defined in the Series 2002-B Supplement). Interest will be computed on the basis set forth in the Indenture. Such principal of and interest on this Note shall be paid in the manner specified on the reverse hereof. The aggregate principal sum of the Regulations S Global Notes and the Restricted Global Note shall not exceed $22,222,000.

The Class C Notes are subject to optional redemption in accordance with the Indenture on or after any Payment Date on which the Investor Interest is reduced to an amount less than or equal to 10% of the Initial Note Principal.

The principal of and interest on this Class C Note are payable in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

Reference is made to the further provisions of this Class C Note set forth on the reverse hereof and to the Indenture, which shall have the same effect as though fully set forth on the face of this Class C Note.

Unless the certificate of authentication hereon has been executed by the Trustee whose name appears below by manual signature, this Class C Note shall not be entitled to any benefit under the Indenture referred to on the reverse hereof, or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Issuer, has caused this instrument to be signed, manually or in facsimile, by its Authorized Officer as of the date set forth below.

CONN FUNDING II, L.P.

By: Conn Funding II GP, L.L.C.,
its general partner

By:

Authorized Officer

Attested to:

By:

Authorized Officer

CERTIFICATE OF AUTHENTICATION

This is one of the Class C Notes referred to in the within mentioned Series 2002-B Supplement.

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, not in its individual capacity, but solely as Trustee

By

Authorized Officer

[REVERSE OF NOTE]

This Class C Note is one of a duly authorized issue of Class C Notes of the Issuer, designated as its 8.180% Asset Backed Fixed Rate Notes, Class C, Series 2002-B (herein called the "Class C Notes"), all issued under the Series 2002-B Supplement to the Base Indenture dated as of September 1, 2002 (such Base Indenture, as supplemented by the Series 2002-B Supplement and supplements relating to other series of notes, as supplemented or amended, is herein called the "Indenture"), between the Issuer and WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, as trustee (the "Trustee," which term includes any successor Trustee under the Indenture), to which Indenture reference is hereby made for a statement of the respective rights and obligations thereunder of the Issuer, the Trustee and the Class C Noteholders. The Class C Notes are subject to all terms of the Indenture. All terms used in this Class C Note that are defined in the Indenture shall have the meanings assigned to them in or pursuant to the Indenture.

Principal of the Class C Notes will be payable on each Payment Date after the end of the Revolving Period as described on the face hereof and may be prepaid as set forth in the Indenture. "Payment Date" means the twentieth day of each calendar month, or, if any such date is not a Business Day, the next succeeding Business Day, commencing on October 21, 2002.

All principal payments on the Class C Notes shall be made pro rata to the Class C Noteholders entitled thereto.

Subject to certain limitations set forth in the Indenture, payments of interest on this Class C Note due and payable on each Payment Date, together with the installment of principal, if any, to the extent not in full payment of this Class C Note, shall be made by wire transfer in immediately available funds to the Person whose name appears as the Class C Noteholder on the Note Register as of the close of business on each Record Date without requiring that this Class C Note be submitted for notation of payment. Any reduction in the principal amount of this Class C Note effected by any payments made on any Payment Date or date of prepayment shall be binding upon all future Class C Noteholders and of any Class C Note issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not noted on Schedule A attached hereto. If funds are expected to be available, as provided in the Indenture, for payment in full of the then remaining unpaid principal amount of this Class C Note on a Payment Date, then the Trustee, in the name of and on behalf of the Issuer, will notify the Person who was the Holder hereof as of the Record Date preceding such Payment Date by notice mailed prior to such Payment Date and the amount then due and payable shall be payable only upon presentation and surrender of this Class C Note at the Trustee's principal Corporate Trust Office or at the office of the Trustee's agent appointed for such purposes located in the City of New York.

On any redemption, purchase, exchange or cancellation of any of the beneficial interests represented by this Restricted Global Note, details of such redemption, purchase, exchange or cancellation shall be entered by the Paying Agent in Schedule A hereto recording any such redemption, purchase, exchange or cancellation. Upon any such redemption, purchase, exchange

or cancellation, the principal amount of this Restricted Global Note and the beneficial interests represented by the Restricted Global Note shall be reduced or increased, as appropriate, by the principal amount so redeemed, purchased, exchanged or cancelled.

Each Class C Noteholder, by acceptance of a Class C Note, covenants and agrees that by accepting the benefits of the Indenture that such Class C Noteholder will not prior to the date which is one year and one day after the payment in full of the last maturing note of any Series and the termination of the Indenture institute against the Issuer or join in any institution against the Issuer of, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings, under any United States Federal or state bankruptcy or similar law in connection with any obligations relating to the Notes, the Indenture or the Transaction Documents.

Each Class C Noteholder, by acceptance of a Class C Note, covenants and agrees that by accepting the benefits of the Indenture that such Class C Noteholder will treat such Class C Note as indebtedness for all Federal, state and local income and franchise tax purposes.

Prior to the due presentment for registration of transfer of this Class C Note, the Issuer, the Trustee and any agent of the Issuer or the Trustee may treat the Person in whose name this Class C Note (as of the day of determination or as of such other date as may be specified in the Indenture) is registered as the owner hereof for all purposes, whether or not this Class C Note be overdue, and neither the Issuer, the Trustee nor any such agent shall be affected by notice to the contrary.

As provided in the Indenture, no recourse may be taken, directly or indirectly, with respect to the obligations of the Issuer under the Indenture, including this Class C Note, against any Seller, the Initial Seller, the Servicer, the Trustee or any partner, owner, incorporator, beneficiary, beneficial owner, agent, officer, director, employee, shareholder or agent of the Issuer, any Seller, the Initial Seller, the Servicer or the Trustee except as any such Person may have expressly agreed.

The term "Issuer" as used in this Class C Note includes any successor to the Issuer under the Indenture.

The Issuer is permitted by the Indenture, under certain circumstances, to merge or consolidate, subject to the rights of the Trustee and the Holders of Notes under the Indenture.

The Class C Notes are issuable only in registered form as provided in the Indenture in denominations as provided in the Indenture, subject to certain limitations therein set forth.

This Class C Note and the Indenture shall be construed in accordance with the laws of the State of New York, without reference to its conflict of law provisions, and the obligations, rights and remedies of the parties hereunder and thereunder shall be determined in accordance with such laws.

No reference herein to the Indenture and no provision of this Class C Note or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and interest on this Class C Note.

ASSIGNMENT

Social Security or taxpayer I.D. or other identifying number of assignee

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____

(name and address of assignee)

the within Class C Note and all rights thereunder, and hereby irrevocably constitutes and appoints _____, attorney, to transfer said Class C Note on the books kept for registration thereof, with full power of substitution in the premises.

Dated: /7/

Signature Guaranteed:

- ----------

/7/ NOTE: The signature to this assignment must correspond with the name of the registered owner as it appears on the face of the within Class B Note in every particular, without alteration, enlargement or any change whatsoever.

SCHEDULE OF EXCHANGES
BETWEEN THE TEMPORARY REGULATION S GLOBAL NOTE
OR THE PERMANENT REGULATION S GLOBAL NOTE AND
THIS RESTRICTED GLOBAL NOTE, OR REDEMPTIONS
OR PURCHASES AND CANCELLATIONS

The following increases or decreases in principal amount of this Restricted Global Note or redemptions, purchases or cancellation of this Restricted Global Note have been made:

Date of exchange, or redemption or purchase or cancellation	Increase or decrease in principal amount of this Restricted Global Note due to exchanges between the Temporary Regulation S Global Note or the Permanent Regulation S Global Note and this Restricted Global Note	Remaining principal amount of this Restricted Global Note following such exchange, or redemption or purchase or cancellation	Notation made by or on behalf of the Issuer

FORM OF
TEMPORARY REGULATION S GLOBAL NOTE

THIS GLOBAL NOTE IS A TEMPORARY GLOBAL NOTE FOR PURPOSES OF REGULATION S UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). NEITHER THIS TEMPORARY REGULATION S GLOBAL NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD OR DELIVERED, EXCEPT AS PERMITTED UNDER THE INDENTURE REFERRED TO BELOW.

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION. THIS NOTE MAY BE RESOLD, PLEDGED OR TRANSFERRED ONLY (1) TO A PERSON THE TRANSFEROR REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A")) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) OUTSIDE THE UNITED STATES TO A NON-U.S. PERSON (AS SUCH TERM IS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) IN A TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR (4) IN A TRANSACTION OTHERWISE EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER JURISDICTION AND BASED ON AN OPINION OF COUNSEL IF THE ISSUER OR TRANSFER AGENT AND REGISTRAR SO REQUEST, IN EACH SUCH CASE, IN COMPLIANCE WITH THE INDENTURE AND ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY TRANSFEREE FROM IT OF THE RESALE RESTRICTIONS SET FORTH ABOVE.

BY ACQUIRING THIS NOTE, EACH PURCHASER WILL BE DEEMED TO HAVE REPRESENTED, WARRANTED AND COVENANTED EITHER THAT (A) IT IS NOT AN "EMPLOYEE BENEFIT PLAN" SUBJECT TO THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), A "PLAN" DESCRIBED IN SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, AN ENTITY DEEMED TO HOLD "PLAN ASSETS" OF ANY OF THE FOREGOING BY REASON OF INVESTMENT BY AN "EMPLOYEE BENEFIT PLAN" OR "PLAN" IN SUCH ENTITY, OR A GOVERNMENTAL PLAN SUBJECT TO APPLICABLE LAW THAT IS SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF ERISA OR SECTION 4975 OF THE CODE OR (B) ITS PURCHASE AND HOLDING OF THIS NOTE WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL PLAN, ANY SUBSTANTIALLY SIMILAR APPLICABLE LAW).

THE INDENTURE CONTAINS FURTHER RESTRICTIONS ON THE TRANSFER AND RESALE OF THIS NOTE. EACH TRANSFEREE OF THIS NOTE, BY ACCEPTANCE HEREOF, IS DEEMED TO HAVE ACCEPTED THIS NOTE, SUBJECT TO THE FOREGOING RESTRICTIONS ON TRANSFERABILITY. IN ADDITION, EACH TRANSFEREE OF THIS NOTE, BY ACCEPTANCE HEREOF, IS DEEMED TO HAVE MADE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN THE INDENTURE.

BY ACCEPTANCE HEREOF, THE HOLDER OF THIS NOTE AGREES TO THE TERMS AND CONDITIONS SET FORTH IN THE INDENTURE AND HEREIN.

No. TREGS-1 $22,222,000

CUSIP No. U20772 AC 0

ISIN USU20772AC03

SEE REVERSE FOR CERTAIN DEFINITIONS

THE PRINCIPAL OF THIS CLASS C NOTE MAY BE PAYABLE IN INSTALLMENTS AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL AMOUNT OF THIS CLASS C NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF.

CONN FUNDING II, L.P.

8.180% ASSET BACKED FIXED RATE NOTES, CLASS C, SERIES 2002-B

Conn Funding II, L.P., a limited partnership organized and existing under the laws of the State of Texas (herein referred to as the "Issuer"), for value received, hereby promises to pay Cede & Co., or registered assigns, the principal sum set forth above or such other principal sum set forth on Schedule A attached hereto (which sum shall not exceed $22,222,000), payable on each Payment Date after the end of the Revolving Period (as defined in the Series 2002-B Supplement) in an amount equal to the Monthly Principal, as defined in Section 5.13 of the Series 2002-B Supplement, dated as of September 1, 2002 (as amended, supplemented or otherwise modified from time to time, the "Series 2002-B Supplement"), between the Issuer and the Trustee to the Base Indenture (described below); provided, however, that the entire unpaid principal amount of this Class C Note shall be due and payable on May 21, 2012 (the "Legal Final Payment Date"). The Issuer will pay interest on this Class C Note on each Payment Date at the Note Rate (as defined in the Series 2002-B Supplement) on each Payment Date until the principal of this Class C Note is paid or made available for payment, on the average daily outstanding principal balance of this Class C Note during the related Interest Period (as defined in the Series 2002-B Supplement). Interest will be computed on the basis set forth in the Indenture. Such principal of and interest on this Class C Note shall be paid in the manner specified on the reverse hereof. The aggregate principal sum of the Regulation S Global Notes and the Restricted Global Note shall not exceed $22,222,000.

The Class C Notes are subject to optional redemption in accordance with the Indenture on or after any Payment Date on which the Investor Interest is reduced to an amount less than or equal to 10% of the Initial Note Principal.

The principal of and interest on this Class C Note are payable in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

Reference is made to the further provisions of this Class C Note set forth on the reverse hereof and to the Indenture, which shall have the same effect as though fully set forth on the face of this Class C Note.

Unless the certificate of authentication hereon has been executed by the Trustee whose name appears below by manual signature, this Class C Note shall not be entitled to any benefit under the Indenture referred to on the reverse hereof, or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Issuer, has caused this instrument to be signed, manually or in facsimile, by its Authorized Officer as of the date set forth below.

CONN FUNDING II, L.P.

By: Conn Funding II GP, L.L.C.,
its general partner

By:

Authorized Officer

Attested to:

By:

Authorized Officer

CERTIFICATE OF AUTHENTICATION

This is one of the Class C Notes referred to in the within mentioned Series 2002-B Supplement.

WELLS FARGO BANK MINNESOTA,
NATIONAL ASSOCIATION, not in its
individual capacity, but solely as
Trustee

By

Authorized Officer

[REVERSE OF NOTE]

This Class C Note is one of a duly authorized issue of Class C Notes of the Issuer, designated as its 8.180% Asset Backed Fixed Rate Notes, Class C, Series 2002-B (herein called the "Class C Notes"), all issued under the Series 2002-B Supplement to the Base Indenture dated as of September 1, 2002 (such Base Indenture, as supplemented by the Series 2002-B Supplement and supplements relating to other series of notes, as supplemented or amended, is herein called the "Indenture"), between the Issuer and WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, as trustee (the "Trustee", which term includes any successor Trustee under the Indenture), to which Indenture reference is hereby made for a statement of the respective rights and obligations thereunder of the Issuer, the Trustee and the Holders of the Class C Notes. The Class C Notes are subject to all terms of the Indenture. All terms used in this Class C Note that are defined in the Indenture shall have the meanings assigned to them in or pursuant to the Indenture.

Principal of the Class C Notes will be payable on each Payment Date after the end of the Revolving Period as described on the face hereof and may be prepaid as set forth in the Indenture. "Payment Date" means the twentieth day of each calendar month, or, if any such date is not a Business Day, the next succeeding Business Day, commencing on October 21, 2002.

All principal payments on the Class C Notes shall be made pro rata to the Class C Noteholders entitled thereto.

Subject to certain limitations set forth in the Indenture, payments of interest on this Class C Note due and payable on each Payment Date, together with the installment of principal, if any, to the extent not in full payment of this Class C Note, shall be made by wire transfer in immediately available funds to the Person whose name appears as the Class C Noteholder on the Note Register as of the close of business on each Record Date without requiring that this Class C Note be submitted for notation of payment. Any reduction in the principal amount of this Class C Note effected by any payments made on any Payment Date or date of prepayment shall be binding upon all future Class C Noteholders and of any Class C Note issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not noted on Schedule A attached hereto. If funds are expected to be available, as provided in the Indenture, for payment in full of the then remaining unpaid principal amount of this Class C Note on a Payment Date, then the Trustee, in the name of and on behalf of the Issuer, will notify the Person who was the Holder hereof as of the Record Date preceding such Payment Date by notice mailed prior to such Payment Date and the amount then due and payable shall be payable only upon presentation and surrender of this Class C Note at the Trustee's principal Corporate Trust Office or at the office of the Trustee's agent appointed for such purposes located in the City of New York.

Any interest in a Class C Note evidenced by this Temporary Regulation S Global Note is exchangeable for an interest in a Permanent Regulation S Global Note upon the later of (i) the Exchange Date and (ii) the furnishing of a certificate, the form of which is attached as Exhibit C-2 to the Series 2002-B Supplement. Interests in this Temporary Regulation S Global Note are

exchangeable for interests in a Permanent Regulation S Global Note or a Restricted Global Note only upon presentation of the applicable certificate required by Section 6 of the Series 2002-B Supplement to the Base Indenture. Upon exchange of all interests in this Temporary Regulation S Global Note for interests in the Permanent Regulation S Global Note and/or the Restricted Global Note, the Trustee shall cancel this Temporary Regulation S Global Note.

Until the provision of the certifications required by Section 6 of the Series 2002-B Supplement, beneficial interests in a Regulation S Global Note may only be held through Euroclear or Clearstream or another agent member of Euroclear or Clearstream acting for and on behalf of them.

On any redemption, purchase, exchange or cancellation of any of the beneficial interests represented by this Temporary Regulation S Global Note, details of such redemption, purchase, exchange or cancellation shall be entered by the Paying Agent in Schedule A hereto recording any such redemption, purchase, exchange or cancellation and shall be signed on by or on behalf of the Issuer. Upon any such redemption, purchase, exchange or cancellation, the principal amount of this Temporary Regulation S Global Note and the beneficial interests represented by the Permanent Regulation S Global Note shall be reduced or increased, as appropriate, by the principal amount so redeemed, purchased, exchanged or cancelled.

Each Class C Noteholder, by acceptance of a Class C Note, covenants and agrees that by accepting the benefits of the Indenture that such Class C Noteholder will not prior to the date which is one year and one day after the payment in full of the last maturing note of any Series and the termination of the Indenture institute against the Issuer or join in any institution against the Issuer of, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings, under any United Stated Federal or state bankruptcy or similar law in connection with any obligations relating to the Class C Notes, the Indenture or the Transaction Documents.

Each Class C Noteholder, by acceptance of a Class C Note, covenants and agrees that by accepting the benefits of the Indenture that such Class C Noteholder will treat such Class C Note as indebtedness for all federal, state and local income and franchise tax purposes.

Prior to the due presentment for registration of transfer of this Class C Note, the Issuer, the Trustee and any agent of the Issuer or the Trustee may treat the Person in whose name this Class C Note (as of the day of determination or as of such other date as may be specified in the Indenture) is registered as the owner hereof for all purposes, whether or not this Class C Note be overdue, and neither the Issuer, the Trustee nor any such agent shall be affected by notice to the contrary.

As provided in the Indenture, no recourse may be taken, directly or indirectly, with respect to the obligations of the Issuer under the Indenture, including this Class C Note, against any Seller, the Initial Seller, the Servicer, the Trustee or any partner, owner, incorporator, beneficiary,

beneficial owner, agent, officer, director, employee, shareholder or agent of the Issuer, any Seller, the Initial Seller, the Servicer or the Trustee except as any such Person may have expressly agreed.

The term "Issuer" as used in this Class C Note includes any successor to the Issuer under the Indenture.

The Issuer is permitted by the Indenture, under certain circumstances, to merge or consolidate, subject to the rights of the Trustee and the Class C Noteholders under the Indenture.

The Class C Notes are issuable only in registered form as provided in the Indenture in denominations as provided in the Indenture, subject to certain limitations therein set forth.

This Class C Note and the Indenture shall be construed in accordance with the laws of the State of New York, without reference to its conflict of law provisions, and the obligations, rights and remedies of the parties hereunder and thereunder shall be determined in accordance with such laws.

No reference herein to the Indenture and no provision of this Class C Note or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and interest on this Class C Note.

ASSIGNMENT

Social Security or taxpayer I.D. or other identifying number of assignee

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____

(name and address of assignee)

the within Class C Note and all rights thereunder, and hereby irrevocably constitutes and appoints _____, attorney, to transfer said Class C Note on the books kept for registration thereof, with full power of substitution in the premises.

Dated: /8/

Signature Guaranteed:

- ----------

/8/ NOTE: The signature to this assignment must correspond with the name of the registered owner as it appears on the face of the within Class C Note in every particular, without alteration, enlargement or any change whatsoever.

SCHEDULE A

SCHEDULE OF EXCHANGES
FOR NOTES REPRESENTED BY THE TEMPORARY
REGULATION S GLOBAL NOTE, THE PERMANENT REGULATION S GLOBAL
NOTE OR THE RESTRICTED GLOBAL NOTE, OR REDEMPTIONS OR
PURCHASES AND CANCELLATIONS

The following exchanges of a part of this Temporary Regulation S Global Note for the Permanent Regulation S Global Note or the Restricted Global Note or an exchange of a part of the Restricted Global Note for a part of this Temporary Regulation S Global Note, in whole or in part, or redemptions, purchases or cancellation of this Temporary Regulation S Global Note have been made:

Date of exchange, or redemption or purchase or cancellation	Part of principal amount of this Temporary Regulation S Global Note exchanged for Notes represented by the Permanent Regulation S Global Note or the Restricted Global Note, or redeemed or purchased or cancelled	Part of principal amount of the Regulation S Global Note exchanged for Notes represented by this Temporary Regulation S Global Note	Remaining principal amount of this Temporary Regulation S Global Note following such exchange, or redemption or purchase or cancellation	Amount of interest paid with delivery of the Permanent Regulation S Global Note	Notation made by or on behalf of the Issuer

FORM OF
PERMANENT REGULATION S GLOBAL NOTE

THIS GLOBAL NOTE IS A PERMANENT GLOBAL NOTE FOR PURPOSES OF REGULATION S UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). NEITHER THIS PERMANENT GLOBAL NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD OR DELIVERED, EXCEPT AS PERMITTED UNDER THE INDENTURE REFERRED TO BELOW.

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION. THIS NOTE MAY BE RESOLD, PLEDGED OR TRANSFERRED ONLY (1) TO A PERSON THE TRANSFEROR REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A")) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) OUTSIDE THE UNITED STATES TO A NON-U.S. PERSON (AS SUCH TERM IS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) IN A TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR (4) IN A TRANSACTION OTHERWISE EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER JURISDICTION AND BASED ON AN OPINION OF COUNSEL IF THE ISSUER OR TRANSFER AGENT AND REGISTRAR SO REQUEST, IN EACH SUCH CASE, IN COMPLIANCE WITH THE INDENTURE AND ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY TRANSFEREE FROM IT OF THE RESALE RESTRICTIONS SET FORTH ABOVE.

BY ACQUIRING THIS NOTE, EACH PURCHASER WILL BE DEEMED TO HAVE REPRESENTED, WARRANTED AND COVENANTED EITHER THAT (A) IT IS NOT AN "EMPLOYEE BENEFIT PLAN" SUBJECT TO THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), A "PLAN" DESCRIBED IN SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, AN ENTITY DEEMED TO HOLD "PLAN ASSETS" OF ANY OF THE FOREGOING BY REASON OF INVESTMENT BY AN "EMPLOYEE BENEFIT PLAN" OR "PLAN" IN SUCH ENTITY, OR A GOVERNMENTAL PLAN SUBJECT TO APPLICABLE LAW THAT IS SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF ERISA OR SECTION 4975 OF THE CODE OR (B) ITS PURCHASE AND HOLDING OF THIS NOTE WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL PLAN, ANY SUBSTANTIALLY SIMILAR APPLICABLE LAW).

THE INDENTURE CONTAINS FURTHER RESTRICTIONS ON THE TRANSFER AND RESALE OF THIS NOTE. EACH TRANSFEREE OF THIS NOTE, BY ACCEPTANCE HEREOF, IS DEEMED TO HAVE ACCEPTED THIS NOTE, SUBJECT TO THE FOREGOING RESTRICTIONS ON TRANSFERABILITY. IN ADDITION, EACH TRANSFEREE OF THIS NOTE, BY ACCEPTANCE HEREOF, IS DEEMED TO HAVE MADE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN THE INDENTURE.

BY ACCEPTANCE HEREOF, THE HOLDER OF THIS NOTE AGREES TO THE TERMS AND CONDITIONS SET FORTH IN THE INDENTURE AND HEREIN.

No. REGS-1 $22,222,000

CUSIP No. US0772 AC 0

ISIN USU20772AC03

SEE REVERSE FOR CERTAIN DEFINITIONS

THE PRINCIPAL OF THIS CLASS C NOTE MAY BE PAYABLE IN INSTALLMENTS AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL AMOUNT OF THIS CLASS C NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF.

CONN FUNDING II, L.P.

8.180% ASSET BACKED FIXED RATE NOTES, CLASS C, SERIES 2002-B

Conn Funding II, L.P., a limited partnership organized and existing under the laws of the State of Texas (herein referred to as the "Issuer"), for value received, hereby promises to pay Cede & Co., or registered assigns, the principal sum set forth above or such other principal amount set forth on Schedule A attached hereto (which sum shall not exceed $22,222,000), payable on each Payment Date after the end of the Revolving Period (as defined in the Series 2002-B Supplement) in an amount equal to the Monthly Principal, as defined in Section 5.13 of the Series 2002-B Supplement, dated as of September 1, 2002 (as amended, supplemented or otherwise modified from time to time, the "Series 2002-B Supplement"), between the Issuer and the Trustee to the Base Indenture (described below); provided, however, that the entire unpaid principal amount of this Class C Note shall be due and payable on May 21, 2012 (the "Legal Final Payment Date"). The Issuer will pay interest on this Class C Note on each Payment Date at the Note Rate (as defined in the Series 2002-B Supplement) on each Payment Date until the principal of this Class C Note is paid or made available for payment, on the average daily outstanding principal balance of this Class C Note during the related Interest Period (as defined in the Series 2002-B Supplement). Interest will be computed on the basis set forth in the Indenture. Such principal of and interest on this Class C Note shall be paid in the manner specified on the reverse hereof. The aggregate principal sum of the Regulation S Global Notes and the Restricted Global Note shall not exceed $22,222,000.

The Class C Notes are subject to optional redemption in accordance with the Indenture on or after any Payment Date on which the Investor Interest is reduced to an amount less than or equal to 10% of the Initial Note Principal.

The principal of and interest on this Class C Note are payable in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

Reference is made to the further provisions of this Class C Note set forth on the reverse hereof and to the Indenture, which shall have the same effect as though fully set forth on the face of this Class C Note.

Unless the certificate of authentication hereon has been executed by the Trustee whose name appears below by manual signature, this Class C Note shall not be entitled to any benefit under the Indenture referred to on the reverse hereof, or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Issuer, has caused this instrument to be signed, manually or in facsimile, by its Authorized Officer as of the date set forth below.

CONN FUNDING II, L.P.

By: Conn Funding II GP, L.L.C.,
its general partner

By:

Authorized Officer

Attested to:

By:

Authorized Officer

CERTIFICATE OF AUTHENTICATION

This is one of the Class C Notes referred to in the within mentioned Series 2002-B Supplement.

WELLS FARGO BANK MINNESOTA,
NATIONAL ASSOCIATION, not in its
individual capacity, but solely as
Trustee

By

Authorized Officer

[REVERSE OF NOTE]

This Class C Note is one of a duly authorized issue of Class C Notes of the Issuer, designated as its 8.180% Asset Backed Fixed Rate Notes, Class C, Series 2002-B (herein called the "Class C Notes"), all issued under the Series 2002-B Supplement to the Base Indenture dated as of September 1, 2002 (such Base Indenture, as supplemented by the Series 2002-B Supplement and supplements relating to other series of notes, as supplemented or amended, is herein called the "Indenture"), between the Issuer and WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, as trustee (the "Trustee", which term includes any successor Trustee under the Indenture), to which Indenture reference is hereby made for a statement of the respective rights and obligations thereunder of the Issuer, the Trustee and the Class C Noteholders. The Class C Notes are subject to all terms of the Indenture. All terms used in this Class C Note that are defined in the Indenture shall have the meanings assigned to them in or pursuant to the Indenture.

Principal of the Class C Notes will be payable on each Payment Date after the end of the Revolving Period as described on the face hereof and may be prepaid as set forth in the Indenture. "Payment Date" means the twentieth day of each calendar month, or, if any such date is not a Business Day, the next succeeding Business Day, commencing on October 21, 2002.

All principal payments on the Class C Notes shall be made pro rata to the Class C Noteholders entitled thereto.

Subject to certain limitations set forth in the Indenture, payments of interest on this Class C Note due and payable on each Payment Date, together with the installment of principal, if any, to the extent not in full payment of this Class C Note, shall be made by wire transfer in immediately available funds to the Person whose name appears as the Class C Noteholder on the Note Register as of the close of business on each Record Date without requiring that this Class C Note be submitted for notation of payment. Any reduction in the principal amount of this Class C Note effected by any payments made on any Payment Date or date of prepayment shall be binding upon all future Class C Noteholders and of any Class C Note issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not noted on Schedule A attached hereto. If funds are expected to be available, as provided in the Indenture, for payment in full of the then remaining unpaid principal amount of this Class C Note on a Payment Date, then the Trustee, in the name of and on behalf of the Issuer, will notify the Person who was the Holder hereof as of the Record Date preceding such Payment Date by notice mailed prior to such Payment Date and the amount then due and payable shall be payable only upon presentation and surrender of this Class C Note at the Trustee's principal Corporate Trust Office or at the office of the Trustee's agent appointed for such purposes located in the City of New York.

On any redemption, purchase, exchange or cancellation of any of the beneficial interest represented by this Permanent Regulation S Global Note, details of such redemption, purchase, exchange or cancellation shall be entered by the Paying Agent in Schedule A hereto recording any such redemption, purchase, exchange or cancellation and shall be signed by or on

behalf of the Issuer. Upon any such redemption, purchase, exchange or cancellation, the principal amount of this Permanent Regulation S Global Note and the beneficial interests represented by this Permanent Regulation S Global Note shall be reduced or increased, as appropriate, by the principal amount so redeemed, purchased, exchanged or cancelled.

Each Class C Noteholder, by acceptance of a Class C Note, covenants and agrees that by accepting the benefits of the Indenture that such Class C Noteholder will not prior to the date which is one year and one day after the payment in full of the last maturing note of any Series and the termination of the Indenture institute against the Issuer or join in any institution against the Issuer of, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings, under any United Stated federal or state bankruptcy or similar law in connection with any obligations relating to the Class C Notes, the Indenture or the Transaction Documents.

Each Class C Noteholder, by acceptance of a Class C Note, covenants and agrees that by accepting the benefits of the Indenture that such Class C Noteholder will treat such Class C Note as indebtedness for all federal, state and local income and franchise tax purposes.

Prior to the due presentment for registration of transfer of this Class C Note, the Issuer, the Trustee and any agent of the Issuer or the Trustee may treat the Person in whose name this Class C Note (as of the day of determination or as of such other date as may be specified in the Indenture) is registered as the owner hereof for all purposes, whether or not this Class C Note be overdue, and neither the Issuer, the Trustee nor any such agent shall be affected by notice to the contrary.

As provided in the Indenture, no recourse may be taken, directly or indirectly, with respect to the obligations of the Issuer under the Indenture, including this Class C Note, against any Seller, the Initial Seller, the Servicer, the Trustee or any partner, owner, incorporator, beneficiary, beneficial owner, agent, officer, director, employee, shareholder or agent of the Issuer, any Seller, the Initial Seller, the Servicer or the Trustee except as any such Person may have expressly agreed.

The term "Issuer" as used in this Class C Note includes any successor to the Issuer under the Indenture.

The Issuer is permitted by the Indenture, under certain circumstances, to merge or consolidate, subject to the rights of the Trustee and the Noteholders under the Indenture.

The Class C Notes are issuable only in registered form as provided in the Indenture in denominations as provided in the Indenture, subject to certain limitations therein set forth.

This Class C Note and the Indenture shall be construed in accordance with the laws of the State of New York, without reference to its conflict of law provisions, and the obligations, rights and remedies of the parties hereunder and thereunder shall be determined in accordance with such laws.

No reference herein to the Indenture and no provision of this Class C Note or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and interest on this Class C Note.

ASSIGNMENT

Social Security or taxpayer I.D. or other identifying number of assignee

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____

(name and address of assignee)

the within Class C Note and all rights thereunder, and hereby irrevocably constitutes and appoints _____, attorney, to transfer said Class C Note on the books kept for registration thereof, with full power of substitution in the premises.

Dated: /9/

Signature Guaranteed:

- ----------

/9/ NOTE: The signature to this assignment must correspond with the name of the registered owner as it appears on the face of the within Class C Note in every particular, without alteration, enlargement or any change whatsoever.

SCHEDULE A

SCHEDULE OF EXCHANGES
BETWEEN THIS PERMANENT REGULATION S
GLOBAL NOTE AND THE TEMPORARY REGULATION S GLOBAL NOTE AND
THE RESTRICTED GLOBAL NOTE,
OR REDEMPTIONS OR PURCHASES AND CANCELLATIONS

The following increases or decreases in the principal amount of this Permanent Regulation S Global Note or redemptions, purchases or cancellation of this Permanent Regulation S Global Note have been made:

Date of exchange, or redemption or purchase or cancellation	Increases or decreases in principal amount of this Permanent Regulation S Global Note due to exchanges between the Temporary Regulation S Global Note or the Restricted Global Note and this Permanent Regulation S Global Note	Remaining principal amount of this Permanent Regulation S Global Note following such exchange, or redemption or purchase or cancellation	Notation made by or on behalf of the Issuer

EXHIBIT D

FORM OF MONTHLY NOTEHOLDERS' STATEMENT

[Monthly Report to Noteholders Appears Here]

EXHIBIT E-1

FORM OF TRANSFER CERTIFICATE

To: Wells Fargo Bank Minnesota, National Association,
as Trustee and Registration and Transfer Agent
MAC N9311-161
6/th/ and Marquette
Minneapolis, Minnesota 55479-0700
Attention: Corporate Trust Services/Asset-Backed Administration

Re: Conn Funding II, L.P.-[__]% Asset Backed
Fixed Rate Notes, Class [__], Series 2002-B (CUSIP No. [_____])

This Certificate relates to $_____ principal amount of Class [__] Notes held in

[ ] book-entry or
[ ] definitive form

by _____ (the "Transferor") issued pursuant to the Base Indenture, dated as of September 1, 2002, between Conn Funding II, L.P., as Issuer, and Wells Fargo Bank Minnesota, National Association, as Trustee (as amended, supplemented or otherwise modified from time to time, the "Base Indenture") and the Series 2002-B Supplement thereto, dated as of September 1, 2002 (as amended, supplemented or otherwise modified from time to time, the "Series Supplement" and, together with the Base Indenture, the "Indenture"). Capitalized terms used herein and not otherwise defined, shall have the meanings given thereto in the Indenture.

The Transferor has requested the Trustee by written order to exchange or register the transfer of a Note or Notes.

In connection with such request and in respect of each such Note, the Transferor does hereby certify as follows:

[ ] Such Note is being acquired for its own account.

[ ] Such Note is being transferred pursuant to and in accordance with Rule 144A under the Securities Act, and, accordingly, the Transferor further certifies that the Series 2002-B Notes are being transferred to a Person that the Transferor reasonably believes is purchasing the Series 2002-B Notes for its own account, or for an account with respect to which such Person exercises sole investment discretion, and such Person and such account is a "qualified institutional

buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A; or (ii) pursuant to an exemption from registration in accordance with Regulation S under the Securities Act.

[ ] Such Note is being transferred in reliance on and in compliance with an exemption from the registration requirements of the Securities Act, other than Rule 144A or Regulation S under the Securities Act, and in compliance with other applicable state and federal securities laws and, if requested by the Trustee, an opinion of counsel is being furnished simultaneously with the delivery of this Certificate as required under Section 6 of the Series Supplement. This Certificate and the statements contained therein are made for your benefit and the benefit of the Issuer.

[INSERT NAME OF TRANSFEROR]

By:

Name:
Title:

Date:

FORM OF CERTIFICATE TO BE DELIVERED TO
EXCHANGE TEMPORARY REGULATION S GLOBAL NOTE
FOR PERMANENT REGULATION S GLOBAL NOTE

Conn Funding II, L.P.
3295 College Street
Beaumont, Texas 77701
Attn: David Atnip

Wells Fargo Bank Minnesota, National Association,
as Trustee and Registration and Transfer Agent
MAC N9311-161
6/th/ and Marquette
Minneapolis, Minnesota 55479-0700
Attention: Corporate Trust Services/Asset-Backed Administration

Reference is hereby made to the Base Indenture, dated as of September 1, 2002, between Conn Funding II, L.P., as Issuer, and Wells Fargo Bank Minnesota, National Association, as Trustee (as amended, supplemented otherwise modified from time to time, the "Base Indenture") and the Series 2002-B Supplement thereto, dated as of September 1, 2002 (as amended, supplemented or otherwise modified from time to time, the "Series Supplement" and, together with the Base Indenture, the "Indenture"). Capitalized terms used but not defined herein shall have the meanings given to them in the Base Indenture.

This is to certify that, based solely on certificates, we have received in writing, by tested telex or by electronic transmissions from noteholders appearing in our records as persons being entitled to a portion of the principal amount of the Class [__] Notes represented by the Temporary Regulation S Note equal to, as of the date hereof, U.S. $_____ (our "Class [__] Noteholders"), certificates with respect to such portion, substantially to the effect set forth in Exhibit [__] hereto.

We further certify (i) that we are not making available herewith for exchange any portion of the Temporary Regulation S Global Note excepted in such certificates and (ii) that as of the date hereof we have not received any notification from any of our Class [__] Noteholders to the effect that the statements made by such Class [__] Noteholder with respect to any portion of the part submitted herewith for exchange are no longer true and cannot be relied upon as at the date hereof. We understand that this certification is required in connection with certain securities laws of the United

States. In connection therewith, if administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably authorize you to produce this certification to any interested party in such proceedings.

Dated: _____, [_____]/10/

Yours faithfully,

[Euroclear/Clearstream],

By:

Name:
Title:

- ----------
/10/ To be dated no earlier than the earliest of the Exchange Date or the relevant Interest Payment Date or the redemption date (as the case may be).

EXHIBIT A

[Euroclear/Clearstream]

Re: Conn Funding II, L.P. --[__]% Asset Backed Fixed Rate Notes, Class [__], Series 2002-B (CUSIP (CINS) No. [_____])

Ladies and Gentlemen:

Reference is hereby made to the Base Indenture, dated as of September 1, 2002 (as amended, supplemented or otherwise modified from time to time, the "Base Indenture"), between Conn Funding II, L.P. (the "Issuer") and Wells Fargo Bank Minnesota, National Association, as Trustee and the Series 2002-B Supplement thereto, dated as of September 1, 2002 (as amended, supplemented or otherwise modified from time to time, the "Series Supplement" and, together with the Base Indenture, the "Indenture"). Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to $_____ principal amount of Class [___] Notes which are represented by a beneficial interest in the Temporary Regulation S Global Note held with [Euroclear/Clearstream] (ISIN CODE [_____]) through DTC by or on behalf of the undersigned as beneficial owner (the "Holder") which bears a legend outlining restrictions upon transfer of such interests in such Class [___] Note. Pursuant to paragraph 6(c)(ii) of the Series Supplement, the Holder hereby certifies that it is not (or it holds such securities on behalf of an account that is not) a "U.S. person" as such term is defined in Regulation S promulgated under the U.S. Securities Act of 1933, as amended ("Regulation S"). Accordingly, you are hereby requested to exchange such beneficial interest in the Temporary Regulation S Global Note for a beneficial interest in the Permanent Regulation S Global Note representing an identical principal amount of Class [___] Notes, all in the manner provided for in the Series Supplement.

Each of you is entitled to rely upon this letter and is irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby. Terms used in this certificate have the meanings set forth in Regulation S.

Very truly yours,
[NAME OF HOLDER]

By:

Authorized Signature

Dated: _____, [_____]

FORM OF TRANSFER CERTIFICATE
FOR TRANSFER OR EXCHANGE FROM RESTRICTED GLOBAL
NOTE TO TEMPORARY REGULATION S GLOBAL NOTE

(exchanges or transfers pursuant to
Section 6 of the Series Supplement)

Wells Fargo Bank Minnesota, National Association,
as Trustee and Registration and Transfer Agent
MAC N9311-161
6/th/ and Marquette
Minneapolis, Minnesota 55479-0700
Attention: Corporate Trust Services/Asset-Backed Administration

Re: Conn Funding II, L.P. (the "Issuer")
[__]% Asset Backed Fixed Rate
Notes, Class [__], Series 2002-B (CUSIP No. [_____])
(the "Notes")

Reference is hereby made to the Base Indenture, dated as of September 1, 2002 (as amended, supplemented or otherwise modified from time to time, the "Base Indenture"), between the Issuer and Wells Fargo Bank Minnesota, National Association, as Trustee and the Series 2002-B Supplement thereto, dated as of September 1, 2002 (as amended, supplemented or otherwise modified from time to time, the "Series Supplement" and, together with the Base Indenture, the "Indenture"). Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to $_____ principal amount of the Class [__] Notes represented by a beneficial interest in the Restricted Global Note held with DTC by or on behalf of the undersigned as beneficial owner (the "Transferor"). The Transferor has requested an exchange or transfer of its beneficial interest for an interest in the Temporary Regulation S Global Series 2002-B Note (CUSIP (CINS) No. [_____]) to be held with [Euroclear] [Clearstream] (ISIN Code [_____]) through DTC.

In connection with such request and in respect of such Class [__] Note, the Transferor does hereby certify that such exchange or transfer has been effected in accordance with the transfer restrictions set forth in the Class [__] Notes and the Series Supplement and pursuant to and in accordance with Regulation S and any applicable laws of the relevant jurisdiction, and accordingly the Transferor does hereby certify that:

(1) the offer of the Class [__] Notes was not made to a person in the United States;

(2) (A) at the time the buy order was originated, the transferee was outside the United States or the Transferor and any person acting on its behalf reasonably believed and believes that the transferee was outside the United States, or

(B) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither the Transferor nor any person acting on its behalf knows that the transaction was prearranged with a buyer in the United States;

(3) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or 904(b) of Regulation S, as applicable;

(4) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act; and

(5) upon completion of the transaction, the beneficial interest being transferred as described above will be held with DTC through Euroclear or Clearstream or both (ISIN Code [_____]).

This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer.

[Insert Name of Transferor]

By:

Name:
Title:

Dated: _____, 2002

FORM OF TRANSFER CERTIFICATE
FOR TRANSFER OR EXCHANGE FROM RESTRICTED GLOBAL
NOTE TO PERMANENT REGULATION S GLOBAL NOTE

(exchanges or transfers pursuant to
Section 6 of the Series Supplement)

Wells Fargo Bank Minnesota, National Association,
as Trustee and Registration and Transfer Agent
MAC N9311-161
6/th/ and Marquette
Minneapolis, Minnesota 55479-0700
Attention: Corporate Trust Services/Asset-Backed Administration

Re: Conn Funding II, L.P. (the "Issuer")
[__]% Asset Backed Fixed Rate
Notes, Class [__], Series 2002-B (CUSIP No. [____])
(the "Notes")

Reference is hereby made to the Base Indenture, dated as of September 1, 2002 (as amended, supplemented or otherwise modified from time to time, the "Base Indenture"), between the Issuer and Wells Fargo Bank Minnesota, National Association, as Trustee and the Series 2002-B Supplement thereto, dated as of September 1, 2002 (as amended, supplemented or otherwise modified from time to time, the "Series Supplement" and, together with the Base Indenture, the "Indenture"). Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to $_____ principal amount of the Class [__] Notes represented by a beneficial interest in the Restricted Global Note held with DTC by or on behalf of the undersigned as beneficial owner (the "Transferor"). The Transferor has requested an exchange or transfer of its beneficial interest for an interest in the Permanent Regulation S Global Note (CUSIP (CINS) No. [_____]).

In connection with such request and in respect of such Class [__] Notes, the Transferor does hereby certify that such exchange or transfer has been effected in accordance with the transfer restrictions set forth in the Class [___] Notes and the Series Supplement and pursuant to and in accordance with Regulation S and any applicable securities laws of the relevant jurisdiction and that:

(1) the offer of the Class [__] Notes was not made to a person in the United States;

(2) (A) at the time the buy order was originated, the transferee was outside the United States or the Transferor and any person acting on its behalf reasonably believed and believes that the transferee was outside the United States, or

(B) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither the Transferor nor any person acting on its behalf knows that the transaction was prearranged with a buyer in the United States;

(3) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or 904(b) of Regulation S, as applicable, and

(4) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act.

This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer.

[INSERT NAME OF TRANSFEROR]

By:

Name:
Title:

Dated: _____, 2002

FORM OF TRANSFER CERTIFICATE FOR TRANSFER OR
EXCHANGE FROM TEMPORARY REGULATION S GLOBAL NOTE
TO RESTRICTED GLOBAL NOTE

(exchanges or transfers pursuant to
Section 6 of the Series Supplement)

Wells Fargo Bank Minnesota, National Association,
as Trustee and Registration and Transfer Agent
MAC N9311-161
6/th/ and Marquette
Minneapolis, Minnesota 55479-0700
Attention: Corporate Trust Services/Asset-Backed Administration

Re: Conn Funding II, L.P. (the "Issuer")
[__]% Asset Backed Fixed Rate
Notes, Class [__], Series 2002-B (CUSIP No. [_____])
(the "Notes")

Reference is hereby made to the Base Indenture, dated as of September 1, 2002 (as amended, supplemented or otherwise modified from time to time, the "Base Indenture"), between the Issuer and Wells Fargo Bank Minnesota, National Association, as Trustee and the Series 2002-B Supplement thereto dated as of September 1, 2002 (as amended, supplemented or otherwise modified from time to time, the "Series Supplement" and, together with the Base Indenture, the "Indenture"). Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to $_____ principal amount of Class [__] Notes which are represented by a beneficial interest in the Permanent Regulation S Global Note (CUSIP) (CINS) No. [________] with Euroclear/Clearstream/11/ (ISIN Code [_________]) through DTC by or on behalf of [the undersigned] as beneficial owner (the "Transferor"). The Transferor has requested an exchange or transfer of its beneficial interest in the Temporary Regulation S Global Note for an interest in the Restricted Global Note (CUSIP No. [_____]).

In connection with such request, and in respect of the Notes, the Transferor does hereby certify that such Class [__] Notes are being transferred in accordance with Rule 144A and in compliance with any applicable state securities laws, to a transferee that the Transferor reasonably believes is purchasing the Class [__] Note for its own account or an account with respect to which the transferee exercises sole investment discretion and the transferee and any such account is a

- ----------

/11/ Select appropriate depositary.

"qualified institutional buyer" within the meaning of Rule 144A, in each case in a transaction meeting the requirements of Rule 144A.

This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer.

[INSERT NAME OF TRANSFEROR]

By:

Name:
Title:

Dated: _____, 2002

SCHEDULE 1

LIST OF PROCEEDINGS

None.

SCHEDULE 2

LIST OF TRADE NAMES

None.

Exhibit 10.14

SERVICING AGREEMENT

among

CONN FUNDING II, L.P.,
AS ISSUER,

CAI, L.P.,
AS SERVICER,

and

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION,
AS TRUSTEE

DATED AS OF SEPTEMBER 1, 2002

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SERVICING AGREEMENT dated as of September 1, 2002 (the "Agreement") by and among CONN FUNDING II, L.P., a Texas limited partnership, as issuer (the "Issuer"), CAI, L.P., a Texas limited partnership ("CAI"), as initial Servicer, and WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, a national banking association, as trustee under the Indenture (defined below) (in such capacity, together with its successors and assigns in such capacity, the "Trustee").

WHEREAS, the Issuer has purchased from Conn Funding I, L.P., and has purchased and desires to continue to purchase from Conn Appliances, Inc., and CAI (collectively, and together with any additional "Sellers" added from time to time pursuant to the Purchase Agreement referenced below, the "Sellers"), from time to time, Receivables and other Related Security relating to such Receivables pursuant to the terms of and subject to the conditions set forth in the Receivables Purchase Agreement dated as of September 1, 2002 (as amended on and through the date hereof and as further amended, supplemented or otherwise modified from time to time the "Purchase Agreement") between the Sellers and the Issuer.

WHEREAS, the Issuer is entering into a Base Indenture dated as of the date hereof, together with one or more supplements thereto (as amended, supplemented or otherwise modified from time to time, the "Indenture"), between the Issuer and the Trustee, and each of the other related Transaction Documents, pursuant to which the Issuer plans to issue one or more Notes from time to time, in order to finance its business operations.

WHEREAS, the Servicer is willing to service all Receivables and other Related Security acquired by the Issuer from time to time, pursuant to the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01 Defined Terms. As used in this Agreement, the following terms have the following meanings:

"Back-Up Servicer" is defined in Section 2.01(b).

"Back-Up Servicing Agreement" is defined in Section 2.01(b).

"CAI" is defined in the preamble.

"Consolidated Net Worth" means at any date, with respect to any Person, the consolidated stockholders' equity of such Person and its consolidated Subsidiaries, plus the principal amount of subordinated debt of such Person, minus (to the extent reflected in determining such consolidated stockholders' equity) all intangible assets (determined in accordance with GAAP) as reported in

the audited consolidated financial statements of such Person for the fiscal year in question.

"Custodian" is defined in Section 2.02(a)(ii).

"Field Collections" is defined in Section 2.02(c).

"Indemnified Parties" is defined in Section 2.05.

"Indenture" is defined in the second recital.

"In-Store Payments" is defined in Section 2.02(c).

"Investor Servicing Fee" is defined in Section 2.07.

"Issuer" is defined in the preamble.

"Issuer Servicing Fee" is defined in Section 2.07.

"Mail Payments" is defined in Section 2.02(c).

"Post Office Box" means post office box 1687 in the name of the Issuer maintained by the Issuer or the Servicer for the receipt of Collections from the Obligors.

"Post Office Box Agreement" means an agreement by and among the Issuer, the Trustee, the Servicer and the United States Postal Service, in substantially the form attached hereto as Exhibit E, specifying the rights of the parties in the Post Office Box.

"Purchase Agreement" is defined in the first recital.

"Sellers" is defined in the first recital.

"Servicer" is defined in Section 2.01(a).

"Servicer Default" is defined in Section 2.04.

"Servicing Fee" is defined in Section 2.07.

"Specified Servicer Default" means any Servicer Default of the type specified in paragraph (a), (b), (c) or (d) of Section 2.04.

"Trustee" is defined in the preamble.

Section 1.02 Definitions. Capitalized terms used but not defined herein shall have the respective meanings given to such terms in the Indenture and, to the extent applicable, the Series Supplement for each Series.

Section 1.03 Other Definitional Provisions.

(a) All terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein.

(b) As used herein and in any certificate or other document made or delivered pursuant hereto or thereto, accounting terms not defined herein or in the Indenture shall have the respective meanings given to them under GAAP, subject to the Indenture. To the extent that the definitions of accounting terms herein are inconsistent with the meanings of such terms under GAAP, the definitions contained herein shall control.

(c) Unless the context otherwise requires, if more than one Person is acting as Servicer under this Agreement, the agreements, representations and warranties of the Servicer in this Agreement shall be deemed to be the joint and several agreements, representations and warranties of such Persons for so long as such Persons act in such capacity under this Agreement; provided, that notwithstanding the above, CAI shall remain liable for claims arising for breach of such agreements, representation and warranties that arise from events that occurred while it was acting in such capacity under this Agreement.

(d) The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement; and Section, subsection, Schedule and Exhibit references contained in this Agreement are references to Sections, subsections, Schedules and Exhibits in or to this Agreement unless otherwise specified.

ARTICLE II

ADMINISTRATION AND SERVICING OF RECEIVABLES AND RELATED SECURITY

Section 2.01 Appointment of Servicer.

(a) The servicing, administering and collection of the Receivables shall be conducted by such Person (the "Servicer") so designated from time to time in accordance with this Section 2.01. Until the Trustee gives notice to CAI of the designation of a new Servicer pursuant to this Section 2.01, CAI is hereby designated as, and hereby agrees to perform the duties and obligations of, the Servicer pursuant to the terms hereof. The Servicer may not delegate any of its rights, duties or obligations hereunder, or designate a substitute Servicer, without the prior written consent of the Trustee, the Enhancement Providers and the Notice Persons; provided, however, that CAI shall be permitted to delegate its duties hereunder to any of its Affiliates or their agents and may use sub-Servicers, but such delegation shall not relieve CAI of its duties and obligations hereunder.

(b) (i) After the occurrence of a Servicer Default or any Pay Out Event, the Trustee may, and upon the direction of the Required Noteholders or in the case of a Specified Servicer Default shall, in accordance with the provisions set forth in clause (ii) below, appoint Wells Fargo Bank Minnesota, National Association, to succeed CAI as Servicer hereunder (in such capacity, together with its respective successors and assigns in such capacity, the "Back-Up Servicer") pursuant to the Back-Up Servicing Agreement dated as of the date hereof (as amended, supplemented or otherwise modified from time to time the "Back-Up Servicing Agreement), among the Back-Up Servicer and the various other parties thereto.

(ii) If (x) the Back-Up Servicer, on the date of its appointment as successor Servicer or at any time following such appointment, fails or is unable to perform the duties of the Servicer hereunder or has previously resigned or otherwise been terminated as Back-Up Servicer, or (y) any other Person designated successor Servicer in accordance with this Section 2.01 resigns, fails or is unable to perform the duties of the Servicer hereunder following its appointment as successor Servicer, the Trustee may, and upon the direction of the Required Noteholders shall, appoint as Servicer any Person to succeed the then-current Servicer on the condition in each case that any such Person so appointed shall agree to perform the duties and obligations of the Servicer pursuant to the terms hereof. Until such time as the Person so appointed becomes obligated to begin acting as Servicer hereunder, the then current Servicer will continue to perform all servicing functions under this Agreement and the other Transaction Documents. If the Trustee is not able to appoint a new Servicer to succeed CAI, the Back-Up Servicer or any other Person then acting as Servicer, within a reasonable time following the date upon which it is required to so appoint a successor to the Servicer pursuant to this Section 2.01 (but in any event not later than 30 days following such date), the Trustee shall at the Issuer's expense petition a court of competent jurisdiction to appoint as the Servicer hereunder any established financial institution having, in the case of any entity that is subject to risk-based capital adequacy requirements, risk-basked capital of at least $25,000,000 or, in the case of an entity that is not subject to risk-based capital requirements, having a net worth of not less than $25,000,000 and whose regular business includes the servicing of receivables comparable to the Receivables which are the subject of this Agreement and the other Transaction Documents. Following any appointment of a successor Servicer pursuant to this Section 2.01, the Trustee will provide notice thereof to the Issuer, the Sellers, the Enhancement Providers and the Noteholders.

(c) The Trustee shall not be responsible for any differential between the Servicing Fee and any compensation paid to a successor Servicer hereunder.

Section 2.02 Duties of Servicer.

(a) (i) The Servicer shall take or cause to be taken all such action as may be reasonably necessary or advisable to collect each Receivable from time to time, all in accordance with applicable Laws, with reasonable care and diligence, and in accordance with the Credit and Collection Policy. Each of the Issuer, each Noteholder by its acceptance of the related Notes and each of the other Secured Parties (through their deemed appointment of the Trustee pursuant to the Indenture), hereby appoints as its agent the Servicer, from time to time designated pursuant to Section 2.01 hereof, to enforce its respective rights and interests in and under the Contracts, Receivables and Related Security, Collections and proceeds with respect thereto. To the extent permitted by applicable law, each of the Issuer and CAI (to the extent not then acting as Servicer hereunder) hereby grants to any Servicer appointed hereunder all rights and powers of the Issuer and/or the Servicer, as the case may be, under the Contracts and with respect to the Related Security, and hereby grants an irrevocable power of attorney to take in the Issuer's and/or CAI's name and on behalf of the Issuer or CAI any and all steps necessary or desirable, in the reasonable determination of the Servicer, to collect all amounts due under any and all Receivables, including, without limitation, to cancel any policy of insurance, make demands for unearned premiums, commence enforcement proceedings, exercise other powers under a Contract, execute and deliver instruments of satisfaction or cancellation, or full or partial discharge, with respect to Receivables, endorse the Issuer's and/or CAI's name on checks and other instruments representing Collections and enforce such Receivables and the related Contracts. The Servicer shall, as soon as practicable following receipt thereof, turn over to CAI any collections of any Indebtedness of any Person which is not on account of a Receivable. The Servicer shall not make the Trustee, any Enhancement Provider, any Noteholder or any of their respective agents a party to any litigation without the prior written consent of such Person. Without limiting the generality of the foregoing and subject to Section 2.04, the Servicer is hereby authorized and empowered unless such power and authority is revoked by the Trustee on account of a Servicer Default (A) to make deposits or withdrawals from the Collection Account as set forth in this Agreement, the Indenture and any Series Supplement, (B) to instruct the Trustee to make deposits or withdrawals and payments from the Finance Charge Account, the Principal Account and any Series Account, in accordance with such instructions as set forth in the Indenture or any applicable Series Supplement, (C) to instruct or notify Trustee in writing, as set forth in this Agreement, the Indenture and any Series Supplement, (D) to make all calculations, allocations and determinations required of the Servicer under the Indenture, any Series Supplement and as required herein or to establish Series Accounts, (E) to execute and deliver, on behalf of the Issuer for the benefit of the Noteholders, any and all instruments of satisfaction or cancellation, or of partial or full release or discharge, and all other comparable instruments, with respect to the Receivables and the other Contracts and Related Security and, after any delinquency in payment relating to any Receivable, to the extent permitted under and in compliance with applicable law and regulations, to commence enforcement proceedings with respect thereto (including cancellation

of the related insurance policy) and (F) to make any filings, reports, notices, applications, registrations with, and to seek any consents or authorizations from, the Securities and Exchange Commission and any state securities authority on behalf of the Issuer as may be necessary or advisable to comply with any federal or state securities or reporting requirements.

(ii) Subject to the terms and conditions of this Section 2.02(a)(ii), CAI shall maintain custody and possession of the Receivable Files on behalf of, and as bailee for, Trustee (for the benefit of the Noteholders and the other Secured Parties) (in such capacity, together with its successors and assigns, the "Custodian").

(A) Custodian agrees to maintain possession of the related Receivable Files at its offices where they are presently maintained, at the offices of the related subservicers or at such other offices of Custodian as shall from time to time be identified to Trustee by written notice. Custodian shall segregate such Receivable Files from other files maintained by Custodian and shall store such Receivable Files in fireproof safes upon conversion to microfilm, which shall occur as soon as practical after acquisition of the applicable Receivable by the Issuer and in no event later than six (6) months after such acquisition. Until such time as Trustee shall notify Originator in writing, Trustee hereby appoints CAI, and CAI hereby agrees to act, as Custodian hereunder. Custodian may temporarily deliver individual Receivable Files or any portion thereof to Servicer without notice as necessary to conduct collection and other servicing activities in accordance with its customary practices and procedures.

(B) As custodian and bailee, Custodian shall hold the Receivable Files (by itself and/or through subservicers) on behalf of Trustee (for the benefit of the Secured Parties and, by agreeing to act as Custodian, is deemed to have received notice of the security interests of the Secured Parties in the Collateral), maintain accurate records pertaining to each Receivable to enable it to comply with the terms and conditions of this Agreement, maintain a current inventory thereof and conduct periodic physical inspections of Receivable Files held by it under this Agreement and attend to all other details in connection with maintaining custody of the Receivable Files.

(C) In performing its duties under this Section 2.02(a)(ii), Custodian agrees to act with reasonable care, using that degree of skill and care that it exercises with respect to similar contracts owned and/or serviced by it. Custodian shall promptly report to Trustee any material failure by it to hold the Receivable Files as herein provided and shall promptly take appropriate action to remedy such failure. In acting as custodian of the Receivable Files, Custodian agrees further not to assert, and shall cause each related subservicer not to assert any beneficial ownership interests in the Receivables. Custodian agrees to indemnify Trustee, the Secured Parties and Issuer, and their respective officers, directors, employees, partners and agents for any and all liabilities, obligations, losses, damages, payments, costs, or expenses of any kind whatsoever which may be

imposed on or incurred by any such Person arising from the gross negligence or willful misconduct of Custodian in maintaining custody of the Receivable Files pursuant to this Section 2.02(a)(ii); provided, however, that Custodian will not be liable to the extent that any such amount resulted from the negligence or willful misconduct of such Person.

(D) The appointment of Custodian shall terminate at the sole discretion of Trustee or at the direction of the Trustee acting at the direction of the Required Noteholders upon the replacement of Custodian by a successor Custodian selected by Trustee. Promptly following the appointment of a successor Custodian, and in any event within five days of such appointment, Custodian shall (at Custodian's sole cost and expense if a Servicer Default shall have occurred or if the Custodian shall have been removed for cause) deliver all of the Receivable Files in its possession, and all records maintained by it with respect thereto, to such successor Custodian.

(b) (i) Servicer shall service and administer the Receivables on behalf of Issuer and Trustee (for the benefit of the Secured Parties) and shall have full power and authority, acting alone and/or through subservicers as provided in Section 2.02(b)(iii), to do any and all things which it may deem reasonably necessary or desirable in connection with such servicing and administration and which are consistent with this Agreement. Consistent with the terms of this Agreement, Servicer may waive, modify or vary any term of any Receivable or consent to the postponement of strict compliance with any such term or in any manner, grant indulgence to any Obligor if, in Servicer's reasonable determination, such waiver, modification, postponement or indulgence is not materially adverse to the interests of Issuer or Trustee (for the benefit of the Secured Parties); provided, however, that Servicer may not permit any modification with respect to any Receivable that would change its interest rate, defer the payment of any principal or interest, reduce the Outstanding Principal Balance (except for actual payments of principal), or extend the final maturity date on such Receivable except in accordance with the Credit and Collection Policy. Without limiting the generality of the foregoing, Servicer in its own name or in the name of Issuer is hereby authorized and empowered by Issuer when Servicer believes it appropriate in its best judgment to execute and deliver, on behalf of Issuer, any and all instruments of satisfaction or cancellation, or of partial or full release or discharge and all other comparable instruments, with respect to the Receivable.

(ii) Servicer shall service and administer the Receivables by employing such procedures (including collection procedures) and degree of care, in each case consistent with prudent industry standards, as are customarily employed by Servicer in servicing and administering contracts and notes owned or serviced by Servicer comparable to the Receivables. Servicer shall not take any action to impair Trustee's (for the benefit of the Secured Parties) security interest in any Receivable, except to the extent allowed pursuant to this Agreement or required by law.

(iii) Servicer may perform any of its duties pursuant to this Agreement, including those delegated to it pursuant to this Agreement, through subservicers appointed by Servicer. Such subservicers may include Affiliates of Servicer. Notwithstanding any such delegation of a duty, Servicer shall remain obligated and liable for the performance of such duty as if Servicer were performing such duty.

(iv) Servicer may take such actions as are necessary to discharge its duties as Servicer in accordance with this Agreement, including the power to execute and deliver on behalf of Issuer such instruments and documents as may be customary, necessary or desirable in connection with the performance of Servicer's duties under this Agreement (including consents, waivers and discharges relating to the Receivable).

(v) Servicer shall keep separate records covering the transactions contemplated by this Agreement including the identity and collection status of each Receivable purchased by Issuer from the Originator.

(c) Collections. (i) On or prior to the Initial Closing Date, Issuer and Servicer shall have established and shall maintain thereafter the following system of collecting and processing Collections of Receivables. The Obligors may make payments of Receivables only (A) by check mailed to the Post Office Box (such payments, upon receipt in such Post Office Box being referred to herein as "Mail Payments"), (B) by cash, credit card or check delivered in person or by phone at retail stores or other business locations of Originator (such payments, upon receipt by such stores, being referred to herein as "In-Store Payments") or (C) by cash, credit card or check delivered in person or by phone at a service center of CAI or, in the case of certain delinquent accounts, to employees of CAI operating out of a service center of CAI (such payments, upon receipt by the service center, being referred to herein as "Field Collections").

(ii) Servicer's right of access to the Post Office Box shall be revocable at the option of Trustee (acting in its own discretion or at the direction of the Required Noteholders) upon the occurrence of any Potential Pay Out Event, Pay Out Event or Servicer Default. In addition, after the occurrence of any Potential Pay Out Event, any Pay Out Event or any Servicer Default, Servicer agrees that it shall, upon the written request of Trustee, notify all Obligors under Receivables to make payment thereof to (i) one or more bank accounts and/or post-office boxes designated by Trustee and specified in such notice or (ii) any successor Servicer appointed hereunder. The Trustee may, and shall at the request of the Required Noteholders, if any Potential Pay Out Event or Pay Out Event has occurred, require the Servicer to establish a lockbox account pursuant to a lockbox agreement acceptable to the Notice Persons, and to direct all Obligors under Receivables to make payments to such lockbox account.

(iii) Servicer shall remove or cause all Mail Payments to be removed from the Post Office Box by the close of business on each Business Day. Servicer shall process all such Mail Payments and all Field Collections on the date received by recording the amount of the payment received from the Obligor and the applicable account number. Subject to Section 5.4(a) of the Indenture, no later than the close of business on the second Business Day following the date on which Mail Payments are received in the Post Office Box or Field Collections are received by Servicer, Servicer shall deposit or cause such Mail Payments and such Field Collections to be deposited in the Collection Account in the same form in which such payments are received. Subject to Section 5.4(a) of the Indenture, Originator and Servicer shall cause all In-Store Payments to be (i) processed as soon as possible after such payments are received by Originator or Servicer but in no event later than the Business Day after such receipt, and (ii) deposited in the Collection Account no later than two Business Days following the date of such receipt. Subject to Section 5.4(a) of the Indenture, Servicer shall deposit all Recoveries into the Collection Account within two Business Days after the date of receipt of such Recoveries.

(iv) So long as no Potential Pay Out Event, Pay Out Event or Servicer Default shall have occurred and be continuing, Servicer shall be permitted to transfer Available Cash on deposit in the Principal Account for the purchase of Receivables by Issuer pursuant to the Purchase Agreement or to repay the Originator Notes solely to the extent that the principal amount of such Originator Note was increased since the preceding Payment Date.

(v) All Collections received by Originator or a Servicer in respect of Receivables will, pending remittance to the Collection Account as provided herein, be held by Originator or such Servicer in trust for the exclusive benefit of Trustee and shall not be commingled with any other funds or property of Originator or Servicer except as otherwise permitted in accordance with Section 5.4 of the Indenture. Only Collections received by Originator or Servicer shall be deposited in the Collection Account. Any funds held by Originator or Servicer representing Collections of Receivables released from the Principal Account as provided in Section 2.02(c)(iv) above shall be held in trust by Originator or CAI for the benefit of Trustee until such Collections are deposited into the Collection Account in accordance with Section 5.4 of the Indenture.

(vi) Originator, Issuer and Servicer hereby irrevocably waive any right to set off against, or otherwise deduct from, any Collections.

(vii) Issuer and Servicer hereby transfer, assign, pledge, set over and convey to Trustee all of their right, title and interest in and to the Collection Account and the other Trust Accounts.

(viii) All payments or other amounts collected or received by Servicer in respect of a Receivable shall be applied to the Outstanding Principal Balance of such Receivable and allocated first to the amount of any outstanding Finance Charge Receivables due in respect thereof and then to the amount of any Principal Receivables due in respect thereof.

(d) If the Servicer is not the Issuer, CAI or an Affiliate of the Issuer or CAI, the Servicer, by giving three (3) Business Days' prior written notice to the Trustee, may revise the Servicing Fee; provided that such revised Servicing Fee shall be a reasonable fee agreed upon by the Servicer and the Notice Persons of each Series and the Trustee on an arm's-length basis reflecting rates and terms prevailing at such time.

(e) (i) On or before 120 days after the end of each calendar year and on or before 90 days after the end of each July 31, the Servicer shall cause a firm of nationally recognized independent public accountants (who may also render other services to the Servicer, the Issuer or any Affiliates of the foregoing) to furnish to the Issuer and the Trustee and the Enhancement Providers, (a) a report in a format similar to Exhibit D attached hereto, to the effect that they have (1) reviewed the Servicer's internal accounting control procedures and processing functions relating to the Servicer's credit policies and origination, collections, aging and charge-off functions, (2) performed testing of a statistically significant sample of Receivables and one Monthly Servicer Report (such Monthly Servicer Report to be in a format similar to Exhibit A-1 attached hereto), and describing the results of such review and testing, and (3) during such review and testing, not discovered any deviations (other than those described in the report) from the Credit and Collection Policy, and (b) a report in a format similar to Exhibit D attached hereto to the effect that they have applied certain procedures set forth in such Exhibit agreed upon with the Servicer and the Notice Persons and examined certain documents and records relating to the servicing of Receivables under this Agreement, and that, based upon such agreed upon procedures, nothing has come to the attention of such accountants that caused them to believe such servicing (including without limitation, the allocation of Collections) has not been conducted in compliance with the terms and conditions set forth in Article V of the Indenture and Article V of each Series Supplement and/or the appropriate subsections thereof (with respect to specific procedures performed), except for such exceptions as they believe to be immaterial and such other exceptions as shall be set forth in such statement. In addition, each report shall set forth the agreed upon procedures performed.

(ii) The Servicer will deliver to the Trustee and the Enhancement Providers on or before March 31 of each calendar year, beginning with March 31, 2003, a certificate in substantially the form of Exhibit B of an authorized officer of the Servicer stating that (a) a review of the activities of the Servicer during the preceding calendar year (or portion thereof, as applicable) and of its performance under this Agreement was made under the supervision of the officer signing such

certificate and (b) to the best of such officer's knowledge, based on such review, the Servicer has fully performed in all material respects all of its obligations under this Agreement and each other applicable Transaction Document to which it is a party throughout such period, or, if there has been a default in the performance of any such obligation, specifying such default known to such officer and the nature and status thereof.

(f) Notwithstanding anything to the contrary contained in this Article II, the Servicer, if not the Issuer, CAI or any Affiliate of the Issuer or CAI, shall have no obligation to collect, enforce or take any other action described in this Article II with respect to any Indebtedness that is not included in the Trust Estate other than to deliver to the Issuer the collections and documents with respect to any such Indebtedness as described in Section 2.02(a) hereof.

Section 2.03 Rights After Designation of New Servicer. At any time following the designation of a new Servicer (other than CAI) pursuant to Section 2.01 hereof:

(i) The Trustee may, at its option, or shall, at the direction of the Required Noteholders, direct that payment of all amounts payable under any Receivable be made directly to the Trustee or its designee.

(ii) The Issuer shall, at the Trustee's request and at the Issuer's expense, give notice (to the extent such notice has not otherwise already been provided) of the Trustee's interest in Receivables to each Obligor and direct that payments be made directly to the Trustee or its designee.

(iii) The Issuer shall, at the Trustee's request, (A) assemble all of the records relating to the Receivables and other Related Security, and shall make the same available to the Trustee or its designee at a place selected by the Trustee or its designee, and (B) segregate all cash, checks and other instruments received by it from time to time constituting Collections of Receivables in a manner acceptable to the Trustee and shall, promptly upon receipt, remit all such cash, checks and instruments, duly endorsed or with duly executed instruments of transfer, to the Trustee or its designee.

(iv) The Issuer hereby authorizes the Trustee to take any and all steps in the Issuer's name and on behalf of the Issuer necessary or desirable, in the reasonable determination of the Trustee, to collect all amounts due under any and all Receivables, including, without limitation, endorsing the Issuer's name on checks and other instruments representing Collections and enforcing such Receivables and the related Contracts.

Section 2.04 Servicer Default. The occurrence of any one or more of the following events shall constitute a Servicer default (each, a "Servicer Default"):

(a) failure by the Servicer (or, for so long as CAI is the Servicer, CAI) to make any payment, transfer or deposit under this Agreement or any other

Transaction Document or to give instructions or to give notice to the Trustee to make such payment, transfer or deposit or any withdrawal or to give notice to the Trustee as to any required drawing or payment under any applicable form of Enhancement or the Servicer Letter of Credit on or before the date occurring two Business Days after the date such payment, transfer or deposit or such instruction or notice is required to be made or given, as the case may be, under the terms of this Agreement or any other Transaction Document (or in the case of a payment, transfer, deposit or instruction to be made or given with respect to any Interest Period, by the related Payment Date);

(b) failure on the part of the Servicer (or, for so long as the Servicer is CAI, CAI) duly to observe or perform any other covenants or agreements of the Servicer set forth in this Agreement or any other Transaction Document, which failure continues unremedied for a period of 30 days after the earlier of discovery by the Servicer or the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Servicer by the Trustee, the Issuer or any Notice Person; or the Servicer shall assign its duties under this Agreement, except as permitted by Article II;

(c) any representation, warranty or certification made by the Servicer in this Agreement or any other Transaction Document or in any certificate delivered pursuant to this Agreement or any other Transaction Document shall prove to have been incorrect when made which continues unremedied for a period of 30 days after the date on which the Servicer has knowledge thereof or on which written notice thereof, requiring the same to be remedied, shall have been given to the Servicer by the Trustee, the Issuer or any Notice Person;

(d) the Servicer shall become the subject of any Event of Bankruptcy or shall voluntarily suspend payment of its obligations;

(e) for so long as CAI is the Servicer, the failure of Conn to maintain a Consolidated Net Worth of at least $30,000,000.

(f) at any time that CAI is the Servicer, any event of default (which has not been waived or cured within ten (10) Business Days) under (A) the Retailer Credit Agreement, (B) any inventory financing agreement between any lender and the Servicer, the Parent or any Originator, or (C) any indenture, credit or loan agreement or other agreement or instrument of any kind pursuant to which Debt of the Servicer, the Parent or Originator in an aggregate principal amount in excess of $1,000,000 is outstanding or by which the same is evidenced, shall have occurred and be continuing;

(g) the Parent shall cancel the Dealer Agreement dated as of January 1, 1998, between the Parent and the Voyager Service Programs, Inc., and the Originator and the Parent shall not have arranged for an alternate service policy insurance arrangement acceptable to the Notice Persons;

(h) at any time that CAI is Servicer, a final judgment or judgments for the payment of money in excess of $250,000 in the aggregate shall have been rendered against the Issuer, the Servicer, any Originator or Parent and the same shall have remained unsatisfied and in effect, without stay of execution, for a period of 30 consecutive days after the period for appellate review shall have elapsed; or

(i) a Change in Control shall have occurred and be continuing.

Section 2.05 Servicer Indemnification of Indemnified Parties. The Servicer shall indemnify and hold harmless the Trustee, the Enhancement Providers, the Noteholders (together with their respective successors and permitted assigns) and each of their respective agents, officers, members and employees (collectively, the "Indemnified Parties"), from and against any loss, liability, expense, damage or injury suffered or sustained solely by reason of any breach by the Servicer of any of its representations, warranties or covenants contained in this Agreement or any failure by the Servicer to perform any duty or obligation of the Servicer contained in this Agreement or any other Transaction Document, including any judgment, award, settlement, reasonable attorneys' fees and other costs or expenses reasonably incurred in connection with the defense of any actual action, proceeding or claim; provided, however, that the Servicer shall not indemnify the Indemnified Parties if such acts or omissions were attributable directly or indirectly to gross negligence or willful misconduct by such Indemnified Party. Any indemnification pursuant to this Section shall be had only from the assets of the Servicer and shall not be payable from Collections, except to the extent such Collections are released to the Servicer in accordance with Section 5.11 (or any related provision describing the allocation of Collections) of the Indenture and each Series Supplement in respect of the Servicing Fee. The provisions of such indemnity shall run directly to and be enforceable by such Indemnified Parties.

Section 2.06 Grant of License. For the purpose of enabling the Back-Up Servicer or any other successor Servicer to perform the functions of servicing and collecting the Receivables upon a Servicer Default, the Servicer hereby (i) assigns, to the extent permitted, to the Trustee for the benefit of the Secured Parties and shall be deemed to assign to the Trustee for the benefit of the Secured Parties, the Back-Up Servicer or any other successor Servicer all rights owned or hereinafter acquired by the Servicer (by license, sublicense, lease, easement or otherwise) in and to any equipment used for servicing (or reasonable access thereto) together with a copy of any software used in connection with the performance of its duties as Servicer and relating to the Servicing and collecting of Receivables, (ii) agrees to use all reasonable efforts to assist the Trustee for the benefit of the Secured Parties, the Back-Up Servicer or any other successor Servicer to arrange licensing agreements with all software vendors and other applicable persons in a manner and to the extent reasonably appropriate to effectuate the servicing of the Receivables, (iii) agrees to deliver to the Trustee executed copies of any landlord waivers in a form reasonably acceptable to the Notice Persons that may be necessary to grant to the Trustee, the Back-Up Servicer or any other successor Servicer access to any leased premises of the Servicer for which the Trustee, the Back-Up Servicer or any other successor Servicer may require access to perform the collection and administrative functions to be performed by the Trustee under the Transaction Documents and (iv) agrees that it will terminate its activities as Servicer hereunder in a manner which the Trustee reasonably believes will facilitate the

transition of the performance of such activities to the Back-Up Servicer or any other designated successor Servicer, as applicable, and shall use commercially reasonable efforts to assist the Trustee in such transition.

Section 2.07 Servicing Compensation. As compensation for its servicing activities hereunder and reimbursement for its expenses as set forth in the immediately following paragraph, the Servicer shall be entitled to receive a servicing fee (the "Servicing Fee") prior to the Indenture Termination Date as described in Section 12.1 of the Indenture. The Servicing Fee shall be payable, with respect to each Series, at the times and in the amounts set forth in the related Series Supplement. The Servicing Fee shall be allocated between the Notes (the "Investor Servicing Fee"), the Issuer (the "Issuer Servicing Fee") and any Enhancement Provider and holder of a Collateral Interest, if applicable and so provided in a related Series Supplement.

The Servicer's expenses include the fees and disbursements of independent public accountants and all other expenses incurred by the Servicer in connection with its activities hereunder; provided, that the Servicer in its capacity as such shall not be liable for any liabilities, costs or expenses of the Issuer, the Noteholders or the Note Owners arising under any tax law, including without limitation any federal, state or local income or franchise taxes or any other tax imposed on or measured by income or gross receipts (or any interest or penalties with respect thereto or arising from a failure to comply therewith) except to the extent that such liabilities, taxes or expenses arose as a result of the breach by the Servicer of its obligations under Section 6.02 hereof. In such case, the Servicer shall be required to pay such expenses for its own account and shall not be entitled to any payment therefor other than the Servicing Fee.

Section 2.08 Representations and Warranties of the Servicer. The Servicer hereby represents, warrants and covenants to and for the benefit of the Issuer, the Trustee and the Noteholders as of the date of this Agreement and as of each Closing Date:

(a) Organization and Good Standing, etc. Servicer has been duly organized and is validly existing and in good standing under the laws of its state of organization, with power and authority to own its properties and to conduct its business as such properties are presently owned and such business are presently conducted. Servicer is duly licensed or qualified to do business as a foreign entity in good standing in the jurisdiction where its principal place of business and chief executive office are located and in each other jurisdiction in which the failure to be so licensed or qualified would be reasonably likely to have a Material Adverse Effect.

(b) Power and Authority; Due Authorization. Servicer has (i) all necessary power, authority and legal right to execute, deliver and perform its obligations under this Agreement and each of the other Transaction Documents to which it is a party, and (ii) duly authorized, by all necessary action, the execution, delivery and performance of this Agreement and the other Transaction Documents to which it is a party. Servicer had at all relevant times, and now has, all necessary power, authority and legal right to perform its duties as Servicer.

(c) No Violation. The consummation of the transactions contemplated by this Agreement and the other Transaction Documents and the fulfillment of the terms hereof will not (i) conflict with, result in any breach of any of the terms and provisions of, or constitute (with or without notice or lapse of time or both) a default under, (A) the organizational documents of Servicer, or (B) any indenture, loan agreement, pooling and servicing agreement, receivables purchase agreement, mortgage, deed of trust, or other agreement or instrument to which Servicer is a party or by which any of them or any of their respective properties is bound, (ii) result in or require the creation or imposition of any Adverse Claim upon any of its properties pursuant to the terms of any such indenture, loan agreement, pooling and servicing agreement, receivables purchase agreement, mortgage, deed of trust, or other agreement or instrument, other than pursuant to the terms of the Transaction Documents, or (iii) violate any law or any order, rule, or regulation applicable to Servicer or of any court or of any federal, state or foreign regulatory body, administrative agency, or other governmental instrumentality having jurisdiction over Servicer or any of its properties.

(d) Validity and Binding Nature. This Agreement is, and the other Transaction Documents to which it is a party when duly executed and delivered by Servicer and the other parties thereto will be, the legal, valid and binding obligation of Servicer enforceable in accordance with their respective terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally and by general principles of equity.

(e) Government Approvals. No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body required for the due execution, delivery or performance by Servicer of any Transaction Document to which it is a party remains unobtained or unfiled, except for the filing of the UCC financing statements referred to in Section 3.11(iii) and Schedule I to the Indenture.

(f) Margin Regulations. Servicer is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock, and no proceeds of any Loans, directly or indirectly, will be used for a purpose that violates, or would be inconsistent with, Regulations T, U and X promulgated by the Federal Reserve Board from time to time.

(g) Offices. The principal place of business and chief executive office of Servicer is located at the address referred to in Section 7.04 (or at such other locations, notified to Administrator in jurisdictions where all action required thereby has been taken and completed).

(h) Compliance with Applicable Laws. Servicer is in compliance with the requirements of all applicable laws, rules, regulations, and orders of all governmental authorities, a breach of any of which, individually or in the aggregate, would be reasonably likely to have a Material Adverse Effect.

(i) No Proceedings. Except as described in Schedule 2.08(i),

(i) there is no order, judgment, decree, injunction, stipulation or consent order of or with any court or other government authority to which Servicer is subject, and there is no action, suit, arbitration, regulatory proceeding or investigation pending, or, to the knowledge of Servicer, threatened, before or by any court, regulatory body, administrative agency or other tribunal or governmental instrumentality, against Servicer that, individually or in the aggregate, is reasonably likely to have a Material Adverse Effect; and

(ii) there is no action, suit, proceeding, arbitration, regulatory or governmental investigation, pending or, to the knowledge of Servicer, threatened, before or by any court, regulatory body, administrative agency, or other tribunal or governmental instrumentality (A) asserting the invalidity of this Agreement or any other Transaction Document, or (B) seeking to prevent the consummation of any of the other transactions contemplated by this Agreement or any other Transaction Document.

(j) Accuracy of Information. All information heretofore furnished by, or on behalf of, Servicer to the Trustee, any Enhancement Provider, any Notice Person or any Noteholder in connection with any Transaction Document, or any transaction contemplated thereby, is true and accurate in every material respect (without omission of any information necessary to prevent such information from being materially misleading).

(k) No Material Adverse Change. Since January 31, 2002, there has been no material adverse change in the collectibility of the Receivables or Servicers's (i) financial condition, business, operations or prospects or (ii) ability to perform its obligations under any Transaction Document.

In the event that there is any breach of any of the representations, warranties or covenants of the Servicer contained in Sections 2.11(a) and (e) and 2.12(a) with respect to any Receivable, and such Receivable becomes a Defaulted Receivable or the rights of the Secured Parties in, to or under such Receivable or its proceeds are impaired or the proceeds of such Receivable are not available to the Trustee for the benefit of the Secured Parties or the Servicer has released any Merchandise securing a Receivable from the lien created by such Receivable (except as specifically provided in the Transaction Documents), then the Servicer shall be deemed to have received on such day a collection of such Receivable in full, and the Servicer shall, on the Distribution Date, deposit into the Collection Account, subject to Section 5.4(a) of the Indenture, an amount equal to the Outstanding Principal Balance of such Receivable, together with accrued and unpaid interest thereon, and such amount shall be allocated and applied by the Servicer as a Collection allocable to the Receivables or Related Security in accordance with Section 5.11 (or the applicable section relating to allocation of Collections) in each Series Supplement. In the event that the Servicer has paid to or for the benefit of the Noteholders or any other applicable Secured Party the full Outstanding Principal Balance (plus accrued and unpaid interest) of any Receivable pursuant to this paragraph, each of the Trustee for

the benefit of the Secured Parties and the Issuer shall release and convey all of such Person's right, title and interest in and to the related Receivable to the Servicer, without representation or warranty, but free and clear of all liens created by such Person, as applicable.

Section 2.09 Reports and Records for the Trustee. In addition to each of the reports required to be prepared and delivered by the Servicer pursuant to Section 2.02(e) hereof, the Servicer shall prepare and deliver in accordance with this Section 2.09 each of the following reports and notices:

(a) Periodic Reports. The Servicer shall prepare and forward to the Issuer, the Trustee, each Holder of a variable funding note issued under the Indenture (i) not later than the Determination Date with respect to each calendar month, a Monthly Servicer Report in substantially the form set forth on Exhibit A-1 attached hereto as of the last Business Day of the immediately preceding calendar month, and (ii) as soon as reasonably practicable, from time to time, such other information as the Trustee or any Notice Person may reasonably request.

(b) Monthly Noteholders' Statement. Unless otherwise stated in the related Series Supplement with respect to any Series, on each Determination Date the Servicer shall forward to the Trustee a Monthly Noteholders' Statement in the form set forth on Exhibit A-2 attached hereto prepared by the Servicer.

(c) Issuer Reports. The Servicer shall prepare and deliver the reports and comply with all the provisions of Section 4.3 of the Indenture.

(d) Series Reports. The Servicer shall prepare and deliver any reports required to be prepared and delivered by the Servicer by the terms of any agreements of the Issuer or the Servicer relating to the issuance or purchase of any of the Notes.

Section 2.10 Reports to the Commission. The Issuer and/or CAI, if the Issuer and/or CAI or any Affiliate of either of them is not acting as Servicer, shall, at the expense of the Issuer or CAI, as applicable, cooperate in any reasonable request of the Trustee in connection with any filings required to be filed by the Trustee under the provisions of the Securities Exchange Act of 1934 or pursuant to Section 4.3 of the Indenture.

Section 2.11 Affirmative Covenants of the Servicer. At all times from the date hereof to the date on which the outstanding principal balance of all Notes and all amounts owing to the Enhancement Providers by the Issuer shall be equal to zero, unless the Required Persons with respect to each such Series shall otherwise consent in writing:

(a) Credit and Collection Policy. The Servicer will comply in all material respects with the Credit and Collection Policy in regard to each Receivable and the related Contract.

(b) Collections Received. Subject to Section 5.4(a) of the Indenture, the Servicer shall set aside and deposit as soon as reasonably practicable (but in

any event no later than two (2) Business Days following its receipt thereof) into the Collection Account all Collections received from time to time by the Servicer.

(c) Notice of Defaults, Events of Default, Potential Pay Out Event or Servicer Defaults. Immediately, and in any event within one (1) Business Day after the Servicer obtains knowledge or receives notice of the occurrence of each Default, Event of Default, Potential Pay Out Event or Servicer Default, the Servicer will furnish to the Notice Persons of each Series a statement of a Responsible Officer of the Servicer, setting forth details of such Default, Event of Default or Servicer Default, and the action which the Servicer, the Issuer or a Seller proposes to take with respect thereto.

(d) Conduct of Business. The Servicer will do all things necessary to remain duly incorporated, validly existing and in good standing as a domestic limited partnership in its jurisdiction of organization and maintain all requisite authority to conduct its business in each jurisdiction in which its business is conducted to the extent that the failure to maintain such would have a Material Adverse Effect.

(e) Compliance with Laws. The Servicer will comply in all respects with all laws with respect to the Receivables to the extent that any non-compliance would have a Material Adverse Effect.

(f) Further Information. The Servicer shall furnish or cause to be furnished to the Trustee such other information relating to the Receivables and readily available public information regarding the financial condition of the Servicer, as soon as reasonably practicable, and in such form and detail, as the Trustee or any Notice Person may reasonably request.

(g) Furnishing of Information and Inspection of Records. The Servicer will furnish to the Trustee and any requesting Notice Person from time to time such information with respect to the Receivables as such Person may reasonably request, including, without limitation, listings identifying the Outstanding Principal Balance for each Receivable, together with an aging of Receivables. The Servicer will, at any time and from time to time during regular business hours and, upon reasonable notice, permit the Trustee, and each of the Notice Persons, or their respective agents or representatives, (i) to examine and make copies of and abstracts from all Records relating to the Receivables and (ii) to visit the offices and properties of the Servicer for the purpose of examining such Records, and to discuss matters relating to Receivables or the Servicer's performance hereunder and under the other Transaction Documents to which it is a party with any of the officers or branch managers of the Servicer, having knowledge of such matters. Upon a Default or Event of Default, the Trustee and each of the Notice Persons may have, without notice, reasonable access to all records and the offices and properties of the Servicer.

Section 2.12 Negative Covenants of the Servicer. At all times from the date hereof to the date on which the outstanding principal balance of all Notes and all amounts owing to the Enhancement Providers by the Issuer shall be equal to zero, unless the Required Persons with respect to each such Series shall otherwise consent in writing:

(a) Modifications of Receivables or Contracts. The Servicer shall not extend, amend, forgive, discharge, compromise, waive, cancel or otherwise modify the terms of any Receivable or amend, modify or waive any term or condition of any Contract related thereto; except in accordance with Section 2.02(b).

(b) Merger or Consolidation of, or Assumption of the Obligations of, the Servicer. The Servicer shall not consolidate with or merge into any other corporation or convey or transfer its properties and assets substantially as an entirety to any Person, unless:

(i) the entity formed by such consolidation or into which the Servicer is merged or the Person which acquires by conveyance or transfer the properties and assets of the Servicer substantially as an entirety shall be an entity organized and existing under the laws of the United States of America or any State or the District of Columbia and, if the Servicer is not the surviving entity, such corporation shall expressly assume, by an agreement supplemental hereto executed and delivered to the Trustee, the Notice Persons of each Series and the Servicer Letter of Credit Bank in a form reasonably satisfactory to the Notice Persons of each Series, the performance of every covenant and obligation of the Servicer under the Transaction Documents; and

(ii) the Servicer has delivered to the Trustee, each Notice Person and the Servicer Letter of Credit Bank (if requested by such Person) an Opinion of Counsel stating that such consolidation, merger, conveyance or transfer comply with this paragraph (b) and that all conditions precedent herein provided for relating to such transaction have been complied with (and if an agreement supplemental hereto has been executed as contemplated by clause (i) above, such opinion of counsel shall state that such supplemental agreement is a legal, valid and standing obligation of the Servicer enforceable against the Servicer in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles).

(c) No Change in Business or the Credit and Collection Policy. Subject to Requirements of Law, the Servicer will not make any change in the character of its business or in the Credit and Collection Policy, which change would, in either case, impair the collectibility of any Receivable or otherwise have a Material Adverse Effect. The Servicer agrees that prior to making any material change in the Credit and Collection Policy in effect on each Closing Date, it shall

obtain the prior written consent of the Notice Persons of each Series of such changes; provided, however, that in the case of any material change in its Credit and Collection Policy made pursuant to any Requirement of Law as to which it is unable to give ten (10) Business Days' prior written notice, then the Servicer shall give written notice to the Trustee, each Notice Person and the Issuer of such changes as soon as reasonably practicable prior to the implementation of such changes.

ARTICLE III

RIGHTS OF NOTEHOLDERS AND ALLOCATION AND APPLICATION OF COLLECTIONS

Section 3.01 Establishment of Accounts.

(a) The Collection Account. The Servicer, for the benefit of the Secured Parties, shall establish and maintain the Collection Account in the state of New York or in the city in which the Corporate Trust Office is located, with a Qualified Institution in the name of the Trustee, on behalf of the Secured Parties, a non-interest bearing segregated account bearing a designation clearly indicating that the funds deposited therein are held in trust for the benefit of the Secured Parties. Pursuant to authority granted to it pursuant to subsection 2.02(a), the Servicer shall have the revocable power to withdraw funds from the Collection Account for the purposes of carrying out its duties hereunder and under the Indenture and any Series Supplement.

(b) Series Accounts. If so provided in the related Series Supplement, the Servicer shall cause to be established and maintained in the name of the Trustee for the benefit of the Noteholders and the other Secured Parties of the related Series, one or more Series Accounts. Each such Series Account shall bear a designation clearly indicating that the funds deposited therein are held for the benefit of the Noteholders and the other Secured Parties of such Series, to the extent applicable. Each such Series Account will be a trust account, if so provided in the related Series Supplement, and will have the other features and be applied as set forth in the related Series Supplement.

Section 3.02 Collections and Allocations.

(a) Collections. Subject to subsection 5.4(a) of the Indenture, the Servicer shall deposit all Collections in the Collection Account as promptly as possible after the date of receipt of such Collections, but in no event later than the second Business Day following such date of receipt.

The Servicer shall allocate such amounts to each Series and to the Issuer in accordance with this Article III and Article 5 of the Indenture and shall withdraw the required amounts from the Collection Account or pay such amounts to the Noteholders, the Enhancement Providers, the Issuer or otherwise in accordance with this Article III and Article 5 of the

Indenture, in both cases as modified by any Series Supplement. The Servicer shall make such deposits or payments on the date indicated therein by wire transfer or as otherwise provided in the Series Supplement for any Series of Notes with respect to such Series.

(b) Allocation of Collections Between Finance Charges and Principal Receivables. At all times and for all purposes of this Agreement, the Indenture and any Series Supplement, the Servicer shall allocate Collections received in respect of any Receivables for any Monthly Period to Finance Charges and to Principal Receivables pursuant to any method of allocation that is in accordance with GAAP and that is consistent with the Servicer's past practice (or is consented to by the Required Persons of each Series).

(c) Adjustments to Issuer Interest. The Servicer shall be obligated on or prior to each Determination Date to deduct on a net basis for each Monthly Period from the aggregate amount of Principal Receivables used to calculate the Issuer Interest as provided in this subsection 3.02(c) (and to the extent applicable, Section 5.4(d) of the Indenture) (a "Credit Adjustment") the portion of each Principal Receivable which is reduced by the Servicer by any rebate, refund, charge-back or adjustment (including due to any Servicer errors) made in accordance with the Credit and Collection Policy.

(d) Deemed Collections. If on any day, (i) any of the representations or warranties set forth in Section 5.1(h)(i) and Section 3(o)(i) of the Series 2002-A Note Purchase Agreement and the Series 2002-B Note Purchase Agreement, respectively (and any corresponding provisions of any other applicable Note Purchase Agreement), is untrue or incorrect with respect to a Receivable as of the date such representation or warranty was made and such breach continues unremedied for 30 days from the earlier to occur of the discovery of such breach or condition by the Issuer or the Servicer, or receipt by the Issuer of written notice of such breach or condition given by the Trustee, any Notice Person, the Servicer or any Seller, (ii) any of the representations or warranties set forth in Section 5.1(n) and Section 3(v) of the Series 2002-A Note Purchase Agreement and the Series 2002-B Note Purchase Agreement, respectively (and any corresponding provisions of any other applicable Note Purchase Agreement), is untrue or incorrect with respect to a Receivable as of the date such representation or warranty was made or (iii) the Servicer adjusts downward the amount of any Receivables without either receiving Collections therefor or charging such amount off as uncollectible, and such condition continues unremedied for five Business Days from the earlier to occur of the discovery of such condition by the Issuer or the Servicer, or receipt by the Issuer of written notice of such condition given by the Trustee, any Notice Person, the Servicer or any Seller, then in any case above, the Issuer shall be deemed to have received on such day a Collection of such Receivable in full (or, in the case of clause (iii) above, in an amount equal to such adjustment or excess, as applicable), and the Issuer shall, on such day, to the extent that (1) the Coverage Test is not satisfied, (2) funds are not otherwise available therefor out of Collections on Receivables on such day and (3) such amounts have not otherwise already been paid by the Issuer pursuant to Article 5

of the Indenture and Article 5 of each applicable Series Supplement, pay to the Servicer an amount equal to the Outstanding Principal Balance of such Receivable (or, in the case of clause (iii) above, in an amount equal to such adjustment or excess, as applicable), together with accrued and unpaid interest thereon, and such amount shall be allocated and applied by the Servicer as a Collection allocable to each Series in accordance with Article 5 of the Indenture and Article 5 of each applicable Series Supplement.

ARTICLE IV

OTHER SERVICER POWERS

Section 4.01 Appointment of Paying Agent. Subject to Section 2.7 of the Indenture, the Servicer may revoke the power of the Paying Agent to withdraw funds from any account maintained for the benefit of the Secured Parties pursuant to the Indenture and remove the Paying Agent, if the Servicer determines in its reasonable discretion that the Paying Agent shall have failed to perform its obligations under the Indenture and any Series Supplement in any material respect or for other good cause. The Servicer shall notify each of the Rating Agencies of the removal of any Paying Agent pursuant to the immediately preceding sentence.

Section 4.02 Meetings of Noteholders. To the extent provided by the Series Supplement for any Series issued in whole or in part in Bearer Notes, the Servicer may at any time call a meeting of the Noteholders of such Series, to be held at such time and at such place as the Servicer shall determine, for the purpose of approving a modification of or amendment to, or obtaining a waiver of, any covenant or condition set forth in this Agreement with respect to such Series, subject to Section 7.01 of this Agreement. For such purpose, the provisions of Section 13.8 of the Indenture relating to the setting of a record date for the purpose of establishing the Person in whose name any such Note is held shall apply.

ARTICLE V

OTHER MATTERS RELATING TO THE SERVICER

Section 5.01 Liability of the Servicer. The Servicer hereby agrees to perform any and all duties and obligations set forth in the Indenture or any Series Supplement thereto that are specifically identified therein as duties of the Servicer. Subject to the foregoing, the Servicer shall be liable in accordance herewith only to the extent of the obligations specifically undertaken by it in such capacity herein.

Section 5.02 Limitation on Liability of the Servicer and Others. The directors, officers, employees or agents who are natural persons of the Servicer shall not be under any liability to the Issuer, the Trustee, the Noteholders, any Enhancement Provider or any other Person hereunder or pursuant to any document delivered hereunder for any action taken or for refraining from the taking of any action, it being expressly understood that all such liability is expressly waived and released as a condition of, and as consideration for, the execution of this Agreement and any supplement hereto; provided, however, that this provision shall not protect

the directors, officers, employees and agents of the Servicer against any liability which would otherwise be imposed by reason of willful misfeasance, bad faith or gross negligence in the performance of duties or by reason of reckless disregard of obligations and duties hereunder. Except as provided in this Section 5.02 with respect to the Issuer and the Trustee, its officers, directors, employees and agents, the Servicer shall not be under any liability to the Issuer, the Trustee, its officers, directors, employees and agents, the Noteholders or any other Person for any action taken or for refraining from the taking of any action in its capacity as Servicer pursuant to this Agreement or any supplement hereto; provided, however, that this provision shall not protect the Servicer against any liability which would otherwise be imposed by reason of (x) willful misfeasance, bad faith or gross negligence in the performance of duties or by reason of its reckless disregard of its obligations and duties hereunder or under any Series Supplement or (y) breach of the express terms of any Transaction Document. The Servicer may rely in good faith on any document of any kind prima facie properly executed and submitted by any Person respecting any matters arising hereunder. The Servicer shall not be under any obligation to appear in, prosecute or defend any legal action which is not incidental to its duties to service the Receivables or the other property in the Trust Estate in accordance with this Agreement, the Indenture and any Series Supplement which in its reasonable opinion may involve it in any expense or liability.

Section 5.03 Servicer Not to Resign. The Servicer shall not resign from the obligations and duties hereby imposed on it except upon determination that (i) the performance of its duties hereunder is no longer permissible under applicable law and (ii) there is no reasonable action which such Servicer could take to make the performance of its duties hereunder permissible under applicable law. Any such determination permitting the resignation of any Servicer shall be evidenced as to clause (i) above by an Opinion of Counsel and as to clause (ii) by a Conn Officer's Certificate of the Servicer, each to such effect delivered, and satisfactory in form and substance, to the Notice Persons. No such resignation shall become effective until the Trustee or a successor Servicer shall have assumed the responsibilities and obligations of such Servicer in accordance with Section 2.01 hereof.

Section 5.04 Waiver of Defaults. Any default by the Servicer in the performance of its obligations hereunder and its consequences may be waived pursuant to Section 7.01. Upon any such waiver of a default, such default shall cease to exist, and any default arising therefrom shall be deemed to have been remedied for every purpose of this Agreement. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon except to the extent expressly so waived.

ARTICLE VI

ADDITIONAL OBLIGATION OF THE SERVICER WITH RESPECT TO THE TRUSTEE

Section 6.01 Successor Trustee.

(a) If the Trustee resigns or is removed pursuant to the terms of the Indenture or if a vacancy exists in the office of the Trustee for any reason, the Servicer shall promptly appoint a successor Trustee meeting the requirements of

Section 11.9 of the Indenture, by written instrument, in duplicate, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the successor Trustee.

(b) The Servicer agrees to execute and deliver such instruments and do such other things as may reasonably be required for fully and certainly vesting and confirming in the successor Trustee all rights, powers, duties and obligations under the Indenture and hereunder.

Section 6.02 Tax Returns. The Servicer shall prepare or shall cause to be prepared all tax information required by law to be distributed to Noteholders and shall deliver such information to the Trustee at least five days prior to the date it is required by law to be distributed to Noteholders. Except to the extent the Servicer breaches its obligations or covenants contained in this Section 6.02, in no event shall the Servicer be liable for any liabilities, costs or expenses of the Issuer, the Noteholders or the Note Owners arising under any tax law, including without limitation federal, state, local or foreign income or excise taxes or any other tax imposed on or measured by income or gross receipts (or any interest or penalty with respect thereto or arising from a failure to comply therewith).

Section 6.03 Final Payment with Respect to Any Series. The Servicer shall provide any notice of termination as specified for the Servicer in Section 12.5(a) of the Indenture and in accordance with the procedures set forth therein.

ARTICLE VII

MISCELLANEOUS PROVISIONS

Section 7.01 Amendment.

(a) This Agreement may be amended in writing from time to time by the Issuer, the Servicer and the Trustee, without the consent of any of the Noteholders, to cure any ambiguity, to correct or supplement any provisions herein which may be inconsistent with any other provisions herein, to add any other provisions with respect to matters or questions arising under this Agreement which shall not be inconsistent with the provisions of this Agreement; provided, that such action shall not adversely affect in any material respect the interests of any Noteholder or any Enhancement Provider.

(b) Any provision of this Agreement may also be amended, supplemented, modified or waived in writing from time to time by the Issuer, the Servicer and the Trustee with the consent of the Required Persons of each outstanding Series for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Agreement or modifying in any manner the rights of Noteholders of any Series then issued and outstanding; provided, however, that no such amendment shall (i) reduce in any manner the amount of, or delay the timing of, distributions which are required to be made on any Notes of such Series without the consent of each Holder of Notes of such

Series so affected, (ii) change the definition of or the manner of calculating the Investor Interests, the Investor Percentage or the Aggregate Investor Default Amount of such Series without the consent of each Holder of Notes of such Series, (iii) reduce the aforesaid percentage required to consent to any such amendment, without the consent of each Holder of Notes of all Series adversely affected or (iv) result in a reduction or withdrawal of the then current ratings of any outstanding Notes of such Series by any Rating Agency. The Trustee may, but shall not be obligated to, enter into any such amendment which adversely affects the Trustee's rights, duties or immunities under this Agreement or otherwise, except as otherwise may be provided in the Indenture.

(c) Promptly after the execution of any such amendment, the Trustee shall furnish notification of the substance of such amendment to each Noteholder of each Series affected thereby, to any related Enhancement Provider and to each Rating Agency providing a rating for such Series.

(d) It shall not be necessary for the consent of Noteholders under this Section 7.01 to approve the particular form of any proposed amendment, but it shall be sufficient if such consent shall approve the substance thereof. The manner of obtaining such consents and of evidencing the authorization of the execution thereof by Noteholders shall be subject to such reasonable requirements as the Trustee may prescribe.

(e) In connection with any amendment, the Trustee may request an Opinion of Counsel (from an external law firm) from the Servicer to the effect that the amendment complies with all requirements of this Agreement, except that such counsel shall not be required to opine on factual matters.

Section 7.02 Protection of Right, Title and Interest to Receivables and Related Security.

(a) The Servicer shall cause this Agreement, the Indenture and any Series Supplement, all amendments hereto and/or all financing statements and continuation statements and any other necessary documents covering the Noteholders and the Trustee's right, title and interest to the Trust Estate to be promptly recorded, registered and filed, and at all times to be kept recorded, registered and filed, all in such manner and in such places as may be required by law fully to preserve and protect the Trustee's Lien (granted pursuant to the Indenture for the benefit of the Secured Parties) on the property comprising the Trust Estate. The Servicer shall deliver to the Trustee file-stamped copies of, or filing receipts for, any document recorded, registered or filed as provided above, as soon as available following such recording, registration or filing. The Seller shall cooperate fully with the Servicer in connection with the obligations set forth above and will execute any and all documents reasonably required to fulfill the intent of this subsection 7.02(a).

(b) The Servicer will give the Trustee prompt written notice of any relocation of any office from which it services the Receivables and Related Security or keeps records concerning such items or of its principal executive office and whether, as a result of such relocation, the applicable provisions of the UCC would require the filing of any amendment of any previously filed financing or continuation statement or of any new financing statement and shall file such financing statements or amendments as may be necessary to continue the Trustee's security interest in the Trust Estate and the proceeds thereof for the benefit of the Secured Parties. The Servicer will at all times maintain each office from which it services the Receivables, Related Security and other property in its possession and part of the Trust Estate and its principal executive office within the United States of America.

Section 7.03 Governing Law. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS (OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW), AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS. EACH OF THE PARTIES TO THIS SERVICING AGREEMENT HEREBY AGREES TO THE NON-EXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND ANY APPELLATE COURT HAVING JURISDICTION TO REVIEW THE JUDGMENT THEREOF. EACH OF THE PARTIES HEREBY WAIVES ANY OBJECTION BASED ON FORUM NON CONVENIENS AND ANY OBJECTION TO VENUE OF ANY ACTION INSTITUTED HEREUNDER IN ANY OF THE AFOREMENTIONED COURTS AND CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT.

Section 7.04 Notices. All demands, notices and communications hereunder shall be in writing and shall be deemed to have been duly given if personally delivered at, sent by facsimile to, sent by courier at or mailed by registered mail, return receipt requested, to (a) in the case of the Issuer, to Conn Funding II, L.P., 3295 College Street, Beaumont, Texas 77701, Attention: David Atnip, Telephone: 409-832-1696 ext. 3270, (b) in the case of the Servicer to CAI, L.P., 3295 College Street, Beaumont, Texas 77701, Attention: David Atnip, Telephone: 409-832-1696 ext. 3270, (c) in the case of the Trustee, to its Corporate Trust Office, (d) in the case of the Enhancement Provider for a particular Series, the address, if any, specified in the Series Supplement relating to such Series and (e) in the case of the Rating Agency for a particular Series, the address, if any, specified in the Series Supplement relating to such Series; or, as to each party, at such other address as shall be designated by such party in a written notice to each other party. Unless otherwise provided with respect to any Series in the related Series Supplement, any notice required or permitted to be mailed to a Noteholder shall be given as required in the Indenture or any related Series Supplement.

Section 7.05 Severability of Provisions. If any one or more of the covenants, agreements, provisions or terms of this Agreement shall for any reason whatsoever be held invalid, then such covenants, agreements, provisions or terms shall be deemed severable from the

remaining covenants, agreements, provisions or terms of this Agreement and shall in no way affect the validity or enforceability of the other provisions of this Agreement.

Section 7.06 Delegation. Except as provided in Section 2.01, 2.02 or 2.12(b), the Servicer may not delegate any of its obligations under this Agreement.

Section 7.07 Waiver of Trial by Jury. To the extent permitted by applicable law, each of the parties hereto irrevocably waives all right of trial by jury in any action, proceeding or counterclaim arising out of or in connection with this Agreement or the Transaction Documents or any matter arising hereunder or thereunder.

Section 7.08 Further Assurances. The Servicer agrees to do and perform, from time to time, any and all acts and to execute any and all further instruments required or reasonably requested by the Trustee or any Notice Person more fully to effect the purposes of this Agreement, including, without limitation, the execution of any financing statements or continuation statements relating to all or any portion of the Trust Estate for filing under the provisions of the UCC of any applicable jurisdiction.

Section 7.09 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Trustee, any Notice Person, any Enhancement Provider or the Noteholders, any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exhaustive of any rights, remedies, powers and privileges provided by law.

Section 7.10 Counterparts. This Agreement may be executed in two or more counterparts (and by different parties on separate counterparts), each of which shall be an original, but all of which together shall constitute one and the same instrument.

Section 7.11 Third-Party Beneficiaries. This Agreement will inure to the benefit of and be binding upon the parties hereto, the Secured Parties and, to the extent provided in any related Series Supplement, to the Enhancement Provider named therein, and their respective successors and permitted assigns.

Section 7.12 Actions by Noteholders.

(a) Wherever in this Agreement a provision is made that an action may be taken or a notice, demand or instruction given by Noteholders, such action, notice or instruction may be taken or given by any Noteholder, unless such provision requires a specific percentage of Noteholders or unless otherwise provided in a Series Supplement. Notwithstanding anything in this Agreement to the contrary, neither the Servicer nor any Affiliate thereof shall have any right to vote with respect to any Note except as specifically provided in the Indenture.

(b) Any request, demand, authorization, direction, notice, consent, waiver or other act by a Noteholder shall bind such Noteholder and every subsequent holder of such Note issued upon the registration of transfer thereof or

in exchange therefor or in lieu thereof in respect of anything done or omitted to be done by the Trustee or the Servicer in reliance thereon, whether or not notation of such action is made upon such Note.

Section 7.13 Rule 144A Information. For so long as any of the Notes of any Series or any Class are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Servicer, the Trustee and the Enhancement Provider(s) for such Series agree to cooperate with each other to provide to any Noteholders of such Series or Class and to any prospective purchaser of Notes designated by such a Noteholder upon the request of such Noteholder or prospective purchaser, any information required to be provided to such holder or prospective purchaser to satisfy the condition set forth in Rule 144A(d)(4) under the Securities Act.

Section 7.14 Merger and Integration. Except as specifically stated otherwise herein, this Agreement sets forth the entire understanding of the parties relating to the subject matter hereof, and all prior understandings, written or oral, are superseded by this Agreement.

Section 7.15 Headings. The headings herein are for purposes of reference only and shall not otherwise affect the meaning or interpretation of any provision hereof.

Section 7.16 Rights of the Trustee. The rights, privileges and immunities afforded to the Trustee in the Indenture shall apply to this Agreement as if fully set forth herein.

IN WITNESS WHEREOF, the Issuer, the Servicer and the Trustee have caused this Servicing Agreement to be duly executed by their respective officers as of the day and year first above written.

CONN FUNDING II, L.P., as Issuer

By: Conn Funding II GP, L.L.C.,
its general partner

By: /s/ David R. Atnip

Name: David R. Atnip
Title: Secretary/Treasurer

CAI, L.P., as Servicer

By: Conn Appliances, Inc.,
its general partner

By: /s/ Thomas J. Frank

Name: Thomas J. Frank
Title: CEO and Chairman of the Board

WELLS FARGO BANK MINNESOTA, NATIONAL ASSOCIATION, not in its individual capacity, but solely as Trustee

By: /s/ Marianna C. Stershic

Name: Marianna C. Stershic
Title: Vice President

FORM OF MONTHLY SERVICER REPORT

[Monthly Servicer Report Appears Here]

FORM OF MONTHLY NOTEHOLDERS' STATEMENT

[Series 2002-B Appears Here]

FORM OF ANNUAL SERVICER'S CERTIFICATE

[Form of Annual Servicers Certificate]

FORM OF CREDIT AND COLLECTION POLICY

[On File with Trustee]

FORM OF ACCOUNTING CONTROL
PROCEDURES AND PROCESSING REPORT

FORM OF POST OFFICE BOX AGREEMENT

Schedule E-1 Servicing Agreement

[Form of Post Office Box Agreement Appears Here]

Schedule 2.08(i)
Litigation

LITIGATION

None.

Exhibit 10.16

INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT (this "Agreement") is made and entered into as of the ____ day of _____, 2003 by and between CONN'S, INC., a Delaware corporation (the "Company"), and _____ (the "Indemnitee").

WITNESSETH:

WHEREAS, the interpretation of ambiguous statutes, regulations and bylaws regarding indemnification of directors and officers may be too uncertain to provide such directors and officers with adequate notice of the legal, financial and other risks to which they may be exposed by virtue of their service as such; and

WHEREAS, damages sought against directors and officers in stockholder or similar litigation by class action plaintiffs may be substantial, and the costs of defending such actions and of judgments in favor of plaintiffs or of settlement therewith may be prohibitive for individual directors and officers, without regard to the merits of a particular action and without regard to the culpability of, or the receipt of improper personal benefit by, any named director or officer to the detriment of the corporation; and

WHEREAS, the issues in controversy in such litigation usually relate to the knowledge, motives and intent of the director or officer, who may be the only person with firsthand knowledge of essential facts or exculpating circumstances who is qualified to testify in such person's defense regarding matters of such a subjective nature, and the long period of time which may elapse before final disposition of such litigation may impose undue hardship and burden on a director or officer or on such person's estate in launching and maintaining a proper and adequate defense for a director or officer or for such person's estate against claims for damages; and

WHEREAS, the Company is organized under the Delaware General Corporation Law (the "DGCL") and Section 145 of the DGCL empowers corporations to indemnify and advance expenses to a person serving as a director, officer, employee or agent of a corporation and to a person serving at the request of the corporation as a director, officer, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust, other enterprise or employee benefit plan, and further provides that the indemnification and advancement of expenses provided by, or granted pursuant to, said section "shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office"; and

WHEREAS, the Certificate of Incorporation of the Company (as it may be amended or amended and restated from time to time, the "Certificate of Incorporation") provides that the Company shall indemnify certain persons to the fullest extent permitted by the DGCL; and

WHEREAS, the Board of Directors and stockholders of the Company (the "Board") have concluded that it is reasonable and prudent for the Company contractually to obligate itself

to indemnify in a reasonable and adequate manner the Indemnitee and to assume for itself maximum liability for expenses and damages in connection with claims lodged against the Indemnitee for such person's decisions and actions as a director, officer, employee or agent of the Company and its subsidiaries.

NOW, THEREFORE, in consideration of the foregoing, and of other good and valuable consideration, the receipt and sufficiency of which are acknowledged by each of the parties hereto, the parties agree as follows:

ARTICLE 1
DEFINITIONS

For purposes of this Agreement, the following terms shall have the meanings set forth below:

1.1 "Board" shall mean the Board of Directors of the Company.

1.2 "Change in Control" shall mean a change in the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of the Company, whether through the ownership of Voting Securities, by contract, or otherwise.

1.3 "Corporate Status" shall mean the status of a person who is or was a director, officer, employee or agent of the Company, or is or was a member of any committee of the Board, and the status of a person who is or was serving at the request of the Company as a director, officer, partner (including service as a general partner of any limited partnership), member, trustee, employee, or agent of another foreign or domestic corporation, partnership, limited liability company, joint venture, trust, other incorporated or unincorporated entity or enterprise or employee benefit plan. For the purposes of this Agreement, any person serving as a director, officer, partner, member, trustee, employee, or agent of any subsidiary of the Company or any employee benefit plan of the Company or any of its subsidiaries shall be deemed to be so serving at the request of the Company, and no corporate or other action shall be or be deemed to be required to evidence any such request.

1.4 "Disinterested Director" shall mean a director of the Company who is not a party to the Proceeding in respect of which indemnification is being sought by the Indemnitee.

1.5 "Expenses" shall mean any and all expenses actually and reasonably incurred directly or indirectly in connection with a Proceeding, including, without limitation, all attorneys' fees, retainers, court costs, transcript costs, fees of experts, investigation fees and expenses, accounting and witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating or being or preparing to be a witness in a Proceeding.

1.6 "Good Faith" shall mean, when used with reference to an act or omission of the Indemnitee, an act or omission other than (i) an act or omission committed in bad faith and in a manner the Indemnitee believed to be opposed to the best interests of the Company; (ii) an act or omission that was the result of intentional misconduct involving active or deliberate dishonesty;

(iii) an act or omission from which the Indemnitee actually received an improper personal benefit in money, property or services; or (iv) in the case of a criminal Proceeding, an act or omission which involves a knowing violation of law.

1.7 "Liabilities" shall mean liabilities of any type whatsoever, including, without limitation, any judgments, fines, excise taxes and penalties under the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, the Employee Retirement Income Security Act of 1974, as amended, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such judgments, fines, penalties or amounts paid in settlement) actually and reasonably incurred directly or indirectly in connection with the investigation, defense, settlement or appeal of any Proceeding or any claim, issue or matter therein.

1.8 "Proceeding" shall mean any threatened, pending or completed action, suit, proceeding, arbitration, alternate dispute resolution mechanism, investigation, administrative hearing or any other actual, threatened or completed proceeding, whether civil, criminal, administrative, arbitrative or investigative, any appeal or appeals therefrom, and any inquiry or investigation that could lead to any of the foregoing.

1.9 "Voting Securities" shall mean any securities of the Company that are entitled to vote generally in the election of directors.

ARTICLE 2
TERM OF AGREEMENT

This Agreement shall continue until, and terminate upon the later to occur of (i) the death of the Indemnitee; or (ii) the final termination of all Proceedings (including possible Proceedings) in respect of which the Indemnitee is granted rights of indemnification or advancement of Expenses hereunder and of any Proceeding commenced by the Indemnitee regarding the interpretation or enforcement of this Agreement. This Agreement shall govern the indemnification rights of the Indemnitee for all Liabilities and Expenses in connection with any Proceeding instituted or commenced on or after the date hereof notwithstanding that any alleged act or omission of the Indemnitee occurred prior to the date hereof.

ARTICLE 3
NOTICE OF PROCEEDINGS; DEFENSE OF CLAIMS

3.1 Notice of Proceedings. The Indemnitee will notify the Company promptly in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter which may be subject to indemnification or advancement of Expenses covered hereunder, but the Indemnitee's failure to so notify the Company shall not relieve the Company from any liability to the Indemnitee under this Agreement, except to the extent that the Company suffers actual prejudice as a result of such failure.

3.2 Defense of Claims. The Company will be entitled to participate, at the expense of the Company, in any Proceeding of which the Company has notice. The Company jointly with any other indemnifying party similarly notified of any Proceeding will be entitled to assume

the defense of the Indemnitee therein, with counsel reasonably satisfactory to the Indemnitee; provided, however, that the Company shall not be entitled to assume the defense of the Indemnitee in any Proceeding if there has been a Change in Control or if the Indemnitee has reasonably concluded that there may be a conflict of interest between the Company and the Indemnitee with respect to such Proceeding. The Company will not be liable to the Indemnitee under this Agreement for any Expenses incurred by the Indemnitee in connection with the defense of any Proceeding, other than reasonable costs of investigation or as otherwise provided below, after notice from the Company to the Indemnitee of its election to assume the defense of the Indemnitee therein. The Indemnitee shall have the right to employ his or her own counsel in any such Proceeding, but the fees and expenses of such counsel incurred after notice from the Company of its assumption of the defense thereof shall be at the expense of the Indemnitee unless (i) the employment of counsel by the Indemnitee has been authorized by the Company; (ii) the Indemnitee shall have reasonably concluded that counsel employed by the Company may not adequately represent the Indemnitee and shall have so informed the Company; or (iii) the Company shall not in fact have employed counsel to assume the defense of the Indemnitee in such Proceeding or such counsel shall not, in fact, have assumed such defense or such counsel shall not be acting, in connection therewith, with reasonable diligence; and in each such case the fees and expenses of the Indemnitee's counsel shall be advanced by the Company.

3.3 Settlement of Claims. The Company shall not settle any Proceeding in any manner which would impose any Liability, penalty or limitation on the Indemnitee, or cause the Indemnitee to become subject to or bound by any injunction, order, judgment or decree, without the written consent of the Indemnitee, which consent shall not be unreasonably withheld or delayed. The Company shall not be liable to indemnify the Indemnitee under this Agreement or otherwise for any amounts paid in settlement of any Proceeding effected by the Indemnitee without the Company's written consent, which consent shall not be unreasonably withheld or delayed.

ARTICLE 4
INDEMNIFICATION

4.1 In General. Upon the terms and subject to the conditions set forth in this Agreement, the Company shall hold harmless and indemnify the Indemnitee against any and all Liabilities and Expenses actually incurred by or for the Indemnitee in connection with any Proceeding (whether the Indemnitee is or becomes a party, a witness or otherwise is a participant in any role) to the fullest extent required or permitted by applicable law in effect on the date hereof and to such greater extent as applicable law may hereafter from time to time require or permit. To the extent that the Indemnitee has at any time heretofore served or at any time hereafter serves as a director, officer, employee, partner, trustee or agent of, for, or on behalf of any subsidiary of the Company, the Company expressly agrees and acknowledges that Indemnitee was or is serving in each such capacity at the request of the Company.

4.2 Proceeding other Than a Proceeding by or in the Right of the Company. Without limiting the generality of Section 4.1, if the Indemnitee was or is a party or is threatened to be made a party to any Proceeding (whether the Indemnitee is or becomes a party, a witness or otherwise is a participant in any role) (other than a Proceeding by or in the right of the Company) by reason of the Indemnitee's Corporate Status, or by reason of any alleged act or omission by

the Indemnitee in any such capacity, the Company shall, subject to the limitations set forth in Section 4.6 below, hold harmless and indemnify the Indemnitee against any and all Liabilities and Expenses of the Indemnitee in connection with the Proceeding if the Indemnitee acted in Good Faith.

4.3 Proceeding by or in the Right of the Company. Without limiting the generality of Section 4.1, if the Indemnitee was or is a party or is threatened to be made a party to any Proceeding (whether the Indemnitee is or becomes a party, a witness or otherwise is a participant in any role) by or in the right of the Company to procure a judgment in its favor by reason of the Indemnitee's Corporate Status, or by reason of any alleged act or omission by the Indemnitee in any such capacity, the Company shall, subject to the limitations set forth in Section 4.6 below, hold harmless and indemnify the Indemnitee against any and all Expenses of the Indemnitee in connection with the Proceeding if the Indemnitee acted in Good Faith; except that no indemnification under this Section 4.3 shall be made in respect of any claim, issue or matter as to which the Indemnitee shall have been finally adjudged, pursuant to a judgment or other adjudication which is final and has become nonappealable, to be liable to the Company, unless a court of appropriate jurisdiction (including, but not limited to, the court in which such Proceeding was brought) shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, the Indemnitee is fairly and reasonably entitled to indemnification for such Expenses which such court shall deem proper.

4.4 Indemnification of a Party Who is Wholly or Partly Successful. Notwithstanding any other provision of this Agreement, to the extent that the Indemnitee is or has been successful on the merits or otherwise in defense of any Proceeding, the Indemnitee shall be indemnified by the Company to the maximum extent consistent with law against all Expenses of the Indemnitee in connection therewith. If the Indemnitee is not wholly successful in such Proceeding but is or has been successful on the merits or otherwise in defense of one or more but less than all claims, issues or matters in such Proceeding, the Company shall hold harmless and indemnify the Indemnitee to the maximum extent consistent with law against all Expenses of the Indemnitee in connection with each successfully resolved claim, issue or matter in such Proceeding. Resolution of a claim, issue or matter by dismissal, with or without prejudice, shall be deemed a successful result as to such claim, issue or matter.

4.5 Indemnification for Expenses of Witness. Notwithstanding any other provision of this Agreement, to the extent that the Indemnitee, by reason of the Indemnitee's Corporate Status, has prepared to serve or has served as a witness in any Proceeding, or has participated in discovery proceedings or other trial preparation, the Indemnitee shall be held harmless and indemnified against all Expenses of the Indemnitee in connection therewith.

4.6 Specific Limitations on Indemnification. In addition to the other limitations set forth in this Article IV, and notwithstanding anything in this Agreement to the contrary, the Company shall not be obligated under this Agreement to make any payment to the Indemnitee for indemnification of Liabilities or Expenses, or both, in connection with any Proceeding:

(a) To the extent that payment of any of the Liabilities or Expenses of the Indemnitee is actually made to the Indemnitee under any insurance policy or is made on

behalf of the Indemnitee by or on behalf of the Company otherwise than pursuant to this Agreement; or

(b) For an accounting of profits made from the purchase or sale by the Indemnitee of securities of the Company within the meaning of section 16(b) of the Securities Exchange Act of 1934, as amended, or similar provisions of any federal, state or local statute or regulation.

ARTICLE 5
ADVANCEMENT OF EXPENSES

Notwithstanding any provision to the contrary in Article VI hereof, the Company shall pay or reimburse all Expenses of the Indemnitee incurred by or for the Indemnitee in connection with any Proceeding in advance of the final disposition of such Proceeding, provided that the Company receives an undertaking by or on behalf of the Indemnitee to repay such amounts if it shall ultimately be determined that the Indemnitee is not entitled to be indemnified by the Company under applicable law (the "Undertaking"). The Undertaking shall reasonably evidence the Expenses incurred by or for the Indemnitee. The Company shall pay all such Expenses within five (5) business days after the receipt by the Company of the Undertaking. The Undertaking shall be unsecured and interest free, and shall be made and accepted by the Company without reference to the Indemnitee's financial ability to make repayment.

ARTICLE 6
PROCEDURE FOR PAYMENT;
DETERMINATION OF RIGHT TO INDEMNIFICATION

6.1 Procedure for Payment. To obtain indemnification for Liabilities under this Agreement, and to obtain indemnification for Expenses not paid in advance of the final disposition of any Proceeding pursuant to Article V, the Indemnitee shall submit to the Company a written request for payment, including with such request such documentation as is reasonably available to the Indemnitee and reasonably necessary to determine whether, and to what extent, the Indemnitee is entitled to indemnification and payment hereunder. The Secretary of the Company, or such other person as shall be designated by the Board of Directors, promptly upon receipt of a request for indemnification shall advise the Board of Directors, in writing, of such request. Any indemnification payment due hereunder shall be paid by the Company no later than five (5) business days following the determination, pursuant to this Article VI, that such indemnification payment is proper hereunder.

6.2 No Determination Necessary when the Indemnitee was Successful. To the extent the Indemnitee is or has been successful on the merits or otherwise in defense of any Proceeding, or in defense of any claim, issue or matter therein, the Company shall indemnify the Indemnitee against Expenses of the Indemnitee in connection with any such Proceeding or any claim, issue or matter therein as provided in Section 4.4.

6.3 Determination of Good Faith Act or Omission. In the event that Section 6.2 is inapplicable with respect to any Proceeding, or any claim, issue or matter therein, the Company shall hold harmless and indemnify the Indemnitee as provided herein unless the Company shall

prove by clear and convincing evidence to a forum listed in Section 6.4 that the Indemnitee did not act in Good Faith.

6.4 Forum for Determination. If the Indemnitee is serving as a director or officer of the Company at the time the determination is to be made, the Indemnitee shall be entitled to select from among the following the forum in which the validity of the Company's claim under Section 6.3 that the Indemnitee is not entitled to indemnification will be heard:

(a) A majority vote of the directors who are Disinterested Directors, even though less than a quorum;

(b) By a committee of Disinterested Directors designated by a majority vote of the directors who are Disinterested Directors, even though less than a quorum;

(c) If there are no Disinterested Directors, or if such directors so direct, independent legal counsel selected by the Indemnitee, subject to the approval of the Board, which approval shall not be unreasonably delayed or denied, which counsel shall make such determination in a written opinion; or

(d) The stockholders of the Company, by the affirmative vote of the majority of the Voting Securities present in person or by proxy and entitled to vote on the subject matter.

If the Indemnitee is not serving as a director or officer at the time the determination is to be made, the Indemnitee shall be entitled to select from among the forums set forth above, or to select any other person or persons having corporate authority to act on the matter, including, without limitation, the Board or any committee thereof or those persons who are authorized by statute to determine whether to indemnify directors and officers.

As soon as practicable, and in no event later than thirty (30) days after written notice of the Indemnitee's choice of forum pursuant to this Section 6.4, the Company shall, at the expense of the Company, submit to the selected forum, in such manner as the Indemnitee or the Indemnitee's counsel may reasonably request, its claim that the Indemnitee is not entitled to indemnification, and the Company shall act in the utmost good faith to assure the Indemnitee a complete opportunity to defend against such claim. The fees and expenses of the selected forum in connection with making the determination contemplated hereunder shall be paid by the Company. If the Company shall fail to submit the matter to the selected forum within thirty (30) days after the Indemnitee's written notice, or if the forum so empowered to make the determination shall have failed to make the requested determination within thirty (30) days after the matter has been submitted to it by the Company, the requisite determination that the Indemnitee has the right to indemnification hereunder shall be deemed to have been made by a majority vote of the directors who are Disinterested Directors, even though less than a quorum.

6.5 Right to Appeal. Notwithstanding a determination by any forum listed in Section 6.4 that the Indemnitee is not entitled to indemnification with respect to a specific Proceeding, or any claim, issue or matter therein, the Indemnitee shall have the right to apply to the court in which that Proceeding is or was pending, or to any other court of competent jurisdiction, for the purpose of enforcing the Indemnitee's right to indemnification pursuant to

this Agreement. Such enforcement action shall consider the Indemnitee's entitlement to indemnification de novo, and the Indemnitee shall not be prejudiced by reason of a prior determination that the Indemnitee is not entitled to indemnification. The Company shall be precluded from asserting that the procedures and presumptions of this Agreement are not valid, binding and enforceable. The Company further agrees to stipulate in any such judicial proceeding that the Company is bound by all the provisions of this Agreement and is precluded from making any assertion to the contrary.

6.6 Right to Seek Judicial Determination. Notwithstanding any other provision of this Agreement to the contrary, at any time after sixty (60) days after a request for indemnification has been made to the Company (or upon earlier receipt of written notice that a request for indemnification has been rejected or the expiration of time within which any such payment must be made hereunder) and before the third (3rd) anniversary of the making of such indemnification request, the Indemnitee may petition a court of competent jurisdiction, whether or not such court has jurisdiction over, or is the forum in which is pending, the Proceeding, to determine whether the Indemnitee is entitled to indemnification hereunder, and such court thereupon shall have the exclusive authority to make such determination, unless and until such court dismisses or otherwise terminates the Indemnitee's action without having made such determination. The court, as petitioned, shall make an independent determination of whether the Indemnitee is entitled to indemnification hereunder, without regard to any prior determination in any other forum as provided hereby.

6.7 Expenses under this Agreement. Notwithstanding any other provision in this Agreement to the contrary, the Company shall indemnify the Indemnitee against all Expenses incurred by the Indemnitee in connection with any hearing, action, suit or proceeding under this Article VI involving the Indemnitee and against all Expenses incurred by the Indemnitee in connection with any other hearing, action, suit or proceeding between the Company and the Indemnitee involving the interpretation or enforcement of the rights of the Indemnitee under this Agreement, even if it is finally determined that the Indemnitee is not entitled to indemnification in whole or in part hereunder.

ARTICLE 7
PRESUMPTIONS AND EFFECT OF CERTAIN PROCEEDINGS

7.1 Burden of Proof. In making a determination with respect to entitlement to indemnification hereunder, the person, persons, entity or entities making such determination shall presume that the Indemnitee is entitled to indemnification under this Agreement and the Company shall have the burden of proof to overcome that presumption.

7.2 Standards for Determining if Expenses Reasonably Incurred. It is a purpose of this Agreement to induce the most highly qualified individuals to accept positions of responsibility with the Company and, in so doing, to serve as directors, officers, employees and agents of the Company. Accordingly, the Company desires to provide the Indemnitee with the highest quality professional services available if the Indemnitee becomes a party to or is otherwise involved in a Proceeding because of the Indemnitee's Corporate Status without the Indemnitee's incurring any personal Expense in connection therewith. The Company therefore agrees that, subject to the provisions of Section 3.2, the Indemnitee may retain attorneys,

accountants, investment bankers, and other professionals and experts anywhere within the United States to represent the Indemnitee in any Proceeding in the United States, that the Indemnitee may retain attorneys, accountants, investment bankers, and other professionals without regard to location if the Proceeding is not in the United States, and that the Company will not deny any request for indemnification hereunder on the basis that the Expenses of any such attorneys, accountants, investment bankers, or other professionals and experts are not or have not been reasonably incurred because of the location of any such attorneys, accountants, investment bankers, or other professionals and experts. The Company further agrees that, for the purpose of determining if an Expense for professional services, including, without limitation, fees of attorneys, accountants, investment bankers, and other professionals and experts, is or has been reasonably incurred, or for the purpose of determining the reasonableness of any such Expense, the standard to be used shall be the highest rates per hour or fees charged by attorneys specializing in the defense of individuals in Proceedings similar to the Proceeding to which the Indemnitee is a party or otherwise involved in the city or cities in which such attorneys are located, and the highest rates per hour or fees charged by accountants, investment bankers, and other professionals and experts assisting or participating in the defense of individuals in Proceedings similar to the Proceeding to which the Indemnitee is a party or otherwise involved in the city or cities in which such accountants, investment bankers, and other professionals and experts are located. In addition to the foregoing, the Company has determined that it is in the Company's best interests that any director, officer, employee or agent of Company who is involved in any Proceeding because of such person's Corporate Status maintain to the greatest extent possible the confidentiality of matters pertaining to such Proceeding, and that such person's participation in such Proceeding be on conditions as similar as reasonably possible to conditions as if such person were participating in the city of such person's personal residence. Due to the continuing deterioration in commercial travel conditions, however, it is increasingly more difficult to achieve this result, and, accordingly, the Company desires to provide the Indemnitee with travel arrangements that come most closely to achieving this result. The Company therefore agrees that, for the purpose of determining whether any Expense hereunder for travel related items is or has been reasonably incurred, or for the purpose of determining the reasonableness of any such Expense, the standards to be used shall be the non-stop first class airfare between destinations and the daily non-discounted room rates charged by the highest rated hotel in the destination city. Any Expense actually incurred for or on behalf of the Indemnitee by any firm providing professional services, including, without limitation, attorneys, accountants, investment bankers, and other professionals and experts, to the Indemnitee in any Proceeding shall be deemed to be reasonably incurred and reasonable. In determining whether any other Expense is or has been reasonably incurred, or whether any such other Expense is reasonable, the standard to be used shall be commensurate with the foregoing. In the event the Company determines not to indemnify the Indemnitee hereunder for any Expense on the basis that any such Expense was or has not been reasonably incurred, the Company agrees that it must prove by clear and convincing evidence that the professional or other services rendered for and on behalf of the Indemnitee, or the goods or services received by or provided for or on behalf of the Indemnitee, provided (i) no value whatsoever; and (ii) bore no reasonable relationship whatsoever, to the defense of the Indemnitee in the Proceeding. In the event the Company determines not to indemnify the Indemnitee hereunder for any Expense on the basis that any such Expense is or was not reasonable, the Company agrees that it must prove by clear and

convincing evidence that the challenged Expense is so grossly in excess of the fair market value for the same or similar Expense as to be manifestly unfair.

7.3 Effect of other Proceedings. The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the Indemnitee did not act in Good Faith.

7.4 Reliance as Safe Harbor. For purposes of any determination of whether any act or omission of the Indemnitee was done or made in Good Faith, each act or omission of the Indemnitee shall be deemed to be in Good Faith if the Indemnitee's act or omission is based on the records or books of accounts of the Company, including financial statements, or on information supplied to the Indemnitee by the officers of the Company in the course of their duties, or on the advice of legal counsel for the Company, or on information or records given or reports made to the Company by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Company. The provisions of this Section 7.4 shall not be deemed to be exclusive or to limit in any way the other circumstances in which the Indemnitee may be deemed to have met the applicable standard of conduct set forth in this Agreement or under applicable law.

7.5 Actions of Others. The knowledge and/or actions, or failure to act, of any other director, officer, agent or employee of the Company shall not be imputed to the Indemnitee for purposes of determining the right to indemnification under this Agreement.

ARTICLE 8
INSURANCE; OTHER INDEMNIFICATION ARRANGEMENTS

8.1 Insurance. In the event that the Company maintains officers' and directors' or similar liability insurance to protect itself or any director or officer of the Company against any expense, liability or loss, such insurance shall cover the Indemnitee to at least the same degree as each other director and/or officer of the Company.

8.2 Other Arrangements. The Bylaws of the Company and the DGCL permit the Company to purchase and maintain insurance on behalf of the Indemnitee against any Liability asserted against or incurred by him or any Expenses incurred by him or on his behalf in connection with actions taken or omissions by the Indemnitee in his Corporate Status, whether or not the Company would have the power to indemnify the Indemnitee under this Agreement or under the DGCL, as they may be in effect from time to time. The purchase of any such insurance shall in no way affect or limit the rights and obligations of the Indemnitee and the Company hereunder, except as expressly provided herein, and the execution and delivery of this Agreement by the Indemnitee and the Company shall in no way affect or limit the rights and obligations of such parties under or with respect to any other such Indemnification Arrangement (as defined in Section 10.1).

ARTICLE 9
OBLIGATIONS OF THE COMPANY UPON A CHANGE IN CONTROL

In the event of a Change in Control, upon written request of the Indemnitee the Company shall establish a trust for the benefit of the Indemnitee hereunder (a "Trust") and from time to time, upon written request from the Indemnitee, shall fund the Trust in an amount sufficient to satisfy all amounts that may from time to time be payable to the Indemnitee hereunder as indemnification for Liabilities or Expenses (including those that are required to be paid in advance hereunder). The amount or amounts to be deposited in the Trust shall be determined by legal counsel selected by the Indemnitee and approved by the Company, which approval shall not be unreasonably withheld. The terms of the Trust shall provide that (i) the Trust shall not be dissolved or the principal thereof invaded without the written consent of the Indemnitee; (ii) the trustee of the Trust (the "Trustee") shall be selected by the Indemnitee; (iii) the Trustee shall make advances to the Indemnitee for Expenses within five (5) business days following receipt of a written request therefor and the Undertaking; (iv) the Company shall continue to fund the Trust from time to time in accordance with its funding obligations hereunder; (v) the Trustee promptly shall pay to the Indemnitee all amounts as to which indemnification is due under this Agreement; (vi) unless the Indemnitee agrees otherwise in writing, the Trust for the Indemnitee shall be kept separate from any other trust established for any other person to whom indemnification might be due by the Company; and (vii) all unexpended funds in the Trust shall revert to the Company upon final, nonappealable determination by a court of competent jurisdiction that the Indemnitee has been indemnified to the full extent required under this Agreement.

ARTICLE 10
NON-EXCLUSIVITY, SUBROGATION AND MISCELLANEOUS

10.1 Non-Exclusivity. The rights of the Indemnitee hereunder shall not be deemed exclusive of any other rights to which the Indemnitee may at any time be entitled under any provision of law, the Certificate of Incorporation, the Bylaws of the Company, as the same may be in effect from time to time, any other agreement, a vote of stockholders of the Company or a resolution of directors of the Company or otherwise (each an "Indemnification Arrangement"), and to the extent that during the term of this Agreement the rights of the then-existing directors and officers of the Company are more favorable to such directors or officers than the rights currently provided to the Indemnitee under this Agreement, the Indemnitee shall be entitled to the full benefits of such more favorable rights. No amendment, alteration, rescission or replacement of this Agreement or any provision hereof which would in any way limit the benefits and protections afforded to an Indemnitee hereby shall be effective as to such Indemnitee with respect to any act or omission by such Indemnitee in the Indemnitee's Corporate Status prior to such amendment, alteration, rescission or replacement.

10.2 Subrogation. In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of the Indemnitee, who shall execute all documents required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

10.3 Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given (i) if delivered by hand, by courier or by telegram and receipted for by the party to whom said notice or other communication shall have been directed at the time indicated on such receipt; (ii) if by facsimile, at the time shown on the confirmation of such facsimile transmission; or (iii) if by U.S. certified or registered mail, with postage prepaid, on the third business day after the date on which it is so mailed: if to the Indemnitee, to the address shown with the Indemnitee's signature below; if to the Company to:

Conn's, Inc.
3925 College Street
Beaumont, Texas 77701
Attention: Chief Financial Officer
Facsimile No. (409) 212-9521

With a copy to: Winstead Sechrest & Minick P.C.
1201 Elm Street
5400 Renaissance Tower
Dallas, TX 75270
Attn: Thomas W. Hughes, Esq.
Fax No: (214) 745-5390

or to such other address as may have been furnished to the Indemnitee by the Company or to the Company by the Indemnitee, as the case may be.

10.4 Governing Law. The parties agree that this Agreement shall be governed by, and construed and enforced in accordance with, the substantive laws of the State of Delaware, without regard to the principles of choice of laws thereof.

10.5 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, legal representatives, successors and permitted assigns. This Agreement cannot be assigned by the Company, either directly or indirectly, by purchase, merger, consolidation or otherwise, without the express written consent of the Indemnitee unless the Company shall have received, prior to such assignment, from any successor or assignee (whether direct or indirect, by purchase, merger, consolidation or otherwise) a written agreement, in form, scope and substance reasonably satisfactory to the Indemnitee, expressly to assume and agree to be bound by and to perform this Agreement in the same manner and to the same extent as the Company would be required to perform absent such succession or assignment.

10.6 Severability. If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. Any provision of this Agreement held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable. It is the express intention and agreement of the Company and the Indemnitee that any court of competent jurisdiction that interprets or enforces this Agreement have full power and authority to reform any provision of this Agreement to modify the invalid or unenforceable provision to achieve the parties' intent to provide the Indemnitee with indemnification for Liabilities and Expenses to the maximum extent permitted by applicable law.

10.7 Waiver. No termination, cancellation, modification, amendment, deletion, addition or other change in this Agreement, or any provision hereof, or waiver of any right or remedy herein, shall be effective for any purpose unless specifically set forth in a writing signed by the party or parties to be bound thereby. The waiver of any right or remedy with respect to any occurrence on one occasion shall not be deemed a waiver of such right or remedy with respect to such occurrence on any other occasion.

10.8 Entire Agreement. This Agreement constitutes the entire agreement and understanding among the parties hereto in reference to the subject matter hereof; provided, however, that the parties acknowledge and agree that the DGCL and the Certificate of

Incorporation and Bylaws of the Company and each of its subsidiaries contain provisions on the subject matter hereof and that this Agreement is not intended to, and does not, limit the rights or obligations of the parties hereto pursuant to the DGCL or such instruments, or under any other contract, agreement, insurance policy or other instrument or document heretofore or hereafter existing which provides to the Indemnitee any right of indemnification or reimbursement of any nature whatsoever or requirement that the Company carry any directors and officers insurance.

10.9 Titles. The titles to the articles and sections of this Agreement are inserted for convenience of reference only and should not be deemed a part hereof or affect the construction or interpretation of any provisions hereof.

10.10 Pronouns and Plurals. Whenever the context may require, any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa.

10.11 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together constitute one agreement binding on all the parties hereto.

[Remainder of This Page Intentionally Left Blank. Signature Page Follows.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

CONN'S, INC.

By:

Name:

Title:

INDEMNITEE

By:

Name:

Title:

Address:

Exhibit 21

SUBSIDIARIES OF CONN'S, INC.

Subsidiary	Jurisdiction
CAIAIR, Inc.	Delaware
CAI Credit Insurance Agency, Inc.	Louisiana
CAI Credit Insurance Agency, L.P.	Louisiana
CAI Credit, LLC	Delaware
CAI Holding Co.	Delaware
CAI, L.P.	Texas
Conn Appliances, Inc.	Texas
Conn Appliances, LLC	Delaware
Conn CC, L.P.	Texas
Conn Credit Corporation, Inc.	Texas
Conn Credit, LLC	Delaware
Conn Funding I, L.P.	Texas
Conn Funding II GP, LLC	Texas
Conn Funding II, L.P.	Texas
Conn Funding, LLC	Texas

Exhibit 23.1

Consent of Independent Auditors

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated September 12, 2003, in the Registration Statement on Form S-1, and related Prospectus of Conn's, Inc dated September 23, 2003.

ERNST & YOUNG LLP

Houston, Texas
September 22, 2003