# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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# FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)**
**OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended July 31, 2010** **Commission File Number 000-50421**

# CONN'S, INC.

(Exact name of registrant as specified in its charter)

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

**3295 College Street**
**Beaumont, Texas 77701**
**(409) 832-1696**
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**NONE**
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (l) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [ x ] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [ ] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer [ ] Accelerated filer [ x ] Non-accelerated filer [ ] (Do not check if a smaller reporting company) smaller reporting company [ ]

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of August 24, 2010:

| Class | Outstanding |
|---|---|
| Common stock, $.01 par value per share | 22,489,638 |

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**Part I. FINANCIAL INFORMATION**
**Item 1. Financial Statements**

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

| **Assets** | **January 31, 2010** | **July 31, 2010** |
|---|---|---|
| | | (unaudited) |
| Cash and cash equivalents | $ 12,247 | $ 8,466 |
| (includes balances of VIE of $104 and $104, respectively) | | |
| Other accounts receivable, net of allowance of $50 and $61, respectively | 23,254 | 28,753 |
| Customer accounts receivable, net of allowance of $19,204 and $18,479 respectively | | |
| (includes balances of VIE of $279,948 and $258,015, respectively) | 368,304 | 355,861 |
| Inventories | 63,499 | 99,106 |
| Deferred income taxes | 15,237 | 13,830 |
| Federal income taxes recoverable | 8,148 | - |
| Prepaid expenses and other assets | 8,050 | 7,785 |
| **Total current assets** | 498,739 | 513,801 |
| **Long-term portion of customer accounts receivable, net of** | | |
| **allowance of $16,598 and $15,868, respectively** | 318,341 | 305,584 |
| (includes balances of VIE of $241,971 and $221,562, respectively) | | |
| **Property and equipment** | | |
| Land | 7,682 | 7,264 |
| Buildings | 10,480 | 10,314 |
| Equipment and fixtures | 23,797 | 24,640 |
| Transportation equipment | 1,795 | 1,684 |
| Leasehold improvements | 91,299 | 91,522 |
| Subtotal | 135,053 | 135,424 |
| Less accumulated depreciation | (75,350) | (81,354) |
| **Total property and equipment, net** | 59,703 | 54,070 |
| | 5,485 | 6,364 |
| **Other assets, net** (includes balances of VIE of $7,106 and $7,569, respectively) | 10,198 | 12,518 |
| **Total assets** | $ 892,466 | $ 892,337 |
| **Liabilities and Stockholders' Equity** | | |
| **Current liabilities** | | |
| Current portion of long-term debt | $ 64,055 | $ 122,664 |
| (includes balances of VIE of $63,900 and $122,500, respectively) | | |
| Accounts payable | 39,944 | 62,115 |
| Accrued compensation and related expenses | 5,697 | 5,245 |
| Accrued expenses | 31,685 | 26,726 |
| Income taxes payable | 2,640 | 1,612 |
| Deferred revenues and allowances | 14,596 | 13,210 |
| **Total current liabilities** | 158,617 | 231,572 |
| **Long-term debt** | 388,249 | 307,073 |
| (includes balances of VIE of $282,500 and $197,500, respectively) | | |
| **Other long-term liabilities** | 5,195 | 4,794 |
| **Fair value of interest rate swaps** | 337 | 240 |
| **Deferred gains on sales of property** | 905 | 961 |
| **Stockholders' equity** | | |
| Preferred stock ($0.01 par value, 1,000,000 shares authorized; none issued or outstanding) | - | - |
| Common stock ($0.01 par value, 40,000,000 shares authorized; | | |
| 24,194,555 and 24,212,843 shares issued at January 31, 2010 and July 31, 2010, respectively) | 242 | 242 |
| Additional paid-in capital | 106,226 | 107,465 |
| Accumulated other comprehensive loss | (218) | (155) |
| Retained earnings | 269,984 | 277,216 |
| Treasury stock, at cost, 1,723,205 shares | (37,071) | (37,071) |
| **Total stockholders' equity** | 339,163 | 347,697 |
| **Total liabilities and stockholders' equity** | $ 892,466 | $ 892,337 |

See notes to consolidated financial statements.

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

| | Three Months Ended July 31, | | Six Months Ended July 31, | |
|---|---|---|---|---|
| | **2009** | **2010** | **2009** | **2010** |
| | (As adjusted see Note 1) | | (As adjusted see Note 1) | |
| **Revenues** | | | | |
| Product sales | $ 175,389 | $ 166,378 | $ 360,206 | $ 316,743 |
| Repair service agreement commissions, net | 8,859 | 8,341 | 18,649 | 16,258 |
| Service revenues | 6,052 | 4,183 | 11,596 | 8,940 |
| Total net sales | 190,300 | 178,902 | 390,451 | 341,941 |
| Finance charges and other | 40,128 | 34,763 | 79,828 | 69,243 |
| **Total revenues** | **230,428** | **213,665** | **470,279** | **411,184** |
| **Cost and expenses** | | | | |
| Cost of goods sold, including warehousing and occupancy costs | 140,761 | 130,276 | 286,631 | 244,433 |
| Cost of parts sold, including warehousing and occupancy costs | 2,797 | 2,120 | 5,384 | 4,492 |
| Selling, general and administrative expense | 64,979 | 63,478 | 127,717 | 124,221 |
| Provision for bad debts | 8,026 | 9,048 | 13,670 | 15,322 |
| **Total cost and expenses** | **216,563** | **204,922** | **433,402** | **388,468** |
| **Operating income** | **13,865** | **8,743** | **36,877** | **22,716** |
| Interest expense, net | 5,342 | 5,875 | 10,346 | 10,660 |
| Other (income) expense, net | (13) | 12 | (21) | 183 |
| **Income before income taxes** | **8,536** | **2,856** | **26,552** | **11,873** |
| **Provision for income taxes** | **3,312** | **1,171** | **9,972** | **4,641** |
| **Net income** | **$ 5,224** | **$ 1,685** | **$ 16,580** | **$ 7,232** |
| **Earnings per share** | | | | |
| Basic | $ 0.23 | $ 0.07 | $ 0.74 | $ 0.32 |
| Diluted | $ 0.23 | $ 0.07 | $ 0.73 | $ 0.32 |
| **Average common shares outstanding** | | | | |
| Basic | 22,454 | 22,484 | 22,450 | 22,479 |
| Diluted | 22,660 | 22,488 | 22,675 | 22,483 |

See notes to consolidated financial statements.

*Conn's, Inc.*
**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**
**Six Months Ended July 31, 2010**
(unaudited)
(in thousands, except descriptive shares)

| | Common Stock | | Additional Paid-in | Other Compre-hensive | Retained | Treasury | |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | Capital | Loss | Earnings | Stock | Total |
| **Balance January 31, 2010** | 24,194 | $ 242 | $ 106,226 | $ (218) | $ 269,984 | $ (37,071) | $ 339,163 |
| Issuance of shares of common stock under Employee Stock Purchase Plan | 19 | - | 93 | | | | 93 |
| Stock-based compensation | | | 1,146 | | | | 1,146 |
| Net income | | | | | 7,232 | | 7,232 |
| Adjustment of fair value of interest rate swaps net of tax of $34 | | | | 63 | | | 63 |
| Other comprehensive income | | | | 63 | | | 63 |
| Total comprehensive income | | | | | | | 7,295 |
| **Balance July 31, 2010** | 24,213 | $ 242 | $ 107,465 | $ (155) | $ 277,216 | $ (37,071) | $ 347,697 |

See notes to consolidated financial statements.

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

| | Six Months Ended July 31, | |
|---|---|---|
| | **2009** | **2010** |
| | (As adjusted see Note 1) | |
| **Cash flows from operating activities** | | |
| Net income | $ 16,580 | $ 7,232 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 6,660 | 6,625 |
| Amortization, net | 437 | 1,707 |
| Provision for bad debts | 13,670 | 15,322 |
| Stock-based compensation | 1,272 | 1,146 |
| Discounts and accretion on promotional credit | (1,396) | (1,011) |
| Provision for deferred income taxes | (1,522) | 840 |
| (Gains) losses on sales of property and equipment | (5) | 62 |
| Changes in operating assets and liabilities: | | |
| Customer accounts receivable | (4,634) | 10,906 |
| Other accounts receivable | 10,044 | (5,499) |
| Inventory | (4,896) | (35,607) |
| Prepaid expenses and other assets | 997 | 235 |
| Accounts payable | (2,551) | 22,171 |
| Accrued expenses | (10,306) | (5,411) |
| Income taxes payable | (8,231) | 6,804 |
| Deferred revenue and allowances | (769) | (1,586) |
| **Net cash provided by operating activities** | **15,350** | **23,936** |
| **Cash flows from investing activities** | | |
| Purchases of property and equipment | (6,763) | (1,650) |
| Proceeds from sales of property | 22 | 589 |
| **Net cash used in investing activities** | **(6,741)** | **(1,061)** |
| **Cash flows from financing activities** | | |
| Proceeds from stock issued under employee benefit plans | 117 | 93 |
| Borrowings under lines of credit | 198,146 | 127,372 |
| Payments on lines of credit | (213,444) | (149,870) |
| Increase in deferred financing costs | (378) | (4,182) |
| Payment of promissory notes | (3) | (69) |
| **Net cash used in financing activities** | **(15,562)** | **(26,656)** |
| **Net change in cash** | **(6,953)** | **(3,781)** |
| **Cash and cash equivalents** | | |
| Beginning of the year | 11,909 | 12,247 |
| **End of period** | **$ 4,956** | **$ 8,466** |

See notes to consolidated financial statements.

## 1. Summary of 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 that 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, except as otherwise described herein. Op erating results for the three and six month periods ended July 31, 2010, are not necessarily indicative of the results that may be expected for the fiscal year ending January 31, 2011. The financial statements should be read in conjunction with the Company's (as defined below) audited consolidated financial statements and the notes thereto included in the Company's Current Report on Form 8-K filed on July 7, 2010.

The Company's balance sheet at January 31, 2010, has been derived from the audited financial statements at that date, revised for the retrospective application of the new accounting principles discussed below, but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for a complete financial presentation. Please see the Company's Form 8-K filed on July 7, 2010 for a complete presentation of the audited financial statements for the fiscal year ended January 31, 2010, together with all required footnotes, and for a complete presentation and explanation of the components and presentations of the financial statements.

**Business Activities**. The Company, through its retail stores, provides products and services to its customer base in seven primary market areas, including southern Louisiana, southeast Texas, Houston, South Texas, San Antonio/Austin, Dallas/Fort Worth and Oklahoma. Products and services offered through retail sales outlets include home appliances, consumer electronics, home office equipment, lawn and garden products, mattresses, furniture, repair service agreements, installment and revolving credit account programs, and various credit insurance products. These activities are supported through an extensive service, warehouse and distribution system. For the reasons discussed below, the Company has aggregated its results into two operating segments: credit and retail. 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 its retail and credit segments. With the adoption of the new accounting principles discussed below, which require the consolidation of the Company's variable interest entity engaged in receivables securitizations, management began separately evaluating the performance of its retail and credit operations. As a result, management believes it is appropriate to disclose separate financial information of its retail and credit segments. The separate financial information is disclosed in footnote 6 – "Segment Reporting".

***Adoption of New Accounting Principles***. The Company enters into securitization transactions to transfer eligible retail installment and revolving customer receivables and retains servicing responsibilities and subordinated interests. Additionally, the Company transfers the eligible customer receivables to a bankruptcy-remote variable interest entity (VIE). In June 2009, the FASB issued revised authoritative guidance to improve the relevance and comparability of the information that a reporting entity provides in its financial statements about:

- a transfer of financial assets;
- the effects of a transfer on its financial position, financial performance, and cash flows; and
- a transferor's continuing involvement, if any, in transferred financial assets;

  and,

- Improvements in financial reporting by companies involved with variable interest entities to provide more relevant and reliable information to users of financial statements by requiring an enterprise to perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a variable interest entity. This analysis identifies the primary beneficiary of a variable interest entity as the enterprise that has both of the following characteristics:
  a) The power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance, and
  b) The obligation to absorb losses of the entity that could potentially be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity.

After the effective date, the concept of a qualifying special-purpose entity is no longer relevant for accounting purposes. Therefore, formerly qualifying special-purpose entities (as defined under previous accounting standards) should be evaluated for consolidation by reporting entities on and after the effective date in accordance with the applicable consolidation guidance. If the evaluation on the effective date results in consolidation, the reporting entity should apply the transition guidance provided in the pronouncement that requires consolidation. The new FASB-issued authoritative guidance was effective for the Company beginning February 1, 2010.

The Company determined that it qualifies as the primary beneficiary of its VIE based on the following considerations:

- The Company directs the activities that generate the customer receivables that are transferred to the VIE,
- The Company directs the servicing activities related to the collection of the customer receivables transferred to the VIE,
- The Company absorbs all losses incurred by the VIE to the extent of its residual interest in the customer receivables held by the VIE before any other investors incur losses, and
- The Company has the rights to receive all benefits generated by the VIE after paying the contractual amounts due to the other investors.

As a result, the Company's adoption of the provisions of the new guidance, effective February 1, 2010, resulted in the Company's VIE, which is engaged in customer receivable financing and securitization, being consolidated in the Company's balance sheet and the Company's statements of operations, stockholders' equity and cash flows. Previously, the operations of the VIE were reported off-balance sheet. The Company has elected to apply the provisions of this new guidance by retrospectively restating prior period financial statements to give effect to the consolidation of the VIE, presenting the balances at their carrying value as if they had always been carried on its balance sheet. The retrospective application impacted the comparative prio r period financial statements as follows:

- For the three and six months ended July 31, 2009, Income before income taxes was increased by approximately $0.4 million and $0.2 million, respectively.
- For the three and six months ended July 31, 2009, Net income was increased by approximately $0.3 million and $0.1 million, respectively.
- For the three and six months ended July 31, 2009, Basic earnings per share was increased by $.01
- For the three months ended July 31, 2009, Diluted earnings per share was increased by $.01. For the six months ended July 31, 2009, Diluted earnings per share was unchanged.
- For the six months ended July 31, 2009, Cash flows from operating activities was increased by approximately $82.5 million.
- For the six months ended July 31, 2009, Cash flows from financing activities was reduced by approximately $82.5 million.

***Principles of Consolidation***. The consolidated financial statements include the accounts of Conn's, Inc. and all of its wholly-owned subsidiaries (the Company), including the Company's VIE. The liabilities of the VIE and the assets specifically collateralizing those obligations are not available for the general use of the Company and have been parenthetically presented on the face of the Company's balance sheet. All material intercompany transactions and balances have been eliminated in consolidation.

***Fair Value of Financial Instruments.*** The fair value of cash and cash equivalents, receivables and accounts payable approximate their carrying amounts because of the short maturity of these instruments. The fair value of the Company's long-term debt and the VIE's $170 million 2002 Series A variable funding note approximate their carrying amount based on the fact that the agreements were recently amended and the cost of the borrowings were revised to reflect current market conditions. The estimated fair value of the VIE's $150 million 2006 Series A medium term notes was approximately $143 million and $139 million as of July 31, 2010 and January 31, 2010, respectively, based on its estimate of the rates available at these dates, for instruments with similar terms and maturities. The Company's interest rate swaps are presented on the balance sheet at fair value.

***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.

***Earnings Per Share (EPS).*** 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, as calculated under the treasury-stock method. The weighted average number of anti-dilutive stock options not included in calculating diluted EPS was 1.5 million and 2.7 million for the three months ended July 31, 2009 and 2010, respectively. The weighted average number of anti-dilutive stock options not included in calculating diluted EPS was 1.5 million and 2.7 million for the six months ended July 31, 2009 and 2010, respectively. The following table sets forth th e shares outstanding for the earnings per share calculations:

The following table sets forth the shares outstanding for the earnings per share calculations:

| | **Three Months Ended July 31,** | |
|---|---|---|
| | **2009** | **2010** |
| Common stock outstanding, net of treasury stock, beginning of period | 22,452,045 | 22,480,848 |
| Weighted average common stock issued to employee stock purchase plan | 1,893 | 3,057 |
| Shares used in computing basic earnings per share | 22,453,938 | 22,483,905 |
| Dilutive effect of stock options, net of assumed repurchase of treasury stock | 206,360 | 3,679 |
| Shares used in computing diluted earnings per share | 22,660,298 | 22,487,584 |

| | **Six Months Ended July 31,** | |
|---|---|---|
| | **2009** | **2010** |
| Common stock outstanding, net of treasury stock, beginning of period | 22,444,240 | 22,471,350 |
| Weighted average common stock issued to employee stock purchase plan | 6,247 | 8,008 |
| Shares used in computing basic earnings per share | 22,450,487 | 22,479,358 |
| Dilutive effect of stock options, net of assumed repurchase of treasury stock | 224,085 | 3,241 |
| Shares used in computing diluted earnings per share | 22,674,572 | 22,482,599 |

***Customer Accounts Receivable***. Customer accounts receivable reported in the consolidated balance sheet includes receivables transferred to the Company's VIE and those receivables not transferred to the VIE. The Company records the amount of principal and accrued interest on Customer receivables that is expected to be collected within the next twelve months, based on contractual terms, in current assets on its consolidated balance sheet. Those amounts expected to be collected after 12 months, based on contractual terms, are included in long-term assets. Typically, customer receivables are considered delinquent if a payment has not been received on the scheduled due date. Additionally, the Company offers reage programs to customers wit h past due balances that have experienced a financial hardship; if they meet the conditions of the Company's reage policy. Reaging a customer's account can result in updating an account from a delinquent status to a current status. Generally, an account that is delinquent more than 120 days and for which no payment has been received in the past seven months will be charged-off against the allowance for doubtful accounts and interest accrued subsequent to the last payment will be reversed. The Company has a secured interest in the merchandise financed by these receivables and therefore has the opportunity to recover a portion of the charged-off amount.

***Interest Income on Customer Accounts Receivable***. Interest income is accrued using the Rule of 78's method for installment contracts and the simple interest method for revolving charge accounts, and is reflected in Finance charges and other. Typically, interest income is accrued until the contract or account is paid off or charged-off and we provide an allowance for estimated uncollectible interest. Interest income is recognized on interest-free promotion credit programs based on the Company's historical experience related to customers that fail to satisfy the requirements of the interest-free programs. Additionally, for sales on deferred interest and "same as cash" programs that exceed one year in duration, the Company discou nts the sales to their fair value, resulting in a reduction in sales and customer receivables, and accretes the discount amount to Finance charges and other over the term of the program. The amount of customer receivables carried on the Company's consolidated balance sheet that were past due 90 days or more and still accruing interest was $54.8 million and $46.7 million at January 31, 2010, and July 31, 2010, respectively.

***Allowance for Doubtful Accounts***. The Company records an allowance for doubtful accounts, including estimated uncollectible interest, for its Customer and Other accounts receivable, based on its historical net loss experience and expectations for future losses. The net charge-off data used in computing the loss rate is reduced by the amount of post-charge-off recoveries received, including cash payments, amounts realized from the repossession of the products financed and, at times, payments under credit insurance policies. Additionally, the Company separately evaluates the Primary and Secondary portfolios when estimating the allowance for doubtful accounts. The balance in the allowance for doubtful accounts and uncollectible interest for c ustomer receivables was $35.8 million and $34.3 million, at January 31, 2010, and July 31, 2010, respectively. Additionally, as a result of the Company's practice of reaging customer accounts, if the account is not ultimately collected, the timing and amount of the charge-off is impacted. If these accounts had been charged-off sooner the historical net loss rates might have been higher.

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

***Other Assets.*** The Company has certain deferred financing costs for transactions that have not yet been completed and has not begun amortization of those costs. These costs, which total approximately $1.5 million, are included in Other assets, net, on the balance sheet and will be amortized upon completion of the related financing transaction or expensed in the event the Company fails to complete such a transaction. The Company also has certain restricted cash balances included in Other assets. The restricted cash balances represent collateral for note holders of the Company's VIE, and the amount is expected to decrease as the respective notes are repaid. However, the required balance could increase dependent on certain net portfolio yield requirements. The balance of this restricted cash account was $6.0 million at January 31, 2010, and July 31, 2010.

***Comprehensive Income.***

Comprehensive income for the three and six months ended July 31, 2009, is as follows (in thousands):

| | Three Months ended | Six Months ended |
|---|---|---|
| Net income | $ 5,224 | $ 16,580 |
| Adjustment of fair value of interest rate swaps, net of tax of $37 and $81 | (69) | (150) |
| Total comprehensive income | $ 5,155 | $ 16,430 |

***Subsequent Events.*** No material subsequent events have occurred since July 31, 2010, that required recognition or disclosure in the Company's current period financial statements

***Reclassifications.*** Certain reclassifications have been made in the prior year's financial statements to conform to the current year's presentation, by reclassifying the balance of construction-in-progress of approximately $0.9 million from Property and equipment – Buildings to Property and equipment – Leasehold improvements, on the consolidated balance sheet.

**2. Supplemental Disclosure of Finance Charges and Other Revenue**

The following is a summary of the classification of the amounts included as Finance charges and other for the three and six months ended July 31, 2009 and 2010 (in thousands):

| | Three Months ended July 31 | | Six Months ended July 31 | |
|---|---|---|---|---|
| | **2009** | **2010** | **2009** | **2010** |
| Interest income and fees on customer receivables | $ 35,015 | $ 30,236 | $ 69,971 | $ 60,629 |
| Insurance commissions | 4,981 | 4,311 | 9,611 | 8,148 |
| Other | 132 | 216 | 246 | 466 |
| Finance charges and other | $ 40,128 | $ 34,763 | $ 79,828 | $ 69,243 |

**3. Supplemental Disclosure of Customer Receivables**

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

| | Total Outstanding Balance of Customer Receivables | | 60 Days Past Due (1) | | Reaged (1) | |
|---|---|---|---|---|---|---|
| | **January 31, 2010** | **July 31, 2010** | **January 31, 2010** | **July 31, 2010** | **January 31, 2010** | **July 31, 2010** |
| Primary portfolio: | | | | | | |
| Installment | $ 555,573 | $ 543,327 | $ 46,758 | $ 41,232 | $ 93,219 | $ 85,748 |
| Revolving | 41,787 | 32,325 | 2,017 | 1,868 | 1,819 | 1,613 |
| Subtotal | 597,360 | 575,652 | 48,775 | 43,100 | 95,038 | 87,361 |
| Secondary portfolio: | | | | | | |
| Installment | 138,681 | 130,687 | 24,616 | 20,544 | 49,135 | 42,465 |
| Total receivables managed | 736,041 | 706,339 | $ 73,391 | $ 63,644 | $ 144,173 | $ 129,826 |
| Allowance for uncollectible accounts | (35,802) | (34,346) | | | | |
| Allowances for promotional credit programs | (13,594) | (10,548) | | | | |
| Current portion of customer accounts receivable, net | 368,304 | 355,861 | | | | |
| Long-term customer accounts receivable, net | $ 318,341 | $ 305,584 | | | | |
| Receivables transferred to the VIE | $ 521,919 | $ 479,576 | $ 59,840 | $ 48,542 | $ 122,521 | $ 103,267 |
| Receivables not transferred to the VIE | 214,122 | 226,763 | 13,551 | 15,102 | 21,652 | 26,559 |
| Total receivables managed | $ 736,041 | $ 706,339 | $ 73,391 | $ 63,644 | $ 144,173 | $ 129,826 |

(1) Amounts are based on end of period balances and accounts could be represented in both the past due and reaged columns shown above.

| | Average Balances | | Net Credit Charge-offs (2) | | Average Balances | | Net Credit Charge-offs (2) | |
|---|---|---|---|---|---|---|---|---|
| | Three Months Ended July 31, | | Three Months Ended July 31, | | Six Months Ended July 31, | | Six Months Ended July 31, | |
| | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 |
| Primary portfolio: | | | | | | | | |
| Installment | $ 556,386 | $ 537,333 | | | $ 552,956 | $ 541,023 | | |
| Revolving | 31,467 | 34,306 | | | 33,479 | 36,627 | | |
| Subtotal | 587,853 | 571,639 | $ 4,485 | $ 6,240 | 586,435 | 577,650 | $ 8,401 | $ 12,393 |
| Secondary portfolio: | | | | | | | | |
| Installment | 154,225 | 130,958 | 1,915 | 2,008 | 156,983 | 132,814 | 3,604 | 4,100 |
| Total receivables managed | $ 742,078 | $ 702,597 | $ 6,400 | $ 8,248 | $ 743,418 | $ 710,464 | $ 12,005 | $ 16,493 |
| | | | | | | | | |
| Receivables transferred to the VIE | $ 569,494 | $ 483,008 | $ 5,843 | $ 5,928 | $ 593,048 | $ 494,080 | $ 11,092 | $ 12,004 |
| Receivables not transferred to the VIE | 172,584 | 219,589 | 557 | 2,320 | 150,370 | 216,384 | 913 | 4,489 |
| Total receivables managed | $ 742,078 | $ 702,597 | $ 6,400 | $ 8,248 | $ 743,418 | $ 710,464 | $ 12,005 | $ 16,493 |

(2) Amounts represent total credit charge-offs, net of recoveries, on total customer receivables.

**4. Debt and Letters of Credit**

The Company's borrowing facilities consist of an asset-based revolving credit facility, a $10 million unsecured revolving line of credit, its VIE's 2002 Series A variable funding note and its VIE's 2006 Series A medium term notes. Debt consisted of the following at the periods ended (in thousands):

| | January 31, 2010 | July 31, 2010 |
|---|---|---|
| Asset-based revolving credit facility | $ 105,498 | $ 109,400 |
| 2002 Series A Variable Funding Note | 196,400 | 170,000 |
| 2006 Series A Notes | 150,000 | 150,000 |
| Unsecured revolving line of credit for $10 million maturing in September 2010 | - | - |
| Other long-term debt | 406 | 337 |
| Total debt | 452,304 | 429,737 |
| Less current portion of debt | 64,055 | 122,664 |
| Long-term debt | $ 388,249 | $ 307,073 |

The Company's $210 million asset-based revolving credit facility provides funding based on a borrowing base calculation that includes customer accounts receivable and inventory and matures in August 2011. The credit facility bears interest at LIBOR plus a spread ranging from 325 basis points to 375 basis points, based on a fixed charge coverage ratio. In addition to the fixed charge coverage ratio, the revolving credit facility includes a total liabilities to tangible net worth requirement, a minimum customer receivables cash recovery percentage requirement, a net capital expenditures limit and combined portfolio performance covenants. The Company was in compliance with the covenants, as amended, at July 31, 2010. Additionally, the agreement contains cross-default provisions, such that, any default under another credit facility of the Company or its VIE would result in a default under this agreement, and any default under this agreement would result in a default under those agreements. The asset-based revolving credit facility is secured by the assets of the Company not otherwise encumbered.

The 2002 Series A program functions as a revolving credit facility to fund the transfer of eligible customer receivables to the VIE. When the outstanding balance of the facility approaches a predetermined amount, the VIE (Issuer) is required to seek financing to pay down the outstanding balance in the 2002 Series A variable funding note. The amount paid down on the facility then becomes available to fund the transfer of new customer receivables or to meet required principal payments on other series as they become due. The new financing could be in the form of additional notes, bonds or other instruments as the market and transaction documents might allow. Given the current state of the financial markets, especially with respect to asset-backed securitization financing, the Company has been unable to issue medium-term notes or increase the availability under the existing variable funding note program. The 2002 Series A program consists of a $170 million commitment that was renewed in August 2010, and is renewable annually, at the Company's option, until August 2011 and bears interest at commercial paper rates plus a spread of 250 basis points. The total commitment under the 2002 Series A program was reduced from $200 million at January 31, 2010. Additionally, in connection with recent amendments to the 2002 Series A facility, the VIE agreed to reduce the total available commitment to $130 million in April 2011.

The 2006 Series A program, which was consummated in August 2006, is non-amortizing for the first four years and officially matures in April 2017. However, it is expected that the scheduled monthly $7.5 million principal payments, which begin in September 2010, will retire the bonds prior to that date. The VIE's borrowing agreements contain certain covenants requiring the maintenance of various financial ratios and customer receivables performance standards. The Issuer was in compliance with the requirements of the agreements, as amended, as of July 31, 2010. The VIE's debt is secured by the Customer accounts receivable that are transferred to it, which are included in Customer accounts receivable and Long-term portion of customer accounts receivable on the consolidated balance sheet. The investors and the securitizat ion trustee have no recourse to the Company's other assets for failure of the individual customers of the Company and the VIE to pay when due. Additionally, the Company has no recourse to the VIE's assets to satisfy its obligations. The Company's retained interests in the customer receivables collateralizing the securitization program and the related cash flows are subordinate to the investors' interests, and would not be paid if the Issuer is unable to repay the amounts due under the 2002 Series A and 2006 Series A programs. The ultimate realization of the retained interest is subject to credit, prepayment, and interest rate risks on the transferred financial assets.

In March 2010, the Company and its VIE completed amendments to the various borrowing agreements that revised the covenant requirements as of January 31, 2010, and revised certain future covenant requirements. The revised covenant calculations include both the operating results and assets and liabilities of the Company and the VIE, effective January 31, 2010, for all financial covenant calculations. In addition to the covenant changes, the Company, as servicer of the customer receivables, agreed to implement certain additional collection procedures if certain performance requirements were not maintained, and agreed to make fee payments to the 2002 Series A facility providers on the amount of the commitment available at specific future dates. The Company also agreed to use the proceeds from any capital raising activity it com pletes to further reduce the commitments and debt outstanding under the securitization program's debt facilities**.** The fee payments will equal the following rates multiplied times the total available borrowing commitment under the 2002 Series A facility on the dates shown:

- 50 basis points on May 1, 2010,
- 100 basis points on August 1, 2010,
- 110 basis points on November 1, 2010,
- 115 basis points on February 1, 2011,
- 115 basis point on May 1, 2011, and
- 123 basis points on August 1, 2011.

In accordance with the schedule, the Company made a payment of approximately $0.9 million on May 1, 2010 and another payment of approximately $1.7 million on August 1, 2010.

As of July 31, 2010, the Company had approximately $57.1 million under its asset-based revolving credit facility, net of standby letters of credit issued, and $10.0 million under its unsecured bank line of credit immediately available for general corporate purposes. The Company also had $21.8 million that may become available under its asset-based revolving credit facility if it grows the balance of eligible customer receivables and its total eligible inventory balances.

The Company's asset–based revolving credit facility provides it the ability to utilize letters of credit to secure its obligations as the servicer under its VIE's asset-backed securitization program, deductibles under the Company's property and casualty insurance programs and international product purchases, among other acceptable uses. At July 31, 2010, the Company had outstanding letters of credit of $21.7 million under this facility. The maximum potential amount of future payments under these letter of credit facilities is considered to be the aggregate face amount of each letter of credit commitment, which totals $21.7 million as of July 31, 2010.

The Company held interest rate swaps with notional amounts totaling $25.0 million as of July 31, 2010, with terms extending through July 2011 for the purpose of hedging against variable interest rate risk related to the variability of cash flows in the interest payments on a portion of its variable-rate debt, based on changes in the benchmark one-month LIBOR interest rate. Changes in the cash flows of the interest rate swaps are expected to exactly offset the changes in cash flows (changes in base interest rate payments) attributable to fluctuations in the LIBOR interest rate. For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income (loss) and reclassified into earnings in the same per iod or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings. At July 31, 2010, the estimated net amount of loss that is expected to be reclassified into earnings within the next twelve months is $0.2 million.

For information on the location and amounts of derivative fair values in the statement of operation, see the tables presented below (in thousands):

**Fair Values of Derivative Instruments**

| | Liability Derivatives | | | |
|---|---|---|---|---|
| | January 31, 2010 | | July 31, 2010 | |
| | **Balance Sheet Location** | **Fair Value** | **Balance Sheet Location** | **Fair Value** |
| **Derivatives designated as hedging instruments under** | | | | |
| Interest rate contracts | Other liabilities | $ 337 | Other liabilities | $ 240 |
| **Total derivatives designated as hedging instruments** | | $ 337 | | $ 240 |

| **Derivatives in Cash Flow Hedging Relationships** | **Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)** Three Months Ended July 31, 2009 | Three Months Ended July 31, 2010 | **Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)** | **Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)** Three Months Ended July 31, 2009 | Three Months Ended July 31, 2010 | **Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)** | **Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)** Three Months Ended July 31, 2009 | Three Months Ended July 31, 2010 |
|---|---|---|---|---|---|---|---|---|
| Interest Rate Contracts | $ (69) | $ (7) | Interest income/ (expense) | $ (75) | $ (72) | Interest income/ (expense) | $ - | $ - |
| Total | $ (69) | $ (7) | | $ (75) | $ (72) | | $ - | $ - |

| Derivatives in Cash Flow Hedging Relationships | Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion) | | Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) | Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) | | Location of< /font> Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) | Amount of Gain or (Loss) Recognized in< /font> Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) | |
|---|---|---|---|---|---|---|---|---|
| | Six Months Ended | | | Six Months Ended | | | Six Months Ended | |
| | July 31, 2009 | July 31, 2010 | | July 31, 2009 | July 31, 2010 | | July 31, 2009 | July 31, 2010 |
| Interest Rate Contracts | $ (150) | $ (63) | Interest income/ (expense) | $ (92) | $ (170) | Interest income/ (expense) | $ - | $ - |
| Total | $ (150) | $ (63) | | $ (92) | $ (170) | | $ - | $ - |

**5. Contingencies**

***Legal Proceedings.*** The Company is involved in routine litigation and claims incidental to its business from time to time, and, as required, has accrued its estimate of the probable costs for the resolution of these matters. These estimates have been developed in consultation with counsel and are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. It is possible, however, that future results of operations for any particular period could be materially affected by changes in the Company's assumptions or the effectiveness of its strategies related to these proceedings. However, the results of these proceedings cannot be predicted with certainty, and changes in facts and circumstances could i mpact the Company's estimate of reserves for litigation.

***Repair Service Agreement Obligations.*** The Company sells repair service agreements that extend the period of covered warranty service on the products the Company sells. For certain of the repair service agreements sold, the Company is the obligor for payment of qualifying claims. The Company is responsible for administering the program, including setting the pricing of the agreements sold and paying the claims. The typical term for these agreements is between 12 and 36 months. The pricing is set based on historical claims experience and expectations about future claims. While the Company is unable to estimate maximum potential claim exposure, it has a history of overall profitability upon the ultimate resolution of agreements sold. The revenues related to the a greements sold are deferred at the time of sale and recorded in revenues in the statement of operations over the life of the agreements. The agreements can be canceled at any time and any deferred revenue associated with canceled agreements is reversed at the time of cancellation. The amounts of repair service agreement revenue deferred at January 31, 2010, and July 31, 2010, were $7.3 million and $7.1 million, respectively, and are included in Deferred revenue and allowances in the accompanying consolidated balance sheets. The following table presents a reconciliation of the beginning and ending balances of the deferred revenue on the Company's repair service agreements and the amount of claims paid under those agreements (in thousands):

**Reconciliation of deferred revenues on repair service agreements**

| | Six Months Ended July 31, | |
|---|---|---|
| | 2009 | 2010 |
| Balance in deferred revenues at beginning of period | $ 7,213 | $ 7,268 |
| Revenues earned during the period | (3,501) | (3,583) |
| Revenues deferred on sales of new agreements | 3,526 | 3,456 |
| Balance in deferred revenues at end of period | $ 7,238 | $ 7,141 |
| Total claims incurred during the period, excludes selling expenses | $ 1,638 | $ 1,841 |

**6. Segment Reporting**

Financial information by segment is presented in the following tables for the three and six months ended July 31, 2010 and 2009 (in thousands):

| | Three Months Ended July 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2009 | | | 2010 | | |
| | Retail | Credit | Total | Retail | Credit | Total |
| **Revenues** | | | | | | |
| Product sales | $ 175,389 | $ - | $ 175,389 | $ 166,378 | $ - | $ 166,378 |
| Repair service agreement commissions (net) (a) | 11,433 | (2,574) | 8,859 | 11,534 | (3,193) | 8,341 |
| Service revenues | 6,052 | | 6,052 | 4,183 | | 4,183 |
| Total net sales | 192,874 | (2,574) | 190,300 | 182,095 | (3,193) | 178,902 |
| Finance charges and other | 131 | 39,997 | 40,128 | 216 | 34,547 | 34,763 |
| **Total revenues** | 193,005 | 37,423 | 230,428 | 182,311 | 31,354 | 213,665 |
| **Cost and expenses** | | | | | | |
| Cost of goods and parts sold, including warehousing and occupancy costs | 143,558 | - | 143,558 | 132,396 | - | 132,396 |
| Selling, general and administrative expense (b) (c) | 49,407 | 15,572 | 64,979 | 46,407 | 17,071 | 63,478 |
| Provision for bad debts | 7 | 8,019 | 8,026 | 207 | 8,841 | 9,048 |
| **Total cost and expenses** | 192,972 | 23,591 | 216,563 | 179,010 | 25,912 | 204,922 |
| **Operating income** | 33 | 13,832 | 13,865 | 3,301 | 5,442 | 8,743 |
| Interest expense, net | - | 5,342 | 5,342 | - | 5,875 | 5,875 |
| Other (income) expense, net | (13) | - | (13) | 12 | - | 12 |
| **Segment income (loss) before income taxes** | $ 46 | $ 8,490 | $ 8,536 | $ 3,289 | $ (433) | $ 2,856 |

| | Six Months Ended July 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2009 | | | 2010 | | |
| | Retail | Credit | Total | Retail | Credit | Total |
| **Revenues** | | | | | | |
| Product sales | $ 360,206 | $ - | $ 360,206 | $ 316,743 | $ - | $ 316,743 |
| Repair service agreement commissions (net) (a) | 23,520 | (4,871) | 18,649 | 22,458 | (6,200) | 16,258 |
| Service revenues | 11,596 | | 11,596 | 8,940 | | 8,940 |
| Total net sales | 395,322 | (4,871) | 390,451 | 348,141 | (6,200) | 341,941 |
| Finance charges and other | 246 | 79,582 | 79,828 | 466 | 68,777 | 69,243 |
| **Total revenues** | 395,568 | 74,711 | 470,279 | 348,607 | 62,577 | 411,184 |
| **Cost and expenses** | | | | | | |
| Cost of goods and parts sold, including warehousing and occupancy costs | 292,015 | - | 292,015 | 248,925 | - | 248,925 |
| Selling, general and administrative expense (b) (d) | 96,303 | 31,414 | 127,717 | 89,604 | 34,617 | 124,221 |
| Provision for bad debts | 66 | 13,604 | 13,670 | 293 | 15,029 | 15,322 |
| **Total cost and expenses** | 388,384 | 45,018 | 433,402 | 338,822 | 49,646 | 388,468 |
| **Operating income** | 7,184 | 29,693 | 36,877 | 9,785 | 12,931 | 22,716 |
| Interest expense, net | - | 10,346 | 10,346 | - | 10,660 | 10,660 |
| Other (income) expense, net | (21) | - | (21) | 183 | - | 183 |
| **Segment income before income taxes** | $ 7,205 | $ 19,347 | $ 26,552 | $ 9,602 | $ 2,271 | $ 11,873 |
| **Total assets** | $ 224,370 | $ 714,900 | $ 939,270 | $ 218,688 | $ 673,649 | $ 892,337 |

(a) – Retail repair service agreement commissions exclude repair service agreement cancellations that are the result of consumer credit account charge-offs. These amounts are reflected in repair service agreement commissions for the credit segment.

(b) – Selling, general and administrative expenses include the direct expenses of the retail and credit operations, allocated overhead expenses and a charge to the credit segment to reimburse the retail segment for expenses it incurs related to occupancy, personnel, advertising and other direct costs of the retail segment which benefit the credit operations by sourcing credit customers and collecting payments. The reimbursement received by the retail segment from the credit segment is estimated using an annual rate of 2.5% times the average portfolio balance for each applicable period. The amount of overhead allocated to each segment was approximately $1.7 million and $1.6 million for the three months ended July 31, 2010 and 2009, respectively. The amount of overhead allocated to each segment was approximately $3.4 million and $3 .2 million for the six months ended July 31, 2010 and 2009, respectively. The amount of the reimbursement made to the retail segment by the credit segment was approximately $4.4 million and $4.6 million for the three months ended July 31, 2010 and 2009, respectively. The amount of the reimbursement made to the retail segment by the credit segment was approximately $8.9 million and $9.3 million for the six months ended July 31, 2010 and 2009, respectively.

(c) - Selling, general and administrative expenses of the retail segment include depreciation and amortization expense of approximately $3.2 million and $3.3 million for the three months ended July 31, 2010 and 2009, respectively. Selling, general and administrative expenses of the credit segment include depreciation and amortization expense of approximately $1.0 million and $0.4 million for the three months ended July 31, 2010 and 2009, respectively.

(d) - Selling, general and administrative expenses of the retail segment include depreciation and amortization expense of approximately $6.4 million and $6.5 million for the six months ended July 31, 2010 and 2009, respectively. Selling, general and administrative expenses of the credit segment include depreciation and amortization expense of approximately $2.1 million and $0.9 million for the six months ended July 31, 2010 and 2009, respectively.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Forward-Looking Statements

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

- our ability to obtain capital for required capital expenditures and costs related to the opening of new stores or to update, relocate or expand existing stores;
- our ability to fund our operations, capital expenditures, debt repayment and expansion from cash flows from operations, borrowings from our revolving line of credit and proceeds from securitizations, and proceeds from accessing debt or equity markets;
- our ability to renew or replace our existing borrowing facilities on or before the maturity dates of the facilities;
- the cost or terms of any amended, renewed or replacement credit facilities;
- our ability to obtain additional funding for the purpose of funding the customer receivables generated by us, including limitations on our ability to obtain financing through the commercial paper-based funding sources in our securitization program;
- our inability to maintain compliance with debt covenant requirements, including taking the actions necessary to maintain compliance with the covenants, such as obtaining amendments to the borrowing facilities that modify the covenant requirements, which could result in higher borrowing costs;
- reduced availability under our asset-based revolving credit facility as a result of borrowing base requirements and the impact on the borrowing base calculation of changes in the performance or eligibility of the customer receivables financed by that facility;
- increases in the retained portion of our customer receivables portfolio under our asset-backed securitization program as a result of changes in performance or types of customer receivables transferred, or as a result of a change in the mix of funding sources available to the securitization program, requiring higher collateral levels, or limitations on our ability to obtain financing through commercial paper-based funding sources;
- the success of our growth strategy and plans regarding opening new stores and entering adjacent and new markets, including our plans to continue expanding into existing markets;
- our ability to open and profitably operate new stores in existing, adjacent and new geographic markets;
- our intention to update or expand existing stores;
- our ability to introduce additional product categories;
- the ability of the financial institutions providing lending facilities to us to fund their commitments;
- the effect of any downgrades by rating agencies of our lenders on borrowing costs;
- the effect on our borrowing cost of changes in laws and regulations affecting the providers of debt financing;

- the effect of rising interest rates or borrowing spreads that could increase our cost of borrowing or reduce securitization income;

- the effect of rising interest rates or other economic conditions on mortgage borrowers that could impair our customers' ability to make payments on outstanding credit accounts;

- our inability to make customer financing programs available that allow consumers to purchase products at levels that can support our growth;

- the potential for deterioration in the delinquency status of the transferred or owned credit portfolios or higher than historical net charge-offs in the portfolios could adversely impact earnings;

- technological and market developments, growth trends and projected sales in the home appliance and consumer electronics industry, including, with respect to digital products like Blu-ray players, HDTV, LED and 3-D televisions, GPS devices, home networking devices and other new products, and our ability to capitalize on such growth;

- the potential for price erosion or lower unit sales points that could result in declines in revenues;

- the effect of changes in oil and gas prices that could adversely affect our customers' shopping decisions and patterns, as well as the cost of our delivery and service operations and our cost of products, if vendors pass on their additional fuel costs through increased pricing for products;

- the ability to attract and retain qualified personnel;

- both the short-term and long-term impact of adverse weather conditions (e.g. hurricanes) that could result in volatility in our revenues and increased expenses and casualty losses;

- changes in laws and regulations and/or interest, premium and commission rates allowed by regulators on our credit, credit insurance and repair service agreements as allowed by those laws and regulations;

- our relationships with key suppliers and their ability to provide products at competitive prices and support sales of their products through their rebate and discount programs;

- the adequacy of our distribution and information systems and management experience to support our expansion plans;

- the accuracy of our expectations regarding competition and our competitive advantages;

- changes in our stock price or the number of shares we have outstanding;

- the potential for market share erosion that could result in reduced revenues;

- the accuracy of our expectations regarding the similarity or dissimilarity of our existing markets as compared to new markets we enter;

- the use of third parties to complete certain of our distribution, delivery and home repair services;

- general economic conditions in the regions in which we operate; and

- the outcome of litigation or government investigations affecting our business.

Additional important factors that could cause our actual results to differ materially from our expectations are discussed under "Risk Factors" in our filings with the Securities and Exchange Commission, including our Form 10-K/A filed on April 12, 2010 and our Form 10-Q/A filed on July 7, 2010. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this report might not happen.

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

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

**General**

We intend for the following discussion and analysis to provide you with a better understanding of the financial condition and performance of our retail and credit segments for 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 with 76 retail locations in Texas, Louisiana and Oklahoma, that sells home appliances, including refrigerators, freezers, washers, dryers, dishwashers and ranges, a variety of consumer electronics, including LCD, LED, 3-D, plasma and DLP televisions, camcorders, digital cameras, Blu-ray and DVD players, video game equipment, MP3 players and home theater products, lawn and garden products, mattresses and furniture. We also sell home office equipment, including computers, notebooks and computer accessories and continue to introduce additional product categories for the home and consumer entertainment, such as GPS devices, to help increase same store sales and to respond to our customers' product needs. We require our sales associates to be knowledgeable of all of our products.

Unlike many of our competitors, we provide flexible in-house credit options for our customers. In the last three years, we financed, on average, approximately 61% of our retail sales through our internal credit programs. In addition to interest-bearing installment and revolving charge contracts, at times, we offer promotional credit programs to certain customers that provide for "same as cash" or deferred interest interest-free periods of varying terms, generally three, six, 12, 18, 24 and 36 months, and require monthly payments beginning in the month after the sale. In turn, we finance substantially all of our customer receivables from these credit programs with cash flow from operations and through an asset-based revolving credit facility and an asset-backed securitization facility. In addition to our own cred it programs, we use third-party financing programs to provide a portion of the non-interest bearing financing for purchases made by our customers and to provide our customers a rent-to-own payment option.

The following tables present, for comparison purposes, information about our credit portfolios (dollars in thousands, except average outstanding customer balance).

| | Primary Portfolio (1) | | | |
|---|---|---|---|---|
| | Six Months Ended | | | |
| | 1/31/2009 | 7/31/2009 | 1/31/2010 | 7/31/2010 |
| Total outstanding balance (period end) | $ 589,922 | $ 593,104 | $ 597,360 | $ 575,652 |
| Average outstanding customer balance | $ 1,403 | $ 1,393 | $ 1,339 | $ 1,330 |
| Number of active accounts (period end) | 420,585 | 425,914 | 446,203 | 432,912 |
| Account balances over 60 days past due (period end) (4) | $ 35,153 | $ 37,681 | $ 48,775 | $ 43,100 |
| Percent of balances over 60 days past due to total outstanding balance (period end) | 6.0% | 6.4% | 8.2% | 7.5% |
| Total account balances reaged (period end) (4) | 90,560 | 90,076 | 95,038 | 87,361 |
| Percent of reaged balances to total outstanding balance (period end) | 15.4% | 15.2% | 15.9% | 15.2% |
| Account balances reaged more than six months (period end) | $ 36,452 | $ 37,146 | $ 35,448 | $ 33,861 |
| Weighted average credit score of outstanding balances | 603 | 599 | 600 | 598 |
| Total applications processed (2) | 450,880 | 408,441 | 394,324 | 369,620 |
| Percent of retail sales financed | 50.5% | 49.4% | 55.2% | 53.3% |
| Weighted average origination credit score of sales financed | 635 | 632 | 632 | 630 |
| Total applications approved | 49.8% | 49.8% | 52.3% | 52.0% |
| Average down payment | 3.5% | 6.1% | 4.3% | 3.4% |
| Average total outstanding balance | $ 571,301 | $ 586,435 | $ 598,421 | $ 577,650 |
| Bad debt charge-offs (net of recoveries) | $ 8,181 | $ 8,401 | $ 12,376 | $ 12,393 |
| Percent of bad debt charge-offs (net of recoveries) to average outstanding balance, annualized | 2.9% | 2.9% | 4.1% | 4.3% |
| Estimated percent of reage balances collected (3) | 87.6% | 88.9% | 83.2% | 82.9% |

| | Secondary Portfolio (1) | | | |
|---|---|---|---|---|
| | Six Months Ended | | | |
| | 1/31/2009 | 7/31/2009 | 1/31/2010 | 7/31/2010 |
| Total outstanding balance (period end) | $ 163,591 | $ 152,774 | $ 138,681 | $ 130,687 |
| Average outstanding customer balance | $ 1,394 | $ 1,372 | $ 1,319 | $ 1,305 |
| Number of active accounts (period end) | 117,372 | 111,347 | 105,109 | 100,132 |
| Account balances over 60 days past due (period end) (4) | $ 19,988 | $ 19,361 | $ 24,616 | $ 20,544 |
| Percent of balances over 60 days past due to total outstanding balance (period end) | 12.2% | 12.7% | 17.8% | 15.7% |
| Total account balances reaged (period end) (4) | $ 50,602 | $ 50,711 | $ 49,135 | $ 42,465 |
| Percent of reaged balances to total outstanding balance (period end) | 30.9% | 33.2% | 35.4% | 32.5% |
| Account balances reaged more than six months (period end) | $ 19,860 | $ 22,842 | $ 21,920 | $ 20,210 |
| Weighted average credit score of outstanding balances | 521 | 524 | 526 | 532 |
| Total applications processed (2) | 200,681 | 182,768 | 168,845 | 158,949 |
| Percent of retail sales financed | 9.5% | 6.0% | 6.1% | 6.5% |
| Weighted average origination credit score of sales financed | 540 | 546 | 554 | 560 |
| Total applications approved | 22.9% | 20.5% | 19.9% | 22.3% |
| Average down payment | 19.8% | 21.2% | 21.1% | 15.3% |
| Average total outstanding balance | $ 148,458 | $ 156,983 | $ 145,976 | $ 132,814 |
| Bad debt charge-offs (net of recoveries) | $ 4,089 | $ 3,604 | $ 4,561 | $ 4,100 |
| Percent of bad debt charge-offs (net of recoveries) to average outstanding balance, annualized | 5.5% | 4.6% | 6.2% | 6.2% |
| Estimated percent of reage balances collected (3) | 88.6% | 90.7% | 86.6% | 86.9% |

| | Combined Portfolio (1) | | | |
|---|---|---|---|---|
| | Six Months Ended | | | |
| | 1/31/2009 | 7/31/2009 | 1/31/2010 | 7/31/2010 |
| Total outstanding balance (period end) | $ 753,513 | $ 745,878 | $ 736,041 | $ 706,339 |
| Average outstanding customer balance | $ 1,401 | $ 1,388 | $ 1,335 | $ 1,325 |
| Number of active accounts (period end) | 537,957 | 537,261 | 551,312 | 533,044 |
| Account balances over 60 days past due (period end) (4) | $ 55,141 | $ 57,042 | $ 73,391 | $ 63,644 |
| Percent of balances over 60 days past due to total outstanding balance (period end) | 7.3% | 7.6% | 10.0% | 9.0% |
| Total account balances reaged (period end) (4) | $ 141,162 | $ 140,787 | $ 144,173 | $ 129,826 |
| Percent of reaged balances to total outstanding balance (period end) | 18.7% | 18.9% | 19.6% | 18.4% |
| Account balances reaged more than six months (period end) | $ 56,312 | $ 59,988 | $ 57,368 | $ 54,071 |
| Weighted average credit score of outstanding balances | 585 | 583 | 586 | 586 |
| Total applications processed (2) | 651,561 | 591,209 | 563,169 | 528,569 |
| Percent of retail sales financed | 60.0% | 55.4% | 61.3% | 59.8% |
| Weighted average origination credit score of sales financed | 619 | 619 | 622 | 620 |
| Total applications approved | 41.5% | 40.7% | 42.6% | 43.1% |
| Average down payment | 5.6% | 7.9% | 6.0% | 5.0% |
| Average total outstanding balance | $ 719,759 | $ 743,418 | $ 744,397 | $ 710,464 |
| Weighted average monthly payment rate | 5.2% | 5.5% | 5.0% | 5.6% |
| Bad debt charge-offs (net of recoveries) | $ 12,270 | $ 12,005 | $ 16,937 | $ 16,493 |
| Percent of bad debt charge-offs (net of recoveries) to average outstanding balance, annualized | 3.4% | 3.2% | 4.6% | 4.6% |
| Estimated percent of reage balances collected (3) | 87.9% | 89.6% | 84.4% | 84.2% |

(1) The Portfolios consist of owned and transferred receivables.
(2) Unapproved and not declined credit applications in the primary portfolio are referred to the secondary portfolio.
(3) Is calculated as 1 minus the percent of actual bad debt charge-offs (net of recoveries) of reage balances as a percent of average reage balances. The reage bad debt charge-offs are included as a component of Percent of bad debt charge-offs (net of recoveries) to average outstanding balance.
(4) Accounts that become delinquent after being reaged are included in both the delinquency and reaged amounts.

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 and repair service agreements to protect our customers from credit losses due to death, disability, involuntary unemployment and property damage and product failure not covered by a manufacturers' warranty. We also derive revenues from the sale of extended repair service agreements, under which we are the primary obligor, to protect the customers after the original manufacturer's warranty or repair service agreement has expired.

Our business is moderately seasonal, with a greater share of our revenues, pretax and net income realized during the quarter ending January 31, due primarily to the holiday selling season.

**Executive Overview**

This narrative is intended to provide an executive level overview of our operations for the three and six months ended July 31, 2010. A detailed explanation of the changes in our operations for this period as compared to the prior year period is included under Results of Operations. Some of the more specific items impacting our operating and pretax income were:

- For the three months ended July 31, 2010, compared to the same period last year, Total net sales decreased 6.0% and Finance charges and other decreased 13.4%. Total revenues decreased 7.3% while same store sales decreased 6.4% for the quarter ended July 31, 2010. The sales decline was primarily driven by:

- more challenging economic conditions in Texas compared to the same quarter in the prior year, as evidenced by the unemployment rate rising from an average of 7.5% to 8.2% for the three month periods ended July 31, 2009 and 2010, respectively, and

- management's emphasis on improving retail gross margin, which increased from 23.6% to 25.4% for the three months ended July 31, 2009, and 2010, respectively, while maintaining price competitiveness.

- For the six months ended July 31, 2010, compared to the same period last year, Total net sales decreased 12.4% and Finance charges and other decreased 13.3%. Total revenues decreased 12.6% while same store sales decreased 13.3% for the six months ended July 31, 2010. The sales decline was primarily driven by the same reasons discussed above for the quarter.

- Finance charges and other decreased 13.4% and 13.3% for the three and six months ended July 31, 2010, when compared to the same period last year, primarily due to a decrease in interest income and fees as the average interest income and fee yield earned on the portfolio fell from 18.9% and 18.8 % for the three and six months ended July 31, 2009, to 17.2% and 17.1%, for the three and six months ended July 31, 2010, and the average balance of customer accounts receivable outstanding during the six months ended July 31, 2010 fell 4.4%, as compared to the prior year period. The interest income and fee yield fell as a result of the higher level of charge-offs experienced, resulting in an increase in the reversal of accrued interest and increased reserves for uncollectible interest, and the reduced amount of new credit accounts originated in the three and six month periods ended July 31, 2010, as compared to the same periods in the prior fiscal year. The reduction in new credit accounts originated negatively impacts the yield since interest income is recognized using the Rule of 78's, which accelerates the recognition of interest earnings.

- Deferred interest and "same as cash" plans under our consumer credit programs continue to be an important part of our sales promotion plans and are utilized to provide a wide variety of financing to enable us to appeal to a broader customer base. For the three and six months ended July 31, 2010, $39.8 million, or 23.9% and $65.4 million, or 20.6%, respectively, of our product sales were financed by our deferred interest and "same as cash" plans. For the comparable period in the prior year, product sales financed by our deferred interest and "same as cash" sales were $32.0 million, or 18.3% and $59.2 million, or 16.4%. Our promotional credit programs (same as cash and deferred interest programs), which require monthly payments, are reserved for our highest credit quality customers, thereby reducing the overall risk in the portfolio, and are typically used to finance sales of our highest margin products. We expect to continue to offer promotional credit in the future. In addition to the amounts above, we used third-party consumer credit programs to finance approximately $3.4 million and $27.7 million, of our product and repair service agreement sales during the six months ended July 31, 2009 and 2010, respectively.

- Our total gross margin (Total revenues less Cost of goods sold) increased from 37.7% to 38.0% for the three months ended July 31, 2010, when compared to the same period in the prior year. The increase resulted primarily from:

  - an increase in retail gross margins (includes gross profit from product sales and repair service agreement commissions) from 23.6% for the three months ended July 31, 2009, to 25.4% for the three months ended July 31, 2010, respectively, which improved the total gross margin by 150 basis points. The increase was driven largely by a 200 basis point increase in product gross margins to 21.7% for the three months ended July 31, 2010, as we focused on improving pricing discipline on the sales floor while maintaining price competitiveness in the marketplace, and

  - a change in the revenue mix in the three months ended July 31, 2010, such that higher gross margin finance charge and other revenues contributed a lesser percentage of total revenues, resulted in a decrease in the total gross margin of approximately 120 basis points.

  - Our gross margin increased from 37.9% to 39.5% for the six months ended July 31, 2010, when compared to the same period in the prior year. The increase was a result primarily of an improved retail gross margin, similar to the trend discussed for the three months ended July 31, 2010.

- During the three months ended July 31, 2010, Selling, general and administrative (SG&A) expense was reduced by $1.5 million, though it increased as a percent of revenues to 29.7% from 28.2% in the prior year period, due to the deleveraging effect of the decline in total revenues. The $1.5 million reduction in SG&A expense was driven primarily by lower compensation and related expense and reduced general insurance expense, partially offset by increased amortization expense due to the amendments completed to our credit facilities, higher charges related to the increased use of third-party finance providers and increased use of contract delivery and installation services. The prior year period also included a $0.3 million charge to increase our litigation reserves. SG&A expense for the six month period decreased $3.5 million, though it increased as a percent of revenues to 30.2% from 27.2% in the prior year period, due to the deleveraging effect of the decline in total revenues.

- The Provision for bad debts increased to $9.0 million and $15.3 million for the three and six months ended July 31, 2010, respectively. Our total net charge-offs of customer and non-customer accounts receivable increased by $1.8 million and $4.5 million for the three and six months ended July 31, 2010 as compared to the same periods in the prior fiscal year. In the six months ended July 31, 2010 we experienced an improvement in our credit portfolio performance (specifically, the trends in the delinquency rate, payment rate, net charge-off rate and percent of the portfolio reaged) as compared to the fourth quarter of fiscal 2010. Based on our expectations about future credit portfolio performance we increased the allowance for bad debts $0.5 million during the three months ended July 31, 2010, though it has been reduced $1.4 million during the six months ended July 31, 2010.

- Net interest expense increased in the three months and six months ended July 31, 2010, due primarily to a $0.9 million fee paid during the three months ended July 31, 2010, to the lenders providing the variable funding note under the securitization facility.

- The provision for income taxes for the three months and six months ended July 31, 2010, was impacted primarily by the change in pre-tax income.

**Operational Changes and Resulting Outlook**

While we are continuing to assess the availability of capital for new store locations and growth of the credit portfolio, we do not currently have any new store openings planned and have reduced the size of the credit portfolio since January 31, 2010, in order to reduce the debt outstanding to support the credit operations.

During the fiscal year ended January 31, 2010, we adjusted our underwriting guidelines and reduced the volume of credit accounts we originate in our Secondary Portfolio. As a result of the changes in our underwriting guidelines, which reduced retail sales volumes, we saw improved credit portfolio performance during the first six months of fiscal 2011, evidenced by:

- a 100 basis point reduction in the 60+ day delinquency percentage from 10.0% at January 31, 2010, to 9.0% at July 31, 2010, as compared to a 30 basis point increase in the same percentage from 7.3% at January 31, 2009, to 7.6% at July 31, 2009,
- a 120 basis point, or $14.4 million, reduction in the percent and balance, respectively, of the credit portfolio that has been reaged, to 18.4%, or $129.8 million, as of July 31, 2010, as compared to January 31, 2010, and
- the payment rate percentage, the amount collected on credit accounts during a month as a percentage of the portfolio balance at the beginning of the month, increased in each of the six months of the current fiscal year as compared to the same months in the prior fiscal year.

While we benefited from our operations being concentrated in the Texas, Louisiana and Oklahoma region in the earlier months of 2009, recent weakness in the health of the national and state economies have and will present significant challenges to our operations in the coming quarters. Specifically, future sales volumes, gross profit margins and credit portfolio performance could be negatively impacted, and thus impact our overall profitability. Additionally, declines in our future operating performance could impact compliance with our credit facility covenants, which we recently renegotiated to avoid potentially triggering the default provisions of the credit facilities. As a result, while we will strive to maintain our market share, improve credit portfolio performance and reduce expenses, we will also work to maintain our access to the liquidity necessary to maintain our operations through these challenging times.

The consumer electronics industry depends on new products to drive same store sales increases. Typically, these new products, such as high-definition and 3-D televisions, Blu-ray and DVD players, digital cameras, MP3 players and GPS devices are introduced at relatively high price points that are then gradually reduced as the product becomes mainstream. To sustain positive same store sales growth, unit sales must increase at a rate greater than the decline in product prices. The affordability of the product helps drive the unit sales growth. However, as a result of relatively short product life cycles in the consumer electronics industry, which limit the amount of time available for sales volume to increase, combined with rapid price erosion in the industry, retailers are challenged to maintain overall gross margin levels and positive same store sales. This has historically been our experience, and we continue to adjust our marketing strategies to address this challenge through the introduction of new product categories and new products within our existing categories.

**Application of Critical Accounting Policies**

In applying the accounting policies that we use to prepare our consolidated financial statements, we necessarily make accounting estimates that affect our reported amounts of assets, liabilities, revenues and expenses. Some of these accounting estimates require us to make assumptions about matters that are highly uncertain at the time we make the accounting estimates. We base these assumptions and the resulting estimates on authoritative pronouncements, historical information and other factors that we believe to be reasonable under the circumstances, and we evaluate these assumptions and estimates on an ongoing basis. We could reasonably use different accounting estimates, and changes in our accounting estimates could occur from period to period, with the result in each case being a material change in the financial statement presentat ion 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, 2010.

*Customer Accounts Receivable.* Customer accounts receivable reported in our consolidated balance sheet include receivables transferred to our VIE and those receivables not transferred to our VIE. We include the amount of principal and accrued interest on those receivables that are expected to be collected within the next twelve months, based on contractual terms, in current assets on our consolidated balance sheet. Those amounts expected to be collected after 12 months, based on contractual terms, are included in long-term assets. Typically, a receivable is considered delinquent if a payment has not been received on t he scheduled due date. Additionally, we offer reage programs to customers with past due balances that have experienced a financial hardship, if they meet the conditions of our reage policy. Reaging a customer’s account can result in updating it from a delinquent status to a current status. Generally, an account that is delinquent more than 120 days and for which no payment has been received in the past seven months will be charged-off against the allowance for doubtful accounts and interest accrued subsequent to the last payment will be reversed. We have a secured interest in the merchandise financed by these receivables and therefore have the opportunity to recover a portion of any charged-off amount.

*Interest Income on Customer Accounts Receivable.* Interest income is accrued using the Rule of 78’s method for installment contracts and the simple interest method for revolving charge accounts, and is reflected in Finance charges and other. Typically, interest income is accrued until the contract or account is paid off or charged-off and we provide an allowance for estimated uncollectible interest. Interest income is recognized on our interest-free promotional accounts based on our historical experience related to customers who fail to satisfy the requirements of the interest-free programs. Additionally, for sales on deferred interest and “same as cash” programs that exceed one year in duration, we discount the sales to their fair value, resulting in a reductio n in sales and receivables, and amortize the discount amount in to Finance charges and other over the term of the program.

*Allowance for Doubtful Accounts.* We record an allowance for doubtful accounts, including estimated uncollectible interest, for our Customer accounts receivable, based on our historical net loss experience and expectations for future losses. The net charge-off data used in computing the loss rate is reduced by the amount of post-charge-off recoveries received, including cash payments, amounts realized from the repossession of the products financed and, at times, payments received under credit insurance policies. Additionally, we separately evaluate the Primary and Secondary portfolios when estimating the allowance for doubtful accounts. The balance in the allowance for doubtful accounts and uncollectible interest for customer receivables was $35.8 million and $34.3 million at Jan uary 31, 2010, and July 31, 2010, respectively. Additionally, as a result of our practice of reaging customer accounts, if the account is not ultimately collected, the timing and amount of the charge-off is impacted. If these accounts had been charged-off sooner the net loss rates might have been higher. Reaged customer receivable balances represented 18.4% of the total portfolio balance at July 31, 2010. If the loss rate used to calculate the allowance for doubtful accounts were increased by 10% at July 31, 2010, we would have increased our Provision for bad debts by approximately $3.4 million.

*Revenue Recognition*. Revenues from the sale of retail products are recognized at the time the customer takes possession of the product. Such revenues are recognized net of any adjustments for sales incentive offers such as discounts, coupons, rebates, or other free products or services and discounts of promotional credit sales that will extend beyond one year. We sell repair service agreements and credit insurance contracts on behalf of unrelated third parties. For contracts where the third parties are the obligors 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 we sell repair service renewal agreements in which we are deemed to be the obligor on the cont ract at the time of sale, revenue is recognized ratably, on a straight-line basis, over the term of the repair service agreement. These repair service agreements are renewal contracts that provide our customers protection against product repair costs arising after the expiration of the manufacturer's warranty and the third party obligor contracts. These agreements typically have terms ranging from 12 to 36 months. These agreements are separate units of accounting and are valued based on the agreed upon retail selling price. The amount of repair service agreement revenue deferred at January 31, 2010, and July 31, 2010, was $7.3 million and $7.1 million, respectively, and is included in Deferred revenues and allowances in the accompanying consolidated balance sheets.

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

*Accounting for Leases.* We analyze each lease, at its inception and any subsequent renewal, to determine whether it should be accounted for as an operating lease or a capital lease. Additionally, monthly lease expense for each operating lease is calculated as the average of all payments required under the minimum lease term, including rent escalations. Generally, the minimum lease term begins with the date we take possession of the property and ends on the last day of the minimum lease term, and includes all rent holidays, but excludes renewal terms that are at our option. Any tenant improvement allowances received are deferred and amortized into income as a reduction of lease expense on a straight line basis over the minimum lease term. The amortization of leasehold i mprovements is computed on a straight line basis over the shorter of the remaining lease term or the estimated useful life of the improvements. For transactions that qualify for treatment as a sale-leaseback, any gain or loss is deferred and amortized as rent expense on a straight-line basis over the minimum lease term. Any deferred gain would be included in Deferred gain on sale of property and any deferred loss would be included in Other assets on the consolidated balance sheets.

**Results of Operations**

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

| | Three Months Ended July 31, | | Six Months Ended July 31, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| Revenues: | | | | |
| Product sales | 77.9% | 76.1% | 77.0% | 76.6% |
| Repair service agreement commissions (net) | 3.9 | 3.9 | 4.0 | 4.0 |
| Service revenues | 1.9 | 2.6 | 2.2 | 2.4 |
| Total net sales | 83.7 | 82.6 | 83.2 | 83.0 |
| Finance charges and other | 16.3 | 17.4 | 16.8 | 17.0 |
| Total revenues | 100.0 | 100.0 | 100.0 | 100.0 |
| Costs and expenses: | | | | |
| Cost of goods sold, including warehousing and occupancy cost | 61.0 | 61.1 | 59.5 | 61.0 |
| Cost of parts sold, including warehousing and occupancy cost | 1.0 | 1.2 | 1.1 | 1.1 |
| Selling, general and administrative expense | 29.7 | 28.2 | 30.2 | 27.2 |
| Provision for bad debts | 4.2 | 3.5 | 3.7 | 2.9 |
| Total costs and expenses | 95.9 | 94.0 | 94.5 | 92.2 |
| Operating income | 4.1 | 6.0 | 5.5 | 7.8 |
| Interest expense, net | 2.8 | 2.3 | 2.6 | 2.2 |
| Other (income) / expense, net | 0.0 | 0.0 | 0.0 | 0.0 |
| Income before income taxes | 1.3 | 3.7 | 2.9 | 5.6 |
| Provision for income taxes | 0.5 | 1.4 | 1.1 | 2.1 |
| Net income | 0.8% | 2.3% | 1.8% | 3.5% |

The presentation of gross margins may not be comparable to some other retailers since we include the cost of our in-home delivery and installation service as part of Selling, general and administrative expense. Similarly, we include the cost related to operating our purchasing function in Selling, general and administrative expense. It is our understanding that other retailers may include such costs as part of their cost of goods sold.

**Analysis of consolidated statements of operations**

| **Total consolidated** | Three months ended July 31, | | 2010 vs. 2009 Incr/(Decr) | | Six months ended July 31, | | 2010 vs. 2009 Incr/(Decr) | |
|---|---|---|---|---|---|---|---|---|
| *(in thousands except percentages)* | **2010** | **2009** | **Amount** | **Pct** | **2010** | **2009** | **Amount** | **Pct** |
| **Revenues** | | | | | | | | |
| Product sales | $ 166,378 | $ 175,389 | $ (9,011) | (5.1)% | $ 316,743 | $ 360,206 | $ (43,463) | (12.1)% |
| Repair service agreement commissions (net) | 8,341 | 8,859 | (518) | (5.8) | 16,258 | 18,649 | (2,391) | (12.8) |
| Service revenues | 4,183 | 6,052 | (1,869) | (30.9) | 8,940 | 11,596 | (2,656) | (22.9) |
| **Total net sales** | 178,902 | 190,300 | (11,398) | (6.0) | 341,941 | 390,451 | (48,510) | (12.4) |
| Finance charges and other | 34,763 | 40,128 | (5,365) | (13.4) | 69,243 | 79,828 | (10,585) | (13.3) |
| **Total revenues** | 213,665 | 230,428 | (16,763) | (7.3) | 411,184 | 470,279 | (59,095) | (12.6) |
| **Cost and expenses** | | | | | | | | |
| Cost of goods and parts sold | 132,396 | 143,558 | (11,162) | (7.8) | 248,925 | 292,015 | (43,090) | (14.8) |
| **Gross Profit** | 81,269 | 86,870 | (5,601) | (6.4) | 162,259 | 178,264 | (16,005) | (9.0) |
| ***Gross Margin*** | *38.0%* | *37.7%* | | | *39.5%* | *37.9%* | | |
| Selling, general and administrative expense | 63,478 | 64,979 | (1,501) | (2.3) | 124,221 | 127,717 | (3,496) | (2.7) |
| Provision for bad debts | 9,048 | 8,026 | 1,022 | 12.7 | 15,322 | 13,670 | 1,652 | 12.1 |
| **Total costs and expenses** | 204,922 | 216,563 | (11,641) | | 388,468 | 433,402 | (44,934) | |
| **Operating income** | 8,743 | 13,865 | (5,122) | (36.9) | 22,716 | 36,877 | (14,161) | (38.4) |
| ***Operating Margin*** | *4.1%* | *6.0%* | | | *5.5%* | *7.8%* | | |
| Interest expense | 5,875 | 5,342 | 533 | 10.0 | 10,660 | 10,346 | 314 | 3.0 |
| Other (income) expense | 12 | (13) | 25 | (192.3) | 183 | (21) | 204 | (971.4) |
| **Pretax Income** | 2,856 | 8,536 | (5,680) | (66.5) | 11,873 | 26,552 | (14,679) | (55.3) |
| **Provision for income taxes** | 1,171 | 3,312 | (2,141) | (64.6) | 4,641 | 9,972 | (5,331) | (53.5) |
| **Net Income** | $ 1,685 | $ 5,224 | $ (3,539) | (67.7) | $ 7,232 | $ 16,580 | $ (9,348) | (56.4) |

| **Retail segment** | Three months ended July 31, | | 2010 vs. 2009 Incr/(Decr) | | Six months ended July 31, | | 2010 vs. 2009 Incr/(Decr) | |
|---|---|---|---|---|---|---|---|---|
| *(in thousands except percentages)* | **2010** | **2009** | **Amount** | **Pct** | **2010** | **2009** | **Amount** | **Pct** |
| **Revenues** | | | | | | | | |
| Product sales | $ 166,378 | $ 175,389 | $ (9,011) | (5.1)% | $ 316,743 | $ 360,206 | $ (43,463) | (12.1)% |
| Repair service agreement commissions (net) (a) | 11,534 | 11,433 | 101 | 0.9 | 22,458 | 23,520 | (1,062) | (4.5) |
| Service revenues | 4,183 | 6,052 | (1,869) | (30.9) | 8,940 | 11,596 | (2,656) | (22.9) |
| **Total net sales** | 182,095 | 192,874 | (10,779) | (5.6) | 348,141 | 395,322 | (47,181) | (11.9) |
| Finance charges and other | 216 | 131 | 85 | 64.9 | 466 | 246 | 220 | 89.4 |
| **Total revenues** | 182,311 | 193,005 | (10,694) | (5.5) | 348,607 | 395,568 | (46,961) | (11.9) |
| **Cost and expenses** | | | | | | | | |
| Cost of goods and parts sold | 132,396 | 143,558 | (11,162) | (7.8) | 248,925 | 292,015 | (43,090) | (14.8) |
| **Gross Profit** | 49,915 | 49,447 | 468 | 0.9 | 99,682 | 103,553 | (3,871) | (3.7) |
| ***Gross Margin*** | *27.4%* | *25.6%* | | | *28.6%* | *26.2%* | | |
| Selling, general and administrative expense (b) | 46,407 | 49,407 | (3,000) | (6.1) | 89,604 | 96,303 | (6,699) | (7.0) |
| Provision for bad debts | 207 | 7 | 200 | 2857.1 | 293 | 66 | 227 | 343.9 |
| **Total costs and expenses** | 179,010 | 192,972 | (13,962) | (7.2) | 338,822 | 388,384 | (49,562) | (12.8) |
| **Operating income** | 3,301 | 33 | 3,268 | 9903.0 | 9,785 | 7,184 | 2,601 | 36.2 |
| ***Operating Margin*** | *1.8%* | *0.0%* | | | *2.8%* | *1.8%* | | |
| Other (income) expense | 12 | (13) | 25 | (192.3) | 183 | (21) | 204 | (971.4) |
| **Segment income before Income Taxes** | $ 3,289 | $ 46 | $ 3,243 | 7050.0 | $ 9,602 | $ 7,205 | $ 2,397 | 33.3 |

| **Credit segment** | Three months ended July 31, | | 2010 vs. 2009 Incr/(Decr) | | Six months ended July 31, | | 2010 vs. 2009 Incr/(Decr) | |
|---|---|---|---|---|---|---|---|---|
| *(in thousands except percentages)* | **2010** | **2009** | **Amount** | **Pct** | **2010** | **2009** | **Amount** | **Pct** |
| **Revenues** | | | | | | | | |
| Product sales | $ 0 | $ 0 | $ 0 | N/A | $ 0 | $ 0 | $ 0 | N/A |
| Repair service agreement commissions (net) (a) | (3,193) | (2,574) | (619) | 24.0 | (6,200) | (4,871) | (1,329) | 27.3 |
| **Total net sales** | (3,193) | (2,574) | (619) | 24.0 | (6,200) | (4,871) | (1,329) | 27.3 |
| Finance charges and other | 34,547 | 39,997 | (5,450) | (13.6) | 68,777 | 79,582 | (10,805) | (13.6) |
| **Total revenues** | 31,354 | 37,423 | (6,069) | (16.2) | 62,577 | 74,711 | (12,134) | (16.2) |
| **Cost and expenses** | | | | | | | | |
| Selling, general and administrative expense (b) | 17,071 | 15,572 | 1,499 | 9.6 | 34,617 | 31,414 | 3,203 | 10.2 |
| Provision for bad debts | 8,841 | 8,019 | 822 | 10.3 | 15,029 | 13,604 | 1,425 | 10.5 |
| **Total costs and expenses** | 25,912 | 23,591 | 2,321 | 9.8 | 49,646 | 45,018 | 4,628 | 10.3 |
| **Operating income** | 5,442 | 13,832 | (8,390) | (60.7) | 12,931 | 29,693 | (16,762) | (56.5) |
| ***Operating Margin*** | *17.4%* | *37.0%* | | | *20.7%* | *39.7%* | | |
| Interest expense | 5,875 | 5,342 | 533 | 10.0 | 10,660 | 10,346 | 314 | 3.0 |
| **Segment Income (loss) before Income Taxes** | $ (433) | $ 8,490 | $ (8,923) | (105.1) | $ 2,271 | $ 19,347 | $ (17,076) | (88.3) |

(a) Retail repair service agreement commissions exclude repair service agreement cancellations that are the result of consumer credit account charge-offs. These amounts are reflected in repair service agreement commissions for the credit segment.

(b) Selling, general and administrative expenses include the direct expenses of the retail and credit operations, allocated overhead expenses and a charge to the credit segment to reimburse the retail segment for expenses it incurs related to occupancy, personnel, advertising and other direct costs of the retail segment which benefit the credit operations by sourcing credit customers and collecting payments. The reimbursement received by the retail segment from the credit segment is estimated using an annual rate of 2.5% times the average portfolio balance for each applicable period. The amount of overhead allocated to each segment was approximately $1.7 million and $1.6 million for the three months ended July 31, 2010 and 2009, respectively. The amount of overhead allocated to each segment was approximately $3.4 million and $3.2 million for the six months ended July 31, 2010 and 2009, respectively. The amount of th e reimbursement made to the retail segment by the credit segment was approximately $4.4 million and $4.6 million for the three months ended July 31, 2010 and 2009, respectively. The amount of the reimbursement made to the retail segment by the credit segment was approximately $8.9 million and $9.3 million for the six months ended July 31, 2010 and 2009, respectively.

**Three Months Ended July 31, 2010 Compared to Three Months Ended July 31, 2009**

| | | | Change | |
|---|---|---|---|---|
| (Dollars in Millions) | **2010** | **2009** | **$** | **%** |
| **Net sales** | $ 178.9 | $ 190.3 | (11.4) | (6.0) |
| **Finance charges and other** | 34.8 | 40.1 | (5.3) | (13.2) |
| **Revenues** | $ 213.7 | $ 230.4 | (16.7) | (7.2) |

The $11.4 million decrease in net sales consists of the following:

- a $11.7 million same store sales decrease of 6.4%;
- a $2.2 million net increase generated by three retail locations that were not open for the three months in each period. Two new locations were opened subsequent to May 1, 2009 and one of our clearance centers was closed subsequent to May 1, 2009; and
- a $1.9 million decrease in service revenues.

The components of the $11.4 million decrease in net sales were a $9.0 million decrease in Product sales and a $2.4 million decrease in repair service agreement commissions and service revenues. The $11.4 million decrease in product sales resulted from the following:

- approximately $23.6 million increase attributable to increases in total unit sales, due primarily to increased unit sales in consumer electronics, track and furniture and mattresses, partially offset by decreases in appliances, and

- approximately $32.6 million decrease attributable to an overall decrease in the average unit price. The decrease was due primarily to a decrease in price points in the electronics and track categories, partially offset by an increase in appliances.

The $2.4 million decrease in repair service agreement commissions and service revenues consisted of:

- a $0.1 million increase in the retail segment's repair service agreement commissions due primarily to increased penetration on the sale of repair service agreements, largely offset by a decline in product sales;

- a $0.6 million decrease in the credit segment's repair service agreement commissions due to the higher level of credit charge-offs experienced; and

- a $1.9 million decrease in the retail segment's service revenues due primarily to increased use of third-party servicers to provide cost-effective, timely product repairs for our customers.

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

| | Three Months Ended July 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2010 | | 2009 | | Percent | |
| Category | Amount | Percent | Amount | Percent | Change | |
| Consumer electronics | $ 52,881 | 29.6% | $ 60,414 | 31.8% | (12.5)% | (1) |
| Home appliances | 57,697 | 32.3 | 62,524 | 32.9 | (7.7) | (2) |
| Track | 22,347 | 12.4 | 23,151 | 12.2 | (3.5) | (3) |
| Furniture and mattresses | 21,235 | 11.9 | 18,332 | 9.6 | 15.8 | (4) |
| Other | 12,218 | 6.8 | 10,968 | 5.8 | 11.4 | (5) |
| Total product sales | 166,378 | 93.0 | 175,389 | 92.2 | (5.1) | |
| Repair service agreement commissions | 8,341 | 4.7 | 8,859 | 4.6 | (5.8) | (6) |
| Service revenues | 4,183 | 2.3 | 6,052 | 3.2 | (30.9) | (7) |
| Total net sales | $ 178,902 | 100.0% | $ 190,300 | 100.0% | (6.1)% | |

(1) The consumer electronics category declined as the result of a 20.4% drop in the average selling price of flat-panel televisions, partially offset by a 10.1% increase in unit sales driven by increased sales of plasma televisions.
(2) The home appliance category sales declined during the quarter on lower unit sales, primarily in the refrigeration and room air conditioning categories, though average selling prices increased.
(3) The track sales (consisting largely of computers, computer peripherals, video game equipment, portable electronics and small appliances) declined slightly as increased sales of accessories, MP3 players and desktop computers were offset primarily by declines in the sales of camcorders, digital cameras, GPS devices, netbooks, computer monitors and video game hardware. A 17.2% increase in unit sales of laptop computers offset a 14.8% decline in the average selling price of this product.
(4) The growth in furniture and mattresses sales was driven by the addition of in-store specialists focused on this category, improved in-store displays and expanded product selection.
(5) An increase in lawn and garden sales included in other product sales was largely responsible for the growth in this category.
(6) The decline in repair service agreement commissions was driven largely by increased cancellations of these agreements as a result of higher credit charge-offs, partially offset by a revenue increase as a result of higher product unit sales volume.
(7) Service revenues decreased as the Company increased its use of third-party servicers to provide cost-effective, timely product repairs for its customers.

| (Dollars in Millions) | 2010 | 2009 | Change $ | Change % |
|---|---|---|---|---|
| **Interest income and fees** | $ 30.3 | $ 35.0 | (4.7) | (13.4) |
| **Insurance commissions** | $ 4.3 | $ 5.0 | (0.7) | (14.0) |
| **Other income** | $ 0.2 | $ 0.1 | 0.1 | 100.0 |
| **Finance charges and other** | $ 34.8 | $ 40.1 | (5.3) | (13.2) |

Interest income and fees and insurance commissions are included in the Finance charges and other for the credit segment, while Other income is included in Finance charges and other for the retail segment.

The decrease in Interest income and fees of the credit segment resulted primarily as the average interest income and fee yield earned on the portfolio fell from 18.9% for the three months ended July 31, 2009, to 17.2%, for the three months ended July 31, 2010, and the average balance of customer accounts receivable outstanding fell 5.3%. The interest income and fee yield dropped as a result of the higher level of charge-offs experienced, resulting in an increase in the reversal of accrued interest and increased reserves for uncollectible interest, and the reduced volume of new credit accounts originated in the three months ended July 31, 2010, as compared to the same quarter in the prior fiscal year. The reduction in new credit accounts originated negatively impacts the yield since interest income is recognized using the Rule of 78 217;s, which accelerates the recognition of interest income. Insurance commissions of the credit segment declined due primarily to lower retrospective commissions and lower interest earnings on funds held by the insurance company for the payment of claims.

The following table provides key portfolio performance information for the three months ended July 31, 2010 and 2009:

| | 2010 | 2009 |
|---|---|---|
| | (Dollars in thousands) | |
| Interest income and fees (a) | $ 30,236 | $ 35,016 |
| Net charge-offs (b) | (8,248) | (6,400) |
| Borrowing costs (c) | (5,882) | (5,357) |
| Net portfolio yield | $ 16,106 | $ 23,259 |
| | | |
| Average portfolio balance | $ 702,597 | $ 742,078 |
| Interest income and fee yield % (annualized) | 17.2% | 18.9% |
| Net charge-off % (annualized) | 4.7% | 3.4% |

(a) Included in Finance charges and other.
(b) Included in Provision for bad debts.
(c) Included in Interest expense.

| (Dollars in Millions) | 2010 | 2009 | Change $ | Change % |
|---|---|---|---|---|
| **Cost of goods sold** | $ 130.3 | $ 140.8 | (10.5) | (7.4) |
| Product gross margin percentage | 21.7% | 19.7% | | 2.0% |

Product gross margin increased as a percent of product sales from the 2009 period to the 2010 period driven by our focus on improving pricing discipline on the sales floor while maintaining competitive pricing in the marketplace.

| (Dollars in Millions) | 2010 | 2009 | Change $ | Change % |
|---|---|---|---|---|
| **Cost of service parts sold** | $ 2.1 | $ 2.8 | (0.7) | (24.2) |
| As a percent of service revenues | 50.7% | 46.2% | | 4.5% |

This decrease was due primarily to a 33.2% decrease in parts sales.

| (Dollars in Millions) | 2010 | 2009 | Change $ | Change % |
|---|---|---|---|---|
| **Selling, general and administrative expense - Retail** | $ 46.4 | $ 49.4 | (3.0) | (6.1) |
| **Selling, general and administrative expense - Credit** | $ 17.1 | $ 15.6 | 1.5 | 9.6 |
| **Selling, general and administrative expense - Total** | $ 63.5 | $ 65.0 | (1.5) | (2.3) |
| As a percent of total revenues | 29.7% | 28.2% | | 1.5% |

During the three months ended July 31, 2010, Selling, general and administrative (SG&A) expense was reduced by $1.5 million, though it increased as a percent of revenues to 29.7%, from 28.2% in the prior year period, due to the deleveraging effect of the decline in total revenues. The $1.5 million reduction in SG&A expense was driven primarily by lower compensation and related expense and reduced advertising expense, partially offset by increased amortization expense due to the amendments completed to our credit facilities, higher charges related to the increased use of third-party finance providers and increased use of contract delivery and installation services. The prior year period also included a $0.3 million charge to increase our litigation reserves.

Significant SG&A expense increases and decreases related to specific business segments included the following:

**Retail Segment**

The following are the significant factors affecting the retail segment:

- Bank and credit card fees increased by approximately $1.4 million from the 2009 period, primarily due to the use of the third-party finance providers for certain of our interest-free programs.
- Total compensation costs and related expenses decreased approximately $4.3 million from the 2009 period, primarily due to reduced commissions payable as a result of reduced sales.
- Contract delivery and installation costs increased approximately $1.2 million from the 2009 period as we increased our use of third-parties to provide these services.
- Non-employee insurance expense decreased by approximately $0.6 million as we had more favorable claims experience under our self-insurance programs.
- Vehicle expenses decreased by approximately $0.3 million as we reduced the age and size of our vehicle fleet.

**Credit Segment**

The following are the significant factors affecting the credit segment:

- Amortization expense increased approximately $0.5 million from the 2009 period due to the amendment of our credit facilities.
- Total compensation costs and related expenses increased approximately $0.9 million from the 2009 period as staffing was increased to address increased levels of delinquencies in the challenging economic environment.

| (Dollars in Millions) | 2010 | 2009 | Change $ | Change % |
|---|---|---|---|---|
| **Provision for bad debts** | $ 9.0 | $ 8.0 | 1.0 | 12.5 |
| As a percent of total revenues | 4.2% | 3.5% | | 0.7% |

The provision for bad debts is primarily related to the operations of our credit segment, with approximately $207,000 and $7,000 for the periods ended July 31, 2010 and 2009, respectively, included in the results of operations for the retail segment.

The Provision for bad debts increased to $9.0 million for the three months ended July 31, 2010, from $8.0 million for the same quarter in the prior year period. While our total net charge-offs of customer and non-customer accounts receivable increased by $1.8 million compared to the second quarter of the prior fiscal year, we experienced an improvement in our credit portfolio performance (specifically, the trends in the payment rate, net charge-off rate and percent of the portfolio reaged) since the fourth quarter of fiscal 2010.

| | | | Change | |
|---|---|---|---|---|
| (Dollars in Millions) | **2010** | **2009** | **$** | **%** |
| **Interest expense, net** | $ 5.9 | $ 5.3 | 0.6 | 11.3 |

The increase in interest expense was due primarily to a $0.9 million fee paid during the three months ended July 31, 2010, to the lenders providing the variable funding note under the securitization facility. The entirety of our interest expense is included in the results of operations of our credit segment.

| | | | Change | |
|---|---|---|---|---|
| (Dollars in Millions) | **2010** | **2009** | **$** | **%** |
| **Provision for income taxes** | $ 1.2 | $ 3.3 | (2.1) | (64.5) |
| As a percent of income before income taxes | 41.0% | 38.7% | | 2.3% |

The provision for income taxes decreased primarily as a result of the decrease in income before income taxes.

**Six Months Ended July 31, 2010 Compared to Six Months Ended July 31, 2009**

| | | | Change | |
|---|---|---|---|---|
| (Dollars in Millions) | **2010** | **2009** | **$** | **%** |
| **Net sales** | $ 341.9 | $ 390.5 | (48.6) | (12.4) |
| **Finance charges and other** | 69.3 | 79.8 | (10.5) | (13.2) |
| **Revenues** | $ 411.2 | $ 470.3 | (59.1) | (12.6) |

The $48.6 million decrease in net sales consists of the following:

- a $50.2 million same store sales decrease of 13.3%;
- a $3.9 million net increase generated by four retail locations that were not open for the three months in each period. Two new locations were opened subsequent to February 1, 2009 and two of our clearance centers were closed subsequent to February 1, 2009;
- a $0.4 million increase resulted from a decrease in discounts on extended-term non-interest bearing credit sales (those with terms longer than 12 months); and
- a $2.7 million decrease in service revenues.

The components of the $48.6 million decrease in net sales were a $43.5 million decrease in Product sales and a $5.1 million decrease in repair service agreement commissions and service revenues. The $43.5 million decrease in product sales resulted from the following:

- approximately $61.8 million decrease attributable to an overall decrease in the average unit price. The decrease was due primarily to a decrease in price points in the electronics and track categories, partially offset by an increase in appliances, and
- approximately $18.3 million increase attributable to increases in total unit sales, due primarily to increased unit sales in track, lawn and garden and furniture and mattresses partially offset by decreases in consumer electronics and appliances.

The $5.1 million decrease in repair service agreement commissions and service revenues consisted of:

- a $1.1 million decrease in the retail segment's repair service agreement commissions due primarily to the decline in product sales;
- a $1.3 million decrease in the credit segment's repair service agreement commissions due to the higher level of credit charge-offs experienced; and
- a $2.7 million decrease in the retail segment's service revenues due primarily to lower service labor revenues due to increased use of third-party servicers to provide cost-effective, timely product repairs for our customers.

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

| | Six Months Ended July 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2010 | | 2009 | | | |
| **Category** | **Amount** | **Percent** | **Amount** | **Percent** | **Percent Change** | |
| Consumer electronics | $ 106,498 | 31.1% | $ 138,915 | 35.6% | (23.3)% | (1) |
| Home appliances | 105,626 | 30.9 | 119,608 | 30.6 | (11.7) | (2) |
| Track | 43,625 | 12.8 | 44,674 | 11.4 | (2.3) | (3) |
| Furniture and mattresses | 40,121 | 11.7 | 37,385 | 9.6 | 7.3 | (4) |
| Other | 20,873 | 6.1 | 19,624 | 5.0 | 6.4 | (5) |
| Total product sales | 316,743 | 92.6 | 360,206 | 92.2 | (12.1) | |
| Repair service agreement commissions | 16,258 | 4.8 | 18,649 | 4.8 | (12.8) | (6) |
| Service revenues | 8,940 | 2.6 | 11,596 | 3.0 | (22.9) | (7) |
| Total net sales | $ 341,941 | 100.0% | $ 390,451 | 100.0% | (12.5)% | |

(1) The consumer electronics category declined as the result of a 8.5% drop in unit sales of televisions and an approximately 16.9% decline in average selling prices, related primarily to LCD televisions.
(2) The home appliance category sales declined during the period on lower unit sales in all appliance categories, though average selling prices increased.
(3) The track sales (consisting largely of computers, computer peripherals, video game equipment, portable electronics and small appliances) declined slightly as increased sales of laptops and the introduction of netbooks, and higher digital camera and accessory sales were offset primarily by declines in sales of camcorders, GPS devices and video game hardware.
(4) The growth in furniture and mattresses sales was driven by the addition of in-store specialists focused on this category, improved in-store displays and expanded product selection.
(5) An increase in lawn and garden sales included in other product sales was largely responsible for the growth in this category.
(6) The repair service agreement commissions decrease was driven largely by the decline in product sales. Additionally, increased cancellations of these agreements as a result of higher credit charge-offs reduced the repair service agreement commissions.
(7) Service revenues decreased as the Company increased its use of third-party servicers to provide cost-effective, timely product repairs for its customers.

| (Dollars in Millions) | 2010 | 2009 | Change $ | Change % |
|---|---|---|---|---|
| **Interest income and fees** | $ 60.6 | $ 70.0 | (9.4) | (13.4) |
| **Insurance commissions** | $ 8.2 | $ 9.6 | (1.4) | (14.6) |
| **Other income** | $ 0.5 | $ 0.2 | 0.3 | 150.0 |
| **Finance charges and other** | $ 69.3 | $ 79.8 | (10.5) | (13.2) |

Interest income and fees and insurance commissions are included in the Finance charges and other for the credit segment, while Other income is included in Finance charges and other for the retail segment.

The decrease in Interest income and fees of the credit segment resulted primarily as the average interest income and fee yield earned on the portfolio fell from 18.8% for the six months ended July 31, 2009, to 17.1%, for the six months ended July 31, 2010, and the average balance of customer accounts receivable outstanding fell 4.4%. The interest income and fee yield dropped as a result of the higher level of charge-offs experienced, resulting in an increase in the reversal of accrued interest and increased reserves for uncollectible interest, and the reduced volume of new credit accounts originated in the six months ended July 31, 2010, as compared to the same quarter in the prior fiscal year. The reduction in new credit accounts originated negatively impacts the yield since interest income is recognized using the Rule of 78's, which accelerates the recognition of interest income. Insurance commissions of the credit segment declined due primarily to lower retrospective commissions and lower interest earnings on funds held by the insurance company for the payment of claims.

The following table provides key portfolio performance information for the six months ended July 31, 2010 and 2009:

| | 2010 | 2009 |
|---|---|---|
| | (Dollars in thousands) | |
| Interest income and fees (a) | $ 60,629 | $ 69,971 |
| Net charge-offs (b) | (16,493) | (12,005) |
| Borrowing costs (c) | (10,678) | (10,379) |
| Net portfolio yield | $ 33,458 | $ 47,587 |
| Average portfolio balance | $ 710,464 | $ 743,418 |
| Interest income and fee yield % (annualized) | 17.1% | 18.8% |
| Net charge-off % (annualized) | 4.6% | 3.2% |

(d) Included in Finance charges and other.
(e) Included in Provision for bad debts.
(f) Included in Interest expense.

| (Dollars in Millions) | 2010 | 2009 | Change $ | Change % |
|---|---|---|---|---|
| **Cost of goods sold** | $ 244.4 | $ 286.6 | (42.2) | (14.7) |
| Product gross margin percentage | 22.8% | 20.4% | | 2.4% |

Product gross margin increased as a percent of product sales from the 2009 period to the 2010 period driven by our focus on improving pricing discipline on the sales floor while maintaining competitive pricing in the marketplace.

| (Dollars in Millions) | 2010 | 2009 | Change $ | Change % |
|---|---|---|---|---|
| **Cost of service parts sold** | $ 4.5 | $ 5.4 | (0.9) | (16.7) |
| As a percent of service revenues | 50.3% | 46.6% | | 3.7% |

This decrease was due primarily to a 23.7% decrease in parts sales.

| (Dollars in Millions) | 2010 | 2009 | Change $ | Change % |
|---|---|---|---|---|
| **Selling, general and administrative expense - Retail** | $ 89.6 | $ 96.3 | (6.7) | (7.0) |
| **Selling, general and administrative expense - Credit** | $ 34.6 | $ 31.4 | 3.2 | 10.2 |
| **Selling, general and administrative expense - Total** | $ 124.2 | $ 127.7 | (3.5) | (2.7) |
| As a percent of total revenues | 30.2% | 27.2% | | 3.0% |

During the six months ended July 31, 2010, Selling, general and administrative (SG&A) expense was reduced by $3.5 million, though it increased as a percent of revenues to 30.2%, from 27.2% in the prior year period, due to the deleveraging effect of the decline in total revenues. The $3.5 million reduction in SG&A expense was driven primarily by lower compensation and related expense and reduced advertising expense, partially offset by increased amortization expense due to the amendments completed to our credit facilities, higher charges related to the increased use of third-party finance providers and increased use of contract delivery and installation services. The prior year period also included a $0.8 million charge to increase our litigation reserves.

Significant SG&A expense increases and decreases related to specific business segments included the following:

**Retail Segment**

The following are the significant factors affecting the retail segment:

- Net advertising expense decreased by approximately $1.7 million from the 2009 period through improved efficiencies in our advertising program.
- Bank and credit card fees increased by approximately $2.3 million from the 2009 period, primarily due to the use of the third-party finance providers for certain of our interest-free programs.
- Total compensation costs and related expenses decreased approximately $8.5 million from the 2009 period, primarily due to reduced commissions payable as a result of reduced sales.
- Contract delivery and installation costs increased approximately $2.0 million from the 2009 period as we increased our use of third-parties to provide these services.
- Vehicle expenses decreased by approximately $0.6 million as we reduced the age and size of our vehicle fleet.

**Credit Segment**

The following are the significant factors affecting the credit segment:

- Amortization expense increased approximately $1.2 million from the 2009 period due to the amendment of our credit facilities.
- Total compensation costs and related expenses increased approximately $2.0 million from the 2009 period as staffing was increased to address increased levels of delinquencies in the challenging economic environment.

| | | | Change | |
|---|---|---|---|---|
| (Dollars in Millions) | 2010 | 2009 | $ | % |
| **Provision for bad debts** | $ 15.3 | $ 13.7 | 1.7 | 12.4 |
| As a percent of total revenues | 3.7% | 2.9% | | 0.8% |

The provision for bad debts is primarily related to the operations of our credit segment, with approximately $293,000 and $66,000 for the periods ended July 31, 2010 and 2009, respectively, included in the results of operations for the retail segment.

The Provision for bad debts increased to $15.3 million for the six months ended July 31, 2010, from $13.7 million for prior year period. While our total net charge-offs of customer and non-customer accounts receivable increased by $4.5 million compared to the same period of the prior fiscal year, we experienced an improvement in our credit portfolio performance (specifically, the trends in the delinquency rate, payment rate, net charge-off rate and percent of the portfolio reaged) since the fourth quarter of fiscal 2010. As such, our total allowance for bad debts declined approximately $1.4 million during the six months ended July 31, 2010, after absorbing the higher net charge-offs incurred during the period.

| | | | Change | |
|---|---|---|---|---|
| (Dollars in Millions) | 2010 | 2009 | $ | % |
| **Interest expense, net** | $ 10.7 | $ 10.3 | 0.4 | 3.9 |

The increase in interest expense was due primarily to a $0.9 million fee paid during the three months ended July 31, 2010, to the lenders providing the variable funding note under the securitization facility. The entirety of our interest expense is included in the results of operations of our credit segment.

| (Dollars in Millions) | 2010 | 2009 | Change $ | Change % |
|---|---|---|---|---|
| **Provision for income taxes** | $ 4.6 | $ 10.0 | (5.4) | (54.0) |
| As a percent of income before income taxes | 38.7% | 37.7% | | 1.0% |

The provision for income taxes decreased primarily as a result of the decrease in income before income taxes.

**Liquidity and Capital Resources**

*Current Activities*

We require capital to finance our growth as we add new stores and markets to our operations, which in turn requires additional working capital for increased customer receivables and inventory. We have historically financed our operations through a combination of cash flow generated from earnings and external borrowings, including primarily bank debt, extended terms provided by our vendors for inventory purchases, acquisition of inventory under consignment arrangements and transfers of customer receivables to our asset-backed securitization facilities**.**

Since we extend credit in connection with a large portion of our retail, repair service agreement and credit insurance sales, we have entered into an asset-based revolving credit facility and created a securitization program to fund the customer receivables generated by the extension of credit. In order to fund the purchases of eligible customer receivables from us, we have issued medium-term and variable funding notes secured by the receivables to third parties to obtain cash for these purchases under the securitization program.

Our $210 million asset-based revolving credit facility provides funding based on a borrowing base calculation that includes customer accounts receivable and inventory and matures in August 2011. The credit facility bears interest at LIBOR plus a spread ranging from 325 basis points to 375 basis points, based on a fixed charge coverage ratio. In addition to the fixed charge coverage ratio, the revolving credit facility includes a total liabilities to tangible net worth ratio requirement, a minimum customer receivables cash recovery percentage requirement, a net capital expenditures limit and combined portfolio performance covenants. Additionally, the agreement contains cross-default provisions, such that, any default under another of our credit facilities or our VIE’s credit facilities would result in a default under this agreeme nt, and any default under this agreement would result in a default under those agreements. We expect, based on current facts and circumstances that we will be in compliance with the above covenants for the next 12 months. The weighted average interest rate on borrowings outstanding under the asset-based revolving credit facility at July 31, 2010, was 4.8%, including the interest expense associated with our interest rate swaps.

A summary of the significant financial covenants that govern our revolving credit facility compared to our actual compliance status at July 31, 2010, is presented below:

| | Actual | Required Minimum/ Maximum |
|---|---|---|
| Fixed charge coverage ratio must exceed required minimum (1) | 1.57 to 1.00 | 1.30 to 1.00 |
| Total liabilities to tangible net worth ratio must be lower than required maximum (1) | 1.57 to 1.00 | 1.75 to 1.00 |
| Cash recovery percentage must exceed required minimum (1) | 5.20% | 4.75% |
| Capital expenditures, net must be lower than required maximum | $4.4 million | $22.0 million |

(1) These covenants are also covenants of our asset-backed securitization credit facilities.

Note: All terms in the above table are defined by the revolving credit facility and may or may not agree directly to the financial statement captions in this document. The covenants are calculated on a trailing four quarter basis, except for the Cash recovery percentage, which is calculated on a trailing three month basis.

The 2002 Series A program functions as a revolving credit facility to fund the transfer of eligible customer receivables. When the facility approaches a predetermined amount, the VIE (Issuer) is required to seek financing to pay down the outstanding balance in the 2002 Series A variable funding note. The amount paid down on the facility then becomes available to fund the transfer of new customer receivables or to meet required principal payments on other series as they become due. The new financing could be in the form of additional notes, bonds or other instruments as the market and transaction documents might allow. Given the current state of the financial markets, especially with respect to asset-backed securitization financing, the Company has been unable to issue medium-term notes or increase the availability under the existing v ariable funding note program. The 2002 Series A program consists of a $170 million commitment that was renewed in August 2010, and is renewable annually, at our option, until August 2011 and bears interest at commercial paper rates plus a spread of 250 basis points. The total commitment under the 2002 Series A program was reduced during the quarter ended April 30, 2010, from $200 million at January 31, 2010. Additionally, in connection with recent amendments to the 2002 Series A facility, we agreed to reduce the total available commitment to $130 million in April 2011. The weighted average interest on the variable funding note during the month of July 2010 was 4.9%. The 2006 Series A program, which was consummated in August 2006, is non-amortizing for the first four years and officially matures in April 2017. However, it is expected that the scheduled monthly $7.5 million principal payments, which begin in September 2010, will retire the bonds prior to that date. Private institutional investors, primarily in surance companies, purchased the 2006 Series A bonds at a weighted fixed rate of 5.75%. The securitization borrowing agreements contain certain covenants requiring the maintenance of various financial ratios and customer receivables performance standards. If the three-month average net portfolio yield, as defined by agreements, falls below 5.0%, then the issuer may be required to fund additions to the cash reserves in the restricted cash accounts. The three-month average net portfolio yield was 6.1% at July 31, 2010. The investors and the securitization trustee have no recourse to assets other than the customer accounts receivable and cash reserves held in the securitization program. If the issuer is unable to repay the 2002 Series A note and 2006 Series A bonds 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 2006 Series A bond holders could claim the balance in its $6.0 million restricted cash account. We are responsible under a $20.0 million letter of credit that secures the 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.

In March 2010, we completed amendments to the various borrowing agreements that revised the covenant requirements as of January 31, 2010, and revised certain future covenant requirements. The revised covenant calculations include both the operating results and assets and liabilities of us and the securitization program, effective January 31, 2010, for all financial covenant calculations. In addition to the covenant changes, we also agreed:

- as servicer of the receivables, to implement certain additional collection procedures if certain performance requirements were not maintained,
- to make fee payments to the 2002 Series A facility providers on the amount of the commitment available at specific future dates, and
- to use the proceeds from any capital raising activity we complete to further reduce the commitments and debt outstanding under the securitization program's debt facilities.

The various "same as cash" and deferred interest credit programs we offer are eligible for securitization up to the limits provided for in our securitization agreements. This limit is currently 30.0% of eligible securitized receivables. If we exceed this 30.0% limit, we would be required to use some of our other capital resources to carry the unfunded balances of the receivables for the promotional period. The percentage of eligible securitized receivables represented by promotional customer receivables was 11.3% as of July 31, 2010. There is no limitation on the amount of "same as cash" or deferred interest program accounts that can be carried as collateral under the revolving credit facility. The percentage of all managed customer receivables represented by promotional receivables was 13 .4% as of July 31, 2010.

The issuer is subject to certain affirmative and negative covenants contained in the transaction documents governing the 2002 Series A variable funding note and 2006 Series A bonds, including covenants that restrict, subject to specified exceptions: the incurrence of non-permitted 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 representations and warranties relating to compliance with certain laws, payment of taxes, maintenance of its separate legal entity, preservation of its existence, and protection of collateral and financial reporting.

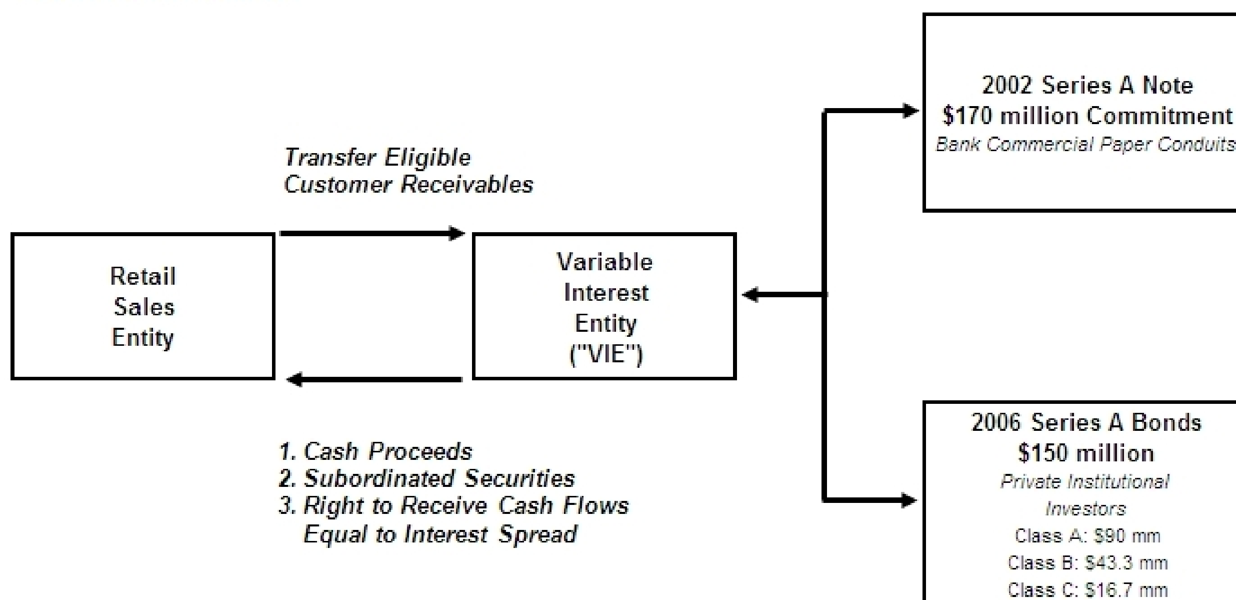
A summary of the significant financial covenants that govern the 2002 Series A variable funding note compared to actual compliance status at July 31, 2010, is presented below:

| | As reported | Required Minimum/ Maximum |
|---|---|---|
| Issuer interest must exceed required minimum | $85.1 million | $69.1 million |
| Gross loss rate must be lower than required maximum (a) | 5.3% | 10.0% |
| Serviced portfolio gross loss rate must be lower than required maximum (b) | 5.0% | 10.0% |
| Net portfolio yield must exceed required minimum (a) | 6.1% | 2.0% |
| Serviced portfolio net portfolio yield must exceed required minimum (b) | 7.6% | 2.0% |
| Payment rate must exceed required minimum (a) | 6.2% | 3.0% |
| Serviced portfolio payment rate must exceed required minimum (a) | 5.20% | 4.75% |
| Consolidated net worth must exceed required minimum | $347.7 million | $259.8 million |

(a) Calculated for those customer receivables transferred to the securitization program.
(b) Calculated for the total of customer receivables transferred to the securitization program and those retained by the Company.

Note: All terms in the above table are defined by the asset backed securitization program and may or may not agree directly to the financial statement captions in this document.

We expect, based on current facts and circumstances that we will be in compliance with the above covenants for the next 12 months. Events of default under the 2002 Series A variable funding note and the 2006 Series A bonds, 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 oth er events pertaining to us. The issuer's obligations under the program are secured by the customer receivables and proceeds.



We continue to service the transferred accounts for the VIE, and we receive a monthly servicing fee, so long as we act as servicer, in an amount equal to .25% multiplied by the average aggregate principal amount of customer receivables serviced, including the amount of average aggregate defaulted customer 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 in connection with either the 2002 Series A or 2006 Series A bond holders, the servicing fee and additional earnings to the extent they are available.

As of July 31, 2010, we had additional borrowing capacity of $57.1 million under our asset-based revolving credit facility, net of standby letters of credit issued, and $10.0 million under our unsecured bank line of credit immediately available to us for general corporate purposes and extended vendor terms for purchases of inventory. In addition to the $57.1 million currently available under the revolving credit facility, an additional $21.8 million may become available if we grow the balance of eligible customer receivables retained by us and total eligible inventory balances. While the credit portfolio performance has improved since January 31, 2010, availability under the asset-based revolving credit facility was reduced by approximately $3.8 million at July 31, 2010, due to recent level of delinquencies and net charge-offs. This a mount may become available in the future if credit portfolio performance continues to improve. The principal payments received on customer receivables held by us and by the VIE, which averaged approximately $37.2 million per month during the six months ended July 31, 2010, are available each month to fund new customer receivables generated.

We will continue to finance our operations and future growth through a combination of cash flow generated from operations and external borrowings, including primarily bank debt, extended vendor terms for purchases of inventory, acquisition of inventory under consignment arrangements and the asset-backed securitization facilities. Based on our current operating plans, we believe that cash generated from operations, available borrowings under our revolving credit facility and unsecured credit line, extended vendor terms for purchases of inventory, acquisition of inventory under consignment arrangements and cash flows from the asset-backed securitization program will be sufficient to fund our operations, store expansion and updating activities and capital programs until August, 201 1, subject to continued compliance with the covenants in our credit facilities. If we are unable to extend or replace our credit facilities prior to August 2011, our revolving credit facility and our VIE's 2002 Series A program will mature. At the maturity date, our revolving credit facility could become immediately due and payable if a demand for payment is made by the lenders. Additionally, upon maturity of the VIE's 2002 Series A program, the VIE will no longer be able to purchase additional receivables and cash received by the VIE from collection of the receivables will be used to repay the amounts outstanding under the 2002 Series A and 2006 Series A programs until they are paid in full. Additionally, if there is a default under any of the facilities that is not waived by the various lenders, it could result in the requirement to immediately begin repayment of all amounts owed under our credit facilities, as all of the facilities have cross-default provisions that would result in default und er all of the facilities if there is a default under any one of the facilities. If the repayment of amounts owed under our credit facilities is accelerated for any reason, we may not have sufficient cash and liquid assets at such time to be able to immediately repay all the amounts owed under the facilities.

Both the revolving 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 business operations. Funding of current and future customer receivables under the borrowing facilities can be adversely affected if we exceed certain predetermined levels of re-aged customer receivables, size of the secondary portfolio, the amount of promotional customer receivables, write-offs, bankruptcies or other ineligible customer receivable amounts.

There are several factors that could decrease cash available, including:

- reduced demand or margins for our products;
- more stringent vendor terms on our inventory purchases;
- loss of ability to acquire inventory on consignment;

- 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;

- changes in inventory requirements based on longer delivery times of the manufacturers or other requirements which would negatively impact our delivery and distribution capabilities;

- increases in the retained portion of our customer receivables portfolio under our current asset-backed securitization program as a result of changes in performance or types of customer receivables transferred (promotional versus non-promotional and primary versus secondary portfolio), or as a result of a change in the mix of funding sources available under the asset-backed securitization program, requiring higher collateral levels, or limitations on our ability to obtain financing through commercial paper-based funding sources;

- reduced availability under our asset-based revolving credit facility as a result of borrowing base requirements and the impact on the borrowing base calculation of changes in the performance or eligibility of the customer receivables financed by that facility;

- reduced availability under our revolving credit facility or asset-backed securitization financing facilities as a result of non-compliance with the covenant requirements;

- reduced availability under our revolving credit facility or asset-backed securitization financing facilities as a result of the inability of any of the financial institutions providing those facilities to fund their commitment,

- reductions in the capacity or inability to expand the capacity available for financing our customer receivables portfolio under existing or replacement asset-backed securitization programs or a requirement that we retain a higher percentage of the credit portfolio under such programs;

- increases in borrowing costs (interest and administrative fees relative to our customer receivables portfolio associated with the funding of our customer receivables);

- increases in personnel costs or other costs for us to stay competitive in our markets; and

- inability to renew or replace all or a portion of our current credit facilities at their annual maturity dates. Our asset-based revolving credit facility and the revolving facility of our securitization program mature in August 2011. The medium term notes issued under the securitization program begin repayment in September 2010 and we expect them to be fully repaid by April 2012.

We are pursuing various options to renew or replace our existing credit facilities. As such, we have engaged our commercial and investment banking partners to present and review alternatives to raise capital in the various debt and equity capital markets. The options being considered could result in one or more of the existing credit facilities being repaid in full and not renewed or extended. Additionally, we currently estimate that our total cost of borrowing will increase between 200 and 400 basis points as a result of our capital raising activities. If we are unable to renew or replace our existing credit facilities we could be required to further reduce the size of the customer credit portfolio in order to repay the amounts outstanding under our credit facilities. In order to reduce the size of the credit portfolio we would be re quired to reduce, or possibly cease, originating new customer receivables until the amounts due under our credit facilities are repaid. If necessary, in addition to available cash balances, cash flow from operations and borrowing capacity under our revolving facilities, additional cash to fund our growth and increases in customer receivables balances could be obtained by:

- reducing capital expenditures for new store openings,

- reducing the size of our customer credit portfolio;

- taking advantage of longer payment terms and financing available for inventory purchases,

- utilizing other sources for providing financing to our customers,

- negotiating to expand the capacity available under existing credit facilities, and

- accessing equity or debt markets.

We can provide no assurance that we will be able to obtain these sources of funding on favorable terms, if at all.

During the six months ended July 31, 2010, net cash provided by operating activities increased from $15.4 million provided by operating activities during the six months ended July 31, 2009, to $23.9 million provided by operating activities. The increase was driven primarily by:

– cash provided from decreases in the balance of customer accounts receivable, cash provided from growth in accounts payable to support the inventory growth and cash from income taxes, which was driven by a $9.5 million tax refund received during the period,

– partially offset by cash used for the growth in inventory and other accounts receivable, and lower net income.

Net cash used in investing activities decreased from $6.7 million used in the fiscal 2010 period to $1.1 million used in the fiscal 2011 period. The net decrease in cash used in investing activities resulted primarily from a decline in purchases of property and equipment in the current year period, as we reduced capital expenditures while we assess capital availability for growth in the credit portfolio, store remodels and new store openings. We estimate that our total capital expenditures for fiscal 2011 will be approximately $5 million to $10 million, based on our current plans, which could change based on capital availability.

Net cash used in financing activities increased from $15.6 million used during the six months ended July 31, 2009, to $26.7 million used during the six months ended July 31, 2010. During the six months ended July 31, 2010, we used cash flows from customer accounts receivable collections, net income and a tax refund, net of other working capital changes, to pay down amounts owed under our financing facilities. Additionally, we paid approximately $5.0 million in deferred financing costs, primarily related to the credit facility amendments we completed during the period.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Interest rates under our revolving credit facility are variable and are determined, at our option, as the base rate, which is the prime rate plus the base rate margin, which ranges from 3.25% to 3.75%, or LIBOR plus the LIBOR margin, which ranges from 3.25% to 3.75%. Interest rates under our securitization program's variable funding note facility are variable and are determined based on the commercial paper rate plus a spread of 2.50%. Accordingly, changes in the prime rate, the commercial paper rate or LIBOR, which are affected by changes in interest rates generally, will affect the interest rate on, and therefore our costs under, these credit facilities.

Since January 31, 2010, the securitization program's variable rate debt has decreased from $196.4 million, or 56.7% of its total debt, to $170.0 million, or 53.1% of its total debt. As a result, a 100 basis point increase in interest rates on the variable rate debt would increase borrowing costs $1.7 million over a 12-month period, based on the balance outstanding at July 31, 2010.

Since January 31, 2010, the balance outstanding under our asset-based revolving credit facility has increased from $105.5 million to $109.4 million at July 31, 2010. Additionally, since January 31, 2010, the notional balance of interest swaps used to fix the rate on a portion of asset-based revolving credit facility balance has decreased from $40 million to $25 million at July 31, 2010. As a result, a 100 basis point increase in interest rates on the asset-based revolving credit facility would increase our borrowing costs by $0.8 million over a 12-month period, based on the balance outstanding at July 31, 2010, after considering the impact of the interest rate swaps.

**Item 4. Controls and Procedures**

Based on management's evaluation (with the participation of our Chief Executive Officer (CEO) and Chief Financial Officer (CFO)), as of the end of the period covered by this report, our CEO and CFO have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)), are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

For the quarter ended July 31, 2010, there have been no changes in our internal controls over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

## PART II – OTHER INFORMATION

### Item 1. Legal Proceedings

On June 7, 2010, the judge in the Texas State District Court of Harris County, Texas, signed an Order confirming the terms and conditions of the Rule 11 Settlement Agreement between us and the Texas Attorney General, fully and finally resolving the litigation filed against us by the Texas Attorney General, which alleged unlawful and deceptive practices in violation of the Texas Deceptive Trade Practices-Consumer Protection Act. Under the terms of the Settlement and the Order we did not admit, and continue to deny, any wrongdoing. As part of the Order confirming the settlement agreement, we made two cash payments, one in the amount of $2.5 million on December 17, 2009 and a second payment in the amount of $2.0 million on February 18, 2010, to the Texas Attorney General for distribution to consumers as restitution for claims our custome rs have. We also paid $250,000 to the Texas Attorney General for its attorney's fees, and agreed to and did donate $100,000 to the University of Houston Law Center for its use in its consumer protection programs.

We are involved in routine litigation and claims incidental to our business from time to time, and, as required, have accrued our estimate of the probable costs for the resolution of these matters. These estimates have been developed in consultation with counsel and are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. It is possible, however, that future results of operations for any particular period could be materially affected by changes in our assumptions or the effectiveness of our strategies related to these proceedings. However, the results of these proceedings cannot be predicted with certainty, and changes in facts and circumstances could impact our estimate of reserves for litigation.

### Item 1A. Risk Factors

*An investment in our common stock involves risks and uncertainties. You should consider carefully the following information about these risks and uncertainties before buying shares of our common stock. The occurrence of any of the risks described below could adversely affect our business prospects, 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.*

**We have significant future capital needs and the inability to obtain funding for our credit operations may adversely affect our business and expansion plans.**

We currently finance our customer receivables through asset-backed securitization facilities and an asset-based loan facility that together provide $530.0 million in financing commitments as of July 31, 2010. The securitization facilities provide two separate series of asset-backed notes that allowed us as of July 31, 2010, to borrow up to $320.0 million to finance customer receivables. Our asset-based revolving credit facility currently is a $210.0 million facility. At July 31, 2010, under our revolving credit facility, we had the ability to borrow $188.2 million, of which we had drawn $109.4 million and had outstanding letters of credit of $21.7 million.

Our ability to raise additional capital through future securitization transactions or other debt or equity 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;
- our credit rating or the credit rating of any securities we may issue;

- economic conditions;
- conditions in the markets for securitized instruments, or other debt or equity instruments;
- the credit quality and performance of our customer receivables;
- our overall sales performance and profitability;
- our ability to obtain financial support for required credit enhancement;
- our ability to adequately service our financial instruments;
- the absence of any material downgrading or withdrawal of ratings given to our securities previously issued in securitization;
- our ability to meet debt covenant requirements; and
- prevailing interest rates.

If adequate capital and funds are not available at the time we need capital, we will have to curtail future growth, which could materially adversely affect our business, financial condition, operating results or cash flow. As we grow our business, capital expenditures during future years are likely to exceed our historical capital expenditures. The ultimate amount of capital expenditures needed will be dependent on, among other factors, the availability of capital to fund new store openings and customer receivables portfolio.

In addition, we historically used our customer receivables collateral to raise funds through securitization programs. In addition, we have in the past completed amendments to our existing credit facilities and securitization facilities to obtain relief from covenant violations and revise certain covenant requirements. If we require amendments in the future and are unable to obtain such amendments or we are unable to arrange substitute financing facilities or other sources of capital, we may have to limit or cease offering credit through our finance programs due to our inability to draw under our revolving credit facility upon the occurrence of a default. If availability under the borrowing base calculations of our revolving credit facility is reduced, or otherwise becomes unavailable, or we are unable to arrange substitute financing fa cilities or other sources of capital, we may have to limit the amount of credit that we make available through our customer finance programs. A reduction in our ability to offer customer credit will adversely affect revenues and results of operations and could have a material adverse effect on our results of operations. Further, our inability or limitations on our ability 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.

Additionally, the inability of any of the financial institutions providing our financing facilities to fund their commitment would adversely affect our ability to fund our credit programs, capital expenditures and other general corporate needs.

Our asset-based revolving credit facility and the revolving portion of our asset-backed securitization facilities both mature in August 2011. We are discussing various options to renew or replace our existing credit facilities, including exploring opportunities to raise capital in various debt and equity capital markets. If we are unable to renew or replace our existing credit facilities, we would be required to reduce, or possibly cease, offering customer credit which could adversely affect our revenues and results of operations in the same manner as discussed above.

**Increased borrowing costs will negatively impact our results of operations.**

Because most of our customer receivables have interest rates equal to the highest rate allocated under applicable law, we will not be able to pass these higher borrowing costs along to our customers and our results of operations will be negatively impacted.

In addition, the interest rates on our revolving credit facility and the 2002 Series A program under our asset-backed securitization facility fluctuate upon or down based upon the LIBOR rate, the prime rate of our administrative agent or the federal funds rate in the case of the revolving credit facility and the commercial paper rate in the case of the 2002 Series A program. The level of interest rates in the market in general will impact the interest rate on any debt instruments issued, if any. Additionally, we may issue debt securities or enter into credit facilities under which we pay interest at a higher rate than we have historically paid, which would further reduce our margins and negatively impact our results of operations.

**We may not be able to open and profitably operate new stores in existing, adjacent and new geographic markets.**

Dependent on capital availability, we intend to reinstate our new store opening program. New stores are not likely to be profitable on an operating basis during the first three to six months after they open and even after that time period may not be profitable or meet our goals. Any of these circumstances could have a material adverse effect on our financial results. There are a number of factors that could affect our ability to open and operate new stores consistent with our business plan, including:

- the availability of additional financial resources;
- the availability of favorable sites in existing adjacent and new markets at price levels consistent with our business plan;
- 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 or financing programs at levels that can support new store growth;
- inability to make customer financing programs available that allow consumer to purchase products at levels that can support new store growth;
- limitations created by covenants and conditions under our revolving credit facility and asset-backed securitization program;
- 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 and realize the benefits of leveraging our advertising and our distribution system;
- 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 results of operations 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 expansion in the future. Our growth 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 expansion will impose on our management, financial controls and information systems. If we fail to manage successfully the challenges of growth, do not continue to improve these systems and controls or encounter unexpected difficulties during expansion, our business, financial condition, operating results or cash flows could be materially adversely affected.

**We may expand our retail offerings which may have different operating or legal requirements than our current operations.**

In addition to the retail and consumer finance products we currently offer, we may offer other products and services in the future, including "rent-to-own" sales. These products and services may require additional or different operating systems or have additional or different legal or regulatory requirements than the products and services we currently offer. In the event we undertake such an expansion and do not have the proper infrastructure or personnel, or do not successfully execute such an expansion, our business, financial condition, operating results or cash flows could be materially adversely affected.

**A decrease in our credit sales or a decline in credit quality could lead to a decrease in our product sales and profitability.**

In the last three fiscal years, we financed, on average, approximately 61% of our retail sales through our in-house propriety credit programs. Our ability to provide credit as a financing alternative for our customers depends on many factors, including the quality of our customer 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, such as general and local economic conditions, including the impact of rising interest rates and unemployment rates. 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 customer receivable portfolio could lead to a reduction in the advance rates used or eligible customer receivable balances included in the borrowing base calculations under our revolving credit facility and thus a reduction of available credit to fund our finance operations. As a result, if we are required to reduce the amount of credit we grant to our customers, we most likely would sell fewer products, which would adversely affect our earnings and cash flows. Further, because approximately 60% of our credit customers have historically made 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 would result in an adverse effect on our earnings. A decline in credit quality could also lead to stricter underwriting criteria which would likely have a negative impact on net sales.

**Deterioration in the performance of our customer receivables portfolio could significantly affect our liquidity position and profitability.**

Our liquidity position and profitability are heavily dependent on our ability to collect our customer receivables. If our customer receivables portfolio were to substantially deteriorate, the liquidity available to us would most likely be reduced due to the challenges of complying with the covenants and borrowing base calculations under our revolving credit facility and our earnings may decline due to higher provisions for bad debt expense, higher net charge-off rates and lower interest and fee income. In addition, a significant percentage of our current net income and cash flows is derived from our credit operations and the ability to grow our credit portfolio is important to our future success.

**Our ability to collect from credit customers may be materially impaired by store closings and our need to rely on a replacement servicer in the event of our liquidation.**

We may be unable to collect a large portion of periodic credit payments should our stores close as many of our customers remit payments “in store”. During the course of fiscal 2010, approximately 60% of our active credit customers made a payment in one of our stores. In the event of store closings, credit customers may not pay balances in a timely fashion, or may not pay at all, since a large number of our customers have not traditionally made payments to a central location.

In addition, we service all of our credit customers through our in-house servicing operation. At this time, there is not a formalized back-up servicer plan in place for our customer receivables. In the event of our liquidation, a servicing arrangement would have to be implemented, which could materially impact the collection of our customer receivables.

**In deciding whether to extend credit to customers, we rely on the accuracy and completeness of information furnished to us by or on behalf of our credit customers. If we and our systems are unable to detect any misrepresentations in this information, this could have a material adverse effect on our results of operations and financial condition.**

In deciding whether to extend credit to customers, we rely heavily on information furnished to us by or on behalf of our credit customers and our ability to validate such information through third-party services, including employment and personal financial information. If a significant percentage of our credit customers intentionally or negligently misrepresented any of this information, and we and our systems did not detect such misrepresentations, this could have a material adverse effect on our ability to effectively manage our credit risk, which could have a material adverse effect on our results of operations and financial condition.

**Our policy of reaging certain delinquent borrowers affects our delinquency statistics and the timing and amount of our write-offs.**

As of July 31, 2010, 18.4% of our credit portfolio consisted of “reaged” customer receivables. Reaging is offered to certain eligible past due customers if they meet the conditions of our reage policy. Our decision to offer a delinquent customer a reage program is based on that borrower’s specific condition, our history with the borrower, the amount of the loan and various other factors. When we reage a customer’s account, we move the account from a delinquent status to a current status. Management exercises a considerable amount of discretion over the reaging process and has the ability to reage an account multiple times during its life. Treating an otherwise uncollectible account as current affects our delinquency statistics, as well as impacting the timing and amount of charge-offs. If these accounts had been charged off sooner, our net loss rates might have been higher.

**If we fail to timely contact delinquent borrowers, then the number of delinquent customer receivables eventually being charged off could increase.**

We contact customers with delinquent credit account balances soon after the account becomes delinquent. During periods of increased delinquencies it is important that we are proactive in dealing with borrowers rather than simply allowing customer receivables to go to charge-off. Historically, when our servicing becomes involved at an earlier stage of delinquency with credit counseling and workout programs, there is a greater likelihood that the customer receivable will not be charged off.

During periods of increased delinquencies, it becomes extremely important that we are properly staffed and trained to assist borrowers in bringing the delinquent balance current and ultimately avoiding charge-off. If we do not properly staff and train our collections personnel, then the number of accounts in a delinquent status or charged-off could increase. In addition, managing a substantially higher volume of delinquent customer receivables typically increases our operational costs. A rise in delinquencies or charge-offs could have a material adverse effect on our business, financial condition, liquidity and results of operations.

**We rely on internal models to manage risk and to provide accounting estimates. Our results could be adversely affected if those models do not provide reliable accounting estimates or predictions of future activity.**

We make significant use of business and financial models in connection with our efforts to measure and monitor our risk exposures and to manage our credit portfolio. For example, we use models as a basis for credit underwriting decisions, portfolio delinquency, charge-off and collection expectations and other market risks, based on economic factors and our experience. The information provided by these models is used in making business decisions relating to strategies, initiatives, transactions and pricing, as well as our provisions for bad debt expense and the size of our allowance for doubtful accounts, among other accounting estimates.

Models are inherently imperfect predictors of actual results because they are based on historical data available to us and our assumptions about factors such as credit demand, payment rates, default rates, delinquency rates and other factors that may overstate or understate future experience. Our models could produce unreliable results for a number of reasons, including the limitations of historical data to predict results due to unprecedented events or circumstances, invalid or incorrect assumptions underlying the models, the need for manual adjustments in response to rapid changes in economic conditions, incorrect coding of the models, incorrect data being used by the models or inappropriate application of a model to products or events outside of the model's intended use. In particular, models are less dependable when the econo mic environment is outside of historical experience, as has been the case recently.

In addition, we continually receive new economic data. Our critical accounting estimates, such as our provision for bad debt expense and the size of our allowance for doubtful accounts, are subject to change, often significantly, due to the nature and magnitude of changes in economic conditions. However, there is generally a lag between the availability of this economic information and the preparation of our consolidated financial statements. When economic conditions change quickly and in unforeseen ways, there is a risk that the assumptions and inputs reflected in our models are not representative of current economic conditions.

Due to the factors described above and in "Management's discussion and analysis of financial condition and results of operations" and elsewhere in this report, we may be required or may deem it necessary to increase our allowance for doubtful accounts in the future. Increasing our allowance for doubtful accounts would adversely affect our results of operations and our financial position.

The dramatic changes in the economy, credit and capital markets have required frequent adjustments to our models and the application of greater management judgment in the interpretation and adjustment of the results produced by our models. This application of greater management judgment reflects the need to take into account updated information while continuing to maintain controlled processes for model updates, including model development, testing, independent validation and implementation. As a result of the time and resources, including technical and staffing resources, that are required to perform these processes effectively, it may not be possible to replace existing models quickly enough to ensure that they will always properly account for the impacts of recent information and actions.

**The current economic downturn has affected consumer purchases of discretionary items from us as well as their ability to repay their credit obligations to us, which could have a continued or prolonged negative effect on our net sales, gross margins and credit portfolio performance.**

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

Recent turmoil in the national economy, including instability in the financial markets, declining consumer confidence and falling oil prices have negatively impacted our markets and present significant challenges to our operations in the coming quarters. Specifically, sales volumes and gross profit margins have been negatively impacted, and thus negatively impacted our overall profitability and liquidity, and these effects may continue for several additional fiscal quarters. Also, the declining economic conditions in our markets have impacted our customers' ability to repay their credit obligations to us and thus our credit portfolio performance, including, net charge offs and delinquency trends, and we experienced significant declines in same-store sales. These factors led to a net operating loss in the second half of fiscal 201 0, and as a result, we entered into amendments to our revolving credit facility and our securitization facilities to modify our covenants. If these conditions persist, we may incur further operating losses in the future and we may be required to seek covenant relief under our revolving credit facility and our securitization facilities, curtail our expansion plans, sell assets and take other measures to continue our access to capital.

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

The retail market for consumer electronics is highly fragmented and intensely competitive and the market for home appliances is concentrated among a few major dealers. 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 Best Buy and Rooms To Go, home improvement stores such as Lowe's and Home Depot, and locally-owned regional or independent retail specialty stores that sell home appliances, consumer electronics and furniture similar, and often identical, to those items 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 c urrent 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 endure economic downturns. As a result, our sales may decline if we cannot offer competitive prices to our customers or we may be required to accept lower profit margins. 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;
- entering the television market as the decreased size of flat-panel televisions allows new entrants to display and sell these product more easily;
- 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, sales 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 sales 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 or enhanced products, such as digital Blu-ray players and digital, high-definition televisions, will have a significant impact on our ability to increase sales. 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 or will be supplanted by alternative products and techn ologies that do not offer us a similar sales opportunity or are sold at lower price points or margins.

**If we fail to anticipate changes in consumer preferences, our sales will 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 home appliances, consumer electronics and furniture. If we fail to identify and respond to these changes, our sales of these products will decline. In addition, we often make commitments to purchase products from our vendors up to six months in advance of proposed delivery dates. Significant deviation from the projected demand for products that we sell may have a material adverse effect on our results of operations and financial condition, either from lost sales or lower margins due to the need to reduce prices to dispose of excess inventory.

**We may experience significant price pressures over the life cycle of our products from competing technologies and our competitors and we may not be able to maintain our historical gross margin levels.**

Prices for many of our products decrease over their life cycle. Such decreases often result in decreased gross profit margins for us. There is also substantial and continuing pressure from customers to reduce their total costs for products. Suppliers may also seek to reduce our margins on the sales of their products in order to increase their own profitability. The consumer electronics industry depends on new products to drive same store sales increases. Typically, these new products, such as high-definition and 3-D televisions, Blu-ray and DVD players, digital cameras, MP3 players and GPS devices are introduced at relatively high price points that are then gradually reduced as the product becomes mainstream. To sustain positive same store sales growth, unit sales must increase at a rate greater than the decline in product prices. The affordability of the product helps drive the unit sales growth. However, as a result of relatively short product life cycles in the consumer electronics industry, which limit the amount of time available for sales volume to increase, combined with rapid price erosion in the industry, retailers are challenged to maintain overall gross margin levels and positive same store sales. This has historically been our experience, and we continue to adjust our marketing strategies to address this challenge through the introduction of new product categories and new products within our existing categories. Gross margins realized on product sales fell from 24.2% in fiscal year 2008 to 19.5% in fiscal year 2010. If we fail to accurately anticipate the introduction of new technologies, we may possess significant amounts of obsolete inventory that can only be sold at substantially lower prices and profit margins than we anticipated. In addition, we may not be able to maintain our historical margin levels in the future due to increased sales of lower margin products such as personal electronics products and declines in average selling prices of key products. If sales of lower margin items continue to increase and replace sales of higher margin items or our consumer electronics products average selling prices decreases due to the maturity of their life cycle, our gross margin and overall gross profit levels will be adversely affected.

**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, Friedrich, Maytag, LG, Mitsubishi, Panasonic, Samsung, Sony, Toshiba, Bose, Canon, JVC, Serta, Spring Air, Ashley, Lane, Broyhill, Jackson Furniture, Franklin, Hewlett Packard, Compaq, Poulan, Husqvarna and Toro. We do not have long term supply agreements or exclusive arrangements with the majority of our vendors. We typically order our inventory and repair parts 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 relativ ely small number of suppliers. Our top five suppliers represented 51.7% of our purchases for fiscal 2010, and the top two suppliers represented approximately 23.3% of our total purchases. The loss of any one or more of these key vendors or failure to establish and maintain relationships with these and other vendors, and limitations on the availability of inventory or repair parts could have a material adverse effect on our results of operations and financial condition. If one of our vendors were to go out of business, it could have a material adverse effect on our results of operations and financial condition if such vendor is unable to fund amounts due to us, including payments due for returns of product and warranty claims.

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, 2010, we had $62.1 million in accounts payable and $99.1 million in merchandise inventories. A substantial change in credit terms from vendors or vendors' willingness to extend credit to us, including providing inventory under consignment arrangements, would reduce our ability to obtain the merchandise that we sell, which would have a material adverse effect on our sales and results of operations.

Our vendors also supply us with marketing funds and volume rebates. If our vendors fail to continue these incentives it 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 2010 and the first two quarters of fiscal 2011 was -4.6%, -5.2%, -9.3%, -31.7%, -19.7% and –6.4%, respectively, while same store sales growth for each of the quarters for fiscal 2009 was 1.0%, -1.4%, -5.8%, and 12.5%, respectively. A number of factors have historically affected, and will continue to affect, our comparable store sales results, including:

- changes in competition, such as pricing pressure, and the opening of new stores by competitors in our markets;
- 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;
- ability to offer credit programs attractive to our customers;
- the impact of any new stores on our existing stores, including potential decreases in existing stores' sales as a result of opening new stores;
- weather conditions in our markets;
- timing of promotional events;
- timing, location and participants of major sporting events;
- reduction in new store openings;
- the percentage of our stores that are mature stores;

- the locations of our stores and the traffic drawn to those areas:
- how often we update our stores; 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.

**We experience seasonal fluctuations in our sales and quarterly results.**

We typically experience seasonal fluctuations in our net sales and operating results, with the quarter ending January 31, which includes the holiday selling season, generally accounting for a larger share of our net sales and net income. We also incur significant additional expenses during such fiscal quarter due to higher purchase volumes and increased staffing. If we miscalculate the demand for our products generally or for our product mix during the fiscal quarter ending January 31, or if we experience adverse events, such as bad weather in our markets during our fourth fiscal quarter, our net sales could decline, resulting in excess inventory or increased sales discounts to sell excess inventory, which would harm our financial performance. A shortfall in expected net sales, combined with our significant additional expense s during this fiscal quarter, could cause a significant decline in our operating results and such sales may not be deferred to future periods.

**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. Because our customers finance through our credit segment a substantial portion of our sales, any adverse change in the regulation of consumer credit could adversely affect our total sales and gross margins. For example, new laws or regulations could limit the amount of interest or fees that may be charged on consumer credit accounts, including by reducing the maximum interest rate that can be charged in the states in which we operate, or restrict our ability to collect on account balances, which would have a material adverse effect on our cash flow and results of operations. Compliance with existing and future laws or regulations, including regulations that may be applicable to us under the Dodd-Frank Wall Street Reform and Consumer Protection Act, which is expected to be enacted into law in July 2010, 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 cash flow and results of operations.

**Pending litigation relating to the sale of credit insurance and the sale of repair service agreements in the retail industry could adversely affect our business.**

We understand that states' attorneys general and private plaintiffs have filed lawsuits against other retailers relating to improper practices conducted in connection with the sale of credit insurance in several jurisdictions around the country. We offer credit insurance in our stores on sales financed under our credit programs and require the customer to purchase property insurance from us or provide evidence from a third party insurance provider, at their election, in connection with sales of merchandise on installment credit; therefore, similar litigation could be brought against us. While we believe we are in full compliance with applicable laws and regulations, if we are found liable in any future lawsuit regarding credit insurance or repair service agreements, we could be required to pay substantial damages or incur substan tial costs as part of an out-of-court settlement or require us to modify or suspend certain operations any of which could have a material adverse effect on our results of operations. An adverse judgment or any negative publicity associated with our repair service agreements or any potential credit insurance litigation could also affect our reputation, which could have a negative impact on our cash flow and results of operations.

**Adverse or negative publicity, including the publicity related to the settlement of the lawsuit filed against us by the Texas Attorney General, could cause our business to suffer or result in copycat lawsuits.**

Any negative publicity associated with the settlement of the lawsuit filed against us by the Texas Attorney General or our repair service agreements or our product replacement agreements or any other negative publicity could adversely affect our reputation and negatively impact our sales and results of operations. On November 24, 2009, we settled litigation filed against us earlier in the year by the Texas Attorney General. The suit alleged that we engaged in deceptive trade practices in violation of the Texas Deceptive Trade Practices-Consumer Protection Act regarding our service maintenance and product replacement agreement business activities. The Attorney General alleged, among other things, that we failed to honor product maintenance and replacement agreements, misled customers about the nature of our product maintenance and replacement arrangements, and engaged in false advertising with respect to our product maintenance and replacement agreements. We denied those allegations in our answer to the suit and, under the terms of the settlement with the Texas Attorney General, we continue to deny any wrongdoing. However, the negative publicity associated with this settlement or our service maintenance and replacement program agreements could adversely affect our reputation and negatively impact our net sales.

**The Texas Attorney General's lawsuit and the resulting changes to our operations could materially adversely affect our results of operations and financial position.**

Under our settlement agreement with the Texas Attorney General relating to litigation filed against us in May of last year, we consented to certain changes made to the service agreements and replacement product plan agreements that we sell for a third party insurer and to strengthen the manner in which we market and service these programs. The impact of the changes in these programs is unknown and could materially and adversely affect our results of operations.

**Our corporate actions may be substantially controlled by our principal shareholders and affiliated entities.**

As of April 1, 2010, two of our stockholders and their affiliated entities beneficially owned approximately 23.35% and 25.66%, respectively, of our common stock and their interests may conflict with the will or interests of our other equityholders. While Stephens Inc. and its affiliates hold their 23.35% of our common stock through a voting trust that will vote the shares in the same proportion as votes cast by all other stockholders, this voting trust agreement will expire in 2013 and at such time Stephens Inc. and its affiliates will not be restricted on how it votes its shares. These stockholders, acting individually or as a group, could exert substantial influence over matters such as electing directors and approving mergers or other business combination transactions.

**If we lose key management or are unable to attract and retain the qualified sales and credit granting and collection 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 our key executives or the identification of suitable successors for them. 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, and we are unable to identify a suitable successor, 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. Additionally, if we are unable to attract and retain qualified credit granting and collecti on personnel, our ability to perform quality underwriting of new credit transactions and maintain workloads for our collections personnel at a manageable level, our operation could be adversely impacted and result in higher delinquency and net charge-offs on our credit portfolio. 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 and operating results could suffer.

**Our costs of doing business could increase as a result of changes in federal, state or local regulations.**

Changes in the federal, state or local minimum wage requirements or changes in other wage or workplace regulations could increase our cost of doing business. In addition, changes in federal, state or local regulations governing the sale of some of our products or tax regulations could increase our cost of doing business. Also, passage of the Employer Free Choice Act or similar laws in Congress could lead to higher labor costs by encouraging unionization efforts among our associates and disruption of store operations.

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

Our 76 stores are located exclusively in Texas, Louisiana and Oklahoma. This subjects us to regional risks, such as the economy, weather conditions, hurricanes and other natural or man-made disasters. If the region suffers a continued or another economic downturn or any other adverse regional event, there could be an adverse impact on our net sales and results of operations and our ability to implement our planned expansion program once we have adequate capital availability. Several of our competitors operate stores across the United States and thus are not as vulnerable to the risks of operating in one region. Additionally, these states in general, and the local economies where many of our stores are located in particular, are dependent, to a degree, on the oil and gas industries, which can be very volatile. Additionally, because of f ears of climate change and adverse effects of drilling explosions and oil spills in the Gulf of Mexico, legislation has been introduced or is being considered, and governmental emergency pronouncements, regulations and orders have been issued and are under consideration, including moratoriums on offshore drilling, which, combined with the local economic and employment conditions caused by both, could materially and adversely impact the oil and gas industries and the areas in which a majority of our stores are located in Texas and Louisiana. To the extent the oil and gas industries are negatively impacted by declining commodity prices, climate change or other legislation and other factors, we could be negatively impacted by reduced employment, or other negative economic factors that impact the local economies where we have our stores.

In addition, recent turmoil in the national economy, including instability in the financial markets, has impacted our local markets. In June 2010, the average unemployment rate in Texas, Louisiana and Oklahoma was 8.2%, 7.0% and 6.8%, respectively compared to 7.5%, 6.8% and 6.3% in 2009, respectively and 4.4%, 3.8% and 3.9% in 2008, respectively. The current recession or a further downturn in the general economy, or in the region where we have our stores, could have a negative impact on our net sales and results of operations.

**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, including processing of credit applications and management of collections. These systems and our operations are subject 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.

In addition, the software that we have developed to use in our daily operations may contain undetected errors that could cause our network to fail or our expenses to increase. Any failure of our systems 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 results of operations. Though we have implemented contingency and disaster recovery processes in the event of one or several technology failures, any unforeseen failure, interruption or compromise of our systems or our security measures could affect our flow of business and, if prolonged, could harm our reputation. The risk of possible failures or interruptions may not be adequately addressed by us or the third parties on which we rely, and such failures or interruptions coul d occur. The occurrence of any failures or interruptions could have a material adverse effect on our business, financial condition, liquidity and results of operations.

**If we are unable to maintain our insurance licenses in the states we operate, our results of operations would suffer.**

We derive a significant portion of our revenues and operating income from the commissions we earn from the sale of various insurance products of third-party insurers to our customers. These products include credit insurance, repair service agreements and product replacement policies. We also are the direct obligor on certain extended repair service agreements we offer to our customers. If for any reason we were unable to maintain our insurance licenses in the states we operate or if there are material claims or future material litigation involving our repair service agreements or product replacement policies, our results of operations would suffer.

**If we are unable to continue to offer third-party repair service agreements to our customers who purchase, or have purchased our products, we could incur additional costs or repair expenses, which would adversely affect our financial condition and results of operations.**

There are a limited number of insurance carriers that provide repair service agreement programs. If insurance becomes unavailable from our current providers for any reason, we may be unable to provide repair service agreements to our customers on the same terms, if at all. Even if we are able to obtain a substitute provider, higher premiums may be required, which 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 maintain the repair service agreement program could cause fluctuations in our repair expenses and greater volatility of earnings and could require us to become the obligor under new contracts sold.

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

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

**Changes in premium and commission rates allowed by regulators on the credit insurance, repair service agreements or product replacement agreements we sell as allowed by the laws and regulations in the states in which we operate could affect our revenues.**

We derive a significant portion of our revenues and operating income from the sale of various third-party insurance products to our customers. These products include credit insurance, repair service agreements and product replacement agreements. If the commission we retain from sales of those products declines, our operating results would suffer.

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

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

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

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

**Failure to protect the security of our customer's information could expose us to litigation, judgments for damages and undermine the trust placed with us by our customers.**

We capture, transmit, handle and store sensitive information, which involves certain inherent security risks. Such risks include, among other things, the interception of customer data and information by persons outside us or by our own employees. While we believe we have taken appropriate steps to protect confidential information, there can be no assurance that we can prevent the compromise of our customers' data or other confidential information. If such a breach should occur it could have a severe negative impact on our business and results of operations.

**Any changes in the tax laws of the states in which we operate could affect our state tax liabilities. Additionally, beginning operations in new states could also affect our state tax liabilities.**

As we experienced in fiscal year 2008 with the change in the Texas tax law, legislation could be introduced at any time that changes our state tax liabilities in a way that has an adverse impact on our results of operations. The Texas margin tax increased our effective rate from approximately 35.1%, before its introduction, to 37.1% in fiscal year 2009 and to 51.2% in fiscal year 2010. Our recent commencement of operations in Oklahoma and the potential to enter new states in the future could adversely affect our results of operations, dependent upon the tax laws in place in those states.

**Significant volatility in oil and gasoline prices could affect our customers' determination to drive to our stores, and cause us to raise our delivery charges.**

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

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None.

**Item 5. Other Information**

There have been no material changes to the procedures by which security holders may recommend nominees to our board of directors since we last provided disclosure in response to the requirements of Item 7(d)(2)(ii)(G) of Schedule 14A.

**Item 6. Exhibits**

The exhibits required to be furnished pursuant to Item 6 of Form 10-Q are listed in the Exhibit Index filed herewith, which Exhibit Index is incorporated herein by reference.

## SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

CONN'S, INC.

By: /s/ Michael J. Poppe

Michael J. Poppe
Executive Vice President and
Chief Financial Officer
*(Principal Financial Officer*
*and duly authorized to sign this*
*report on behalf of the registrant)*

Date: August 26, 2010

**INDEX TO EXHIBITS**

| Exhibit Number | Description |
|---|---|
| 2 | Agreement and Plan of Merger dated January 15, 2003, by and among Conn's, Inc., Conn Appliances, Inc. and Conn's Merger Sub, Inc. (incorporated herein by reference to Exhibit 2 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003). |
| 3.1 | Certificate of Incorporation of Conn's, Inc. (incorporated herein by reference to Exhibit 3.1 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003). |
| 3.1.1 | Certificate of Amendment to the Certificate of Incorporation of Conn’s, Inc. dated June 3, 2004 (incorporated herein by reference to Exhibit 3.1.1 to Conn’s, Inc. Form 10-Q for the quarterly period ended April 30, 2004 (File No. 000-50421) as filed with the Securities and Exchange Commission on June 7, 2004). |
| 3.2 | Amended and Restated Bylaws of Conn’s, Inc. effective as of June 3, 2008 (incorporated herein by reference to Exhibit 3.2.3 to Conn’s, Inc. Form 10-Q for the quarterly period ended April 30, 2008 (File No. 000-50421) as filed with the Securities and Exchange Commission on June 4, 2008). |
| 4.1 | Specimen of certificate for shares of Conn's, Inc.'s common stock (incorporated herein by reference to Exhibit 4.1 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on October 29, 2003). |
| 10.1 | Amended and Restated 2003 Incentive Stock Option Plan (incorporated herein by reference to Exhibit 10.1 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).[t] |
| 10.1.1 | Amendment to the Conn’s, Inc. Amended and Restated 2003 Incentive Stock Option Plan (incorporated herein by reference to Exhibit 10.1.1 to Conn’s Form 10-Q for the quarterly period ended April 30, 2004 (File No. 000-50421) as filed with the Securities and Exchange Commission on June 7, 2004).[t] |
| 10.1.2 | Form of Stock Option Agreement (incorporated herein by reference to Exhibit 10.1.2 to Conn’s, Inc. Form 10-K for the annual period ended January 31, 2005 (File No. 000-50421) as filed with the Securities and Exchange Commission on April 5, 2005).[t] |
| 10.2 | 2003 Non-Employee Director Stock Option Plan (incorporated herein by reference to Exhibit 10.2 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046)as filed with the Securities and Exchange Commission on September 23, 2003).[t] |
| 10.2.1 | Form of Stock Option Agreement (incorporated herein by reference to Exhibit 10.2.1 to Conn’s, Inc. Form 10-K for the annual period ended January 31, 2005 (File No. 000-50421) as filed with the Securities and Exchange Commission on April 5, 2005).[t] |
| 10.3 | Employee Stock Purchase Plan (incorporated herein by reference to Exhibit 10.3 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).t |
| 10.4 | Conn's 401(k) Retirement Savings Plan (incorporated herein by reference to Exhibit 10.4 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).t |

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| 10.5 | Shopping Center Lease Agreement dated May 3, 2000, by and between Beaumont Development Group, L.P., f/k/a Fiesta Mart, Inc., as Lessor, and CAI, L.P., as Lessee, for the property located at 3295 College Street, Suite A, Beaumont, Texas (incorporated herein by reference to Exhibit 10.5 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003). |
| 10.5.1 | First Amendment to Shopping Center Lease Agreement dated September 11, 2001, by and among Beaumont Development Group, L.P., f/k/a Fiesta Mart, Inc., as Lessor, and CAI, L.P., as Lessee, for the property located at 3295 College Street, Suite A, Beaumont, Texas (incorporated herein by reference to Exhibit 10.5.1 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003). |
| 10.6 | Industrial Real Estate Lease dated June 16, 2000, by and between American National Insurance Company, as Lessor, and CAI, L.P., as Lessee, for the property located at 8550-A Market Street, Houston, Texas (incorporated herein by reference to Exhibit 10.6 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003). |
| 10.6.1 | First Renewal of Lease dated November 24, 2004, by and between American National Insurance Company, as Lessor, and CAI, L.P., as Lessee, for the property located at 8550-A Market Street, Houston, Texas (incorporated herein by reference to Exhibit 10.6.1 to Conn’s, Inc. Form 10-K for the annual period ended January 31, 2005 (File No. 000-50421) as filed with the Securities and Exchange Commission on April 5, 2005). |
| 10.7 | Lease Agreement dated December 5, 2000, by and between Prologis Development Services, Inc., f/k/a The Northwestern Mutual Life Insurance Company, as Lessor, and CAI, L.P., as Lessee, for the property located at 4810 Eisenhauer Road, Suite 240, San Antonio, Texas (incorporated herein by reference to Exhibit 10.7 to Conn’s, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003). |
| 10.7.1 | Lease Amendment No. 1 dated November 2, 2001, by and between Prologis Development Services, Inc., f/k/a The Northwestern Mutual Life Insurance Company, as Lessor, and CAI, L.P., as Lessee, for the property located at 4810 Eisenhauer Road, Suite 240, San Antonio, Texas (incorporated herein by reference to Exhibit 10.7.1 to Conn’s, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003). |
| 10.8 | Lease Agreement dated June 24, 2005, by and between Cabot Properties, Inc. as Lessor, and CAI, L.P., as Lessee, for the property located at 1132 Valwood Parkway, Carrollton, Texas (incorporated herein by reference to Exhibit 99.1 to Conn’s, Inc. Current Report on Form 8-K (file no. 000-50421) as filed with the Securities and Exchange Commission on June 29, 2005). |
| 10.9 | Loan and Security Agreement dated August 14, 2008, by and among Conn’s, Inc. and the Borrowers thereunder, the Lenders party thereto, Bank of America, N.A, a national banking association, as Administrative Agent and Joint Book Runner for the Lenders, referred to as Agent, JPMorgan Chase Bank, National Association, as Syndication Agent and Joint Book Runner for the Lenders, and Capital One, N.A., as Co-Documentation Agent (incorporated herein by reference to Exhibit 99.1 to Conn’s Inc. Current Report on Form 8-K (File No. 000-50421) as filed with the Securities and Exchange Commission on August 20,2008). |
| 10.9.1 | Intercreditor Agreement dated August 14, 2008, by and among Bank of America, N.A., as the ABL Agent, Wells Fargo Bank, National Association, as Securitization Trustee, Conn Appliances, Inc. as the Initial Servicer, Conn Credit Corporation, Inc., as a borrower, Conn Credit I, L.P., as a borrower and Bank of America, N.A., as Collateral Agent (incorporated herein by reference to Exhibit 99.5 to Conn’s Inc. Current Report on Form 8-K (File No. 000-50421) as filed with the Securities and Exchange Commission on August 20,2008). |

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| 10.9.2 | First Amendment to Loan and Security Agreement dated August 14, 2008, by and among Conn's, Inc. and the Borrowers thereunder, the Lenders party thereto, Bank of America, N.A, a national banking association, as Administrative Agent and Joint Book Runner for the Lenders, referred to as Agent, JPMorgan Chase Bank, National Association, as Syndication Agent and Joint Book Runner for the Lenders, and Capital One, N.A., as Co-Documentation Agent (incorporated herein by reference to Exhibit 10.1 to Conn's Inc. Current Report on Form 8-K (File No. 000-50421) as filed with the Securities and Exchange Commission on February 12, 2010). |
| 10.9.3 | Second Amendment to Loan and Security Agreement dated August 14, 2008, by and among Conn's, Inc. and the Borrowers thereunder, the Lenders party thereto, Bank of America, N.A, a national banking association, as Administrative Agent and Joint Book Runner for the Lenders, referred to as Agent, JPMorgan Chase Bank, National Association, as Syndication Agent and Joint Book Runner for the Lenders, and Capital One, N.A., as Co-Documentation Agent (incorporated herein by reference to Exhibit 10.1 to Conn's Inc. Current Report on Form 8-K (File No. 000-50421) as filed with the Securities and Exchange Commission on March 4, 2010). |
| 10.10 | Receivables Purchase Agreement dated September 1, 2002, by and among Conn Funding II, L.P., as Purchaser, Conn Appliances, Inc. and CAI, L.P., collectively as Originator and Seller, and Conn Funding I, L.P., as Initial Seller (incorporated herein by reference to Exhibit 10.10 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003). |
| 10.10.1 | First Amendment to Receivables Purchase Agreement dated August 1, 2006, by and among Conn Funding II, L.P., as Purchaser, Conn Appliances, Inc. and CAI, L.P., collectively as Originator and Seller (incorporated herein by reference to Exhibit 10.10.1 to Conn's, Inc. Form 10-Q for the quarterly period ended October 31, 2006 (File No. 000-50421) as filed with the Securities and Exchange Commission on September 15, 2006). |
| 10.11 | Base Indenture dated September 1, 2002, by and between Conn Funding II, L.P., as Issuer, and Wells Fargo Bank Minnesota, National Association, as Trustee (incorporated herein by reference to Exhibit 10.11 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003). |
| 10.11.1 | First Supplemental Indenture dated October 29, 2004 by and between Conn Funding II, L.P., as Issuer, and Wells Fargo Bank, National Association, as Trustee (incorporated herein by reference to Exhibit 99.1 to Conn's, Inc. Current Report on Form 8-K (File No. 000-50421) as filed with the Securities and Exchange Commission on November 4, 2004). |
| 10.11.2 | Second Supplemental Indenture dated August 1, 2006 by and between Conn Funding II, L.P., as Issuer, and Wells Fargo Bank, National Association, as Trustee (incorporated herein by reference to Exhibit 99.1 to Conn's, Inc. Current Report on Form 8-K (File No. 000-50421) as filed with the Securities and Exchange Commission on August 23, 2006). |
| 10.11.3 | Fourth Supplemental Indenture dated August 14, 2008 by and between Conn Funding II, L.P., as Issuer, and Wells Fargo Bank, National Association, as Trustee (incorporated herein by reference to Exhibit 99.4 to Conn's, Inc. Current Report on Form 8-K (File No. 000-50421) as filed with the Securities and Exchange Commission on August 20, 2008). |
| 10.12 | Amended and Restated Series 2002-A Supplement dated September 10, 2007, by and between Conn Funding II, L.P., as Issuer, and Wells Fargo Bank, National Association, as Trustee (incorporated herein by reference to Exhibit 99.2 to Conn's, Inc. Current Report on Form 8-K (File No. 000-50421) as filed with the Securities and Exchange Commission on September 11, 2007). |
| 10.12.1 | Supplement No. 1 to Amended and Restated Series 2002-A Supplement dated August 14, 2008, by and between Conn Funding II, L.P., as Issuer, and Wells Fargo Bank, National Association, as Trustee (incorporated herein by reference to Exhibit 99.2 to Conn's, Inc. Current Report on Form 8-K (File No. 000-50421) as filed with the Securities and Exchange Commission on August 20, 2008). |
| 10.12.1.1 | Supplement No. 2 to Amended and Restated Series 2002-A Supplement dated August 14, 2008, by and between Conn Funding II, L.P., as Issuer, and Wells Fargo Bank, National Association, as Trustee (incorporated herein by reference to Exhibit 10.2 to Conn's, Inc. Current Report on Form 8-K (File No. 000-50421) as filed with the Securities and Exchange Commission on March 16, 2010). |

10.12.2 Amended and Restated Note Purchase Agreement dated September 10, 2007 by and between Conn Funding II, L.P., as Issuer, and Wells Fargo Bank, National Association, as Trustee (incorporated herein by reference to Exhibit 99.3 to Conn’s, Inc. Current Report on Form 8-K (File No. 000-50421) as filed with the Securities and Exchange Commission on September 11, 2007).

10.12.3 Second Amended and Restated Note Purchase Agreement dated August 14, 2008 by and between Conn Funding II, L.P., as Issuer, and Wells Fargo Bank, National Association, as Trustee (incorporated herein by reference to Exhibit 99.3 to Conn’s, Inc. Current Report on Form 8-K (File No. 000-50421) as filed with the Securities and Exchange Commission on August 20, 2008).

10.12.4 Amendment No. 1 to Second Amended and Restated Note Purchase Agreement dated August 28, 2008 by and between Conn Funding II, L.P., as Issuer, and Wells Fargo Bank, National Association, as Trustee (incorporated herein by reference to Exhibit 10.12.4 to Conn’s, Inc. Form 10-Q for the quarterly period ended October 31, 2008 (File No. 000-50421) as filed with the Securities and Exchange Commission on August 28, 2008).

10.12.5 Amendment No. 2 to Second Amended and Restated Note Purchase Agreement dated August 10, 2009 by and between Conn Funding II. L.P., as Issuer, and Wells Fargo Bank, National Association, as Trustee (incorporated herein by reference to Exhibit 10.14.1 to Conn’s, Inc. Form 10-Q for the quarterly period ended July 31, 2009 (File No. 000-50421) as filed with the Securities and Exchange Commission on August 27, 2009).

10.12.6 Amendment No. 3 to Second Amended and Restated Note Purchase Agreement dated August 10, 2009 by and between Conn Funding II. L.P., as Issuer, and Wells Fargo Bank, National Association, as Trustee (incorporated herein by reference to Exhibit 10.2 to Conn’s, Inc. Current Report on Form 8-K (File No. 000-50421) as filed with the Securities and Exchange Commission on February 12, 2010).

10.12.7 Amendment No. 4 to Second Amended and Restated Note Purchase Agreement dated August 10, 2009 by and between Conn Funding II. L.P., as Issuer, and Wells Fargo Bank, National Association, as Trustee (incorporated herein by reference to Exhibit 10.2 to Conn’s, Inc. Current Report on Form 8-K (File No. 000-50421) as filed with the Securities and Exchange Commission on March 4, 2010).

10.12.8 Amendment No. 5 to Second Amended and Restated Note Purchase Agreement dated August 10, 2009 by and between Conn Funding II. L.P., as Issuer, and Wells Fargo Bank, National Association, as Trustee (incorporated herein by reference to Exhibit 10.1 to Conn’s, Inc. Current Report on Form 8-K (File No. 000-50421) as filed with the Securities and Exchange Commission on March 12, 2010).

10.12.9 Amendment No. 6 to Second Amended and Restated Note Purchase Agreement dated August 10, 2009 by and between Conn Funding II. L.P., as Issuer, and Wells Fargo Bank, National Association, as Trustee (incorporated herein by reference to Exhibit 10.1 to Conn’s, Inc. Current Report on Form 8-K (File No. 000-50421) as filed with the Securities and Exchange Commission on March 16, 2010).

10.12.10 Amendment No. 7 to Second Amended and Restated Note Purchase Agreement dated August 9, 2010 by and among Conn Funding II. L.P., as Issuer, Conn Appliances, Inc., Three Pillars Funding, LLC, JPMorgan Chase Bank, N.A., Jupiter Securitization Company, LLC (as successor by merger to Park Avenue Receivables Company, LLC) and SunTrust Robinson Humphrey, Inc. (filed herewith).

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

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| 10.13.1 | First Amendment to Servicing Agreement dated June 24, 2005, by and among Conn Funding II, L.P., as Issuer, CAI, L.P., as Servicer, and Wells Fargo Bank, National Association, as Trustee (incorporated herein by reference to Exhibit 10.14.1 to Conn’s, Inc. Form 10-Q for the quarterly period ended October 31, 2005 (File No. 000-50421) as filed with the Securities and Exchange Commission on August 30, 2005). |
| 10.13.2 | Second Amendment to Servicing Agreement dated November 28, 2005, by and among Conn Funding II, L.P., as Issuer, CAI, L.P., as Servicer, and Wells Fargo Bank, National Association, as Trustee (incorporated herein by reference to Exhibit 10.14.2 to Conn’s, Inc. Form 10-Q for the quarterly period ended October 31, 2005 (File No. 000-50421) as filed with the Securities and Exchange Commission on December 1, 2005). |
| 10.13.3 | Third Amendment to Servicing Agreement dated May 16, 2006, by and among Conn Funding II, L.P., as Issuer, CAI, L.P., as Servicer, and Wells Fargo Bank, National Association, as Trustee (incorporated herein by reference to Exhibit 10.14.3 to Conn’s, Inc. Form 10-Q for the quarterly period ended October 31, 2006 (File No. 000-50421) as filed with the Securities and Exchange Commission on September 15, 2006). |
| 10.13.4 | Fourth Amendment to Servicing Agreement dated August 1, 2006, by and among Conn Funding II, L.P., as Issuer, CAI, L.P., as Servicer, and Wells Fargo Bank, National Association, as Trustee (incorporated herein by reference to Exhibit 10.14.4 to Conn’s, Inc. Form 10-Q for the quarterly period ended October 31, 2006 (File No. 000-50421) as filed with the Securities and Exchange Commission on September 15, 2006). |
| 10.14 | Form of Executive Employment Agreement (incorporated herein by reference to Exhibit 10.15 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on October 29, 2003).[†] |
| 10.14.1 | First Amendment to Executive Employment Agreement between Conn’s, Inc. and Thomas J. Frank, Sr., Approved by the stockholders May 26, 2005 (incorporated herein by reference to Exhibit 10.15.1 to Conn’s, Inc. Form 10-Q for the quarterly period ended October 31, 2005 (file No. 000-50421) as filed with the Securities and Exchange Commission on August 30, 2005).[†] |
| 10.14.2 | Executive Retirement Agreement between Conn’s, Inc. and Thomas J. Frank, Sr., approved by the Board of Directors June 2, 2009 (incorporated herein by reference to Exhibit 10.14.2 to Conn’s, Inc. Form 10-Q for the quarterly period ended April 30, 2009 (file No. 000-50421) as filed with the Securities and Exchange Commission on June 4, 2009).[†]. |
| 10.14.3 | Non-Executive Employment Agreement between Conn’s, Inc. and Thomas J. Frank, Sr., approved by the Board of Directors June 19, 2009 (incorporated herein by reference to Exhibit 10.14.1 to Conn’s, Inc. Form 10-Q for the quarterly period ended July 31, 2009 (File No. 000-50421) as filed with the Securities and Exchange Commission on August 27, 2009).[†] |
| 10.15 | Form of Indemnification Agreement (incorporated herein by reference to Exhibit 10.16 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).[†] |
| 10.16 | Description of Compensation Payable to Non-Employee Directors (incorporated herein by reference to Form 8-K (file no. 000-50421) filed with the Securities and Exchange Commission on June 2, 2005).[†] |
| 10.17 | Dealer Agreement between Conn Appliances, Inc. and Voyager Service Programs, Inc. effective as of January 1, 1998 (incorporated herein by reference to Exhibit 10.19 to Conn’s, Inc. Form 10-K for the annual period ended January 31, 2006 (File No. 000-50421) as filed with the Securities and Exchange Commission on March 30, 2006). |

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| 10.17.1 | Amendment #1 to Dealer Agreement by and among Conn Appliances, Inc., CAI, L.P., Federal Warranty Service Corporation and Voyager Service Programs, Inc. effective as of July 1, 2005 (incorporated herein by reference to Exhibit 10.19.1 to Conn's, Inc. Form 10-K for the annual period ended January 31, 2006 (File No. 000-50421) as filed with the Securities and Exchange Commission on March 30, 2006). |
| 10.17.2 | Amendment #2 to Dealer Agreement by and among Conn Appliances, Inc., CAI, L.P., Federal Warranty Service Corporation and Voyager Service Programs, Inc. effective as of July 1, 2005 (incorporated herein by reference to Exhibit 10.19.2 to Conn's, Inc. Form 10-K for the annual period ended January 31, 2006 (File No. 000-50421) as filed with the Securities and Exchange Commission on March 30, 2006). |
| 10.17.3 | Amendment #3 to Dealer Agreement by and among Conn Appliances, Inc., CAI, L.P., Federal Warranty Service Corporation and Voyager Service Programs, Inc. effective as of July 1, 2005 (incorporated herein by reference to Exhibit 10.19.3 to Conn's, Inc. Form 10-K for the annual period ended January 31, 2006 (File No. 000-50421) as filed with the Securities and Exchange Commission on March 30, 2006). |
| 10.17.4 | Amendment #4 to Dealer Agreement by and among Conn Appliances, Inc., CAI, L.P., Federal Warranty Service Corporation and Voyager Service Programs, Inc. effective as of July 1, 2005 (incorporated herein by reference to Exhibit 10.19.4 to Conn's, Inc. Form 10-K for the annual period ended January 31, 2006 (File No. 000-50421) as filed with the Securities and Exchange Commission on March 30, 2006). |
| 10.17.5 | Amendment #5 to Dealer Agreement by and among Conn Appliances, Inc., CAI, L.P., Federal Warranty Service Corporation and Voyager Service Programs, Inc. effective as of April 7, 2007 (incorporated herein by reference to Exhibit 10.18.5 to Conn's, Inc. Form 10-Q for the quarterly period ended October 31, 2007 (File No. 000-50421) as filed with the Securities and Exchange Commission on August 30, 2007). |
| 10.18 | Service Expense Reimbursement Agreement between Affiliates Insurance Agency, Inc. and American Bankers Life Assurance Company of Florida, American Bankers Insurance Company Ranchers & Farmers County Mutual Insurance Company, Voyager Life Insurance Company and Voyager Property and Casualty Insurance Company effective July 1, 1998 (incorporated herein by reference to Exhibit 10.20 to Conn's, Inc. Form 10-K for the annual period ended January 31, 2006 (File No. 000-50421) as filed with the Securities and Exchange Commission on March 30, 2006). |
| 10.18.1 | First Amendment to Service Expense Reimbursement Agreement by and among CAI, L.P., Affiliates Insurance Agency, Inc., American Bankers Life Assurance Company of Florida, Voyager Property & Casualty Insurance Company, American Bankers Life Assurance Company of Florida, American Bankers Insurance Company of Florida and American Bankers General Agency, Inc. effective July 1, 2005 (incorporated herein by reference to Exhibit 10.20.1 to Conn's, Inc. Form 10-K for the annual period ended January 31, 2006 (File No. 000-50421) as filed with the Securities and Exchange Commission on March 30, 2006). |
| 10.18.2 | Seventh Amendment to Service Expense Reimbursement Agreement by and among Conn Appliances, Inc., American Bankers Life Assurance Company of Florida, American Bankers Insurance Company of Florida, American Reliable Insurance Company and Reliable Lloyds Insurance Company effective May 1, 2009 (incorporated herein by reference to Exhibit 10.14.1 to Conn's, Inc. Form 10-Q for the quarterly period ended July 31, 2009 (File No. 000-50421) as filed with the Securities and Exchange Commission on August 27, 2009). |
| 10.19 | Service Expense Reimbursement Agreement between CAI Credit Insurance Agency, Inc. and American Bankers Life Assurance Company of Florida, American Bankers Insurance Company Ranchers & Farmers County Mutual Insurance Company, Voyager Life Insurance Company and Voyager Property and Casualty Insurance Company effective July 1, 1998 (incorporated herein by reference to Exhibit 10.21 to Conn's, Inc. Form 10-K for the annual period ended January 31, 2006 (File No. 000-50421) as filed with the Securities and Exchange Commission on March 30, 2006). |

10.19.1 First Amendment to Service Expense Reimbursement Agreement by and among CAI Credit Insurance Agency, Inc., American Bankers Life Assurance Company of Florida, Voyager Property & Casualty Insurance Company, American Bankers Life Assurance Company of Florida, American Bankers Insurance Company of Florida, American Reliable Insurance Company, and American Bankers General Agency, Inc. effective July 1, 2005 (incorporated herein by reference to Exhibit 10.21.1 to Conn's, Inc. Form 10-K for the annual period ended January 31, 2006 (File No. 000-50421) as filed with the Securities and Exchange Commission on March 30, 2006).

10.19.2 Fourth Amendment to Service Expense Reimbursement Agreement by and among CAI Credit Insurance Agency, Inc., American Bankers Life Assurance Company of Florida, American Bankers Insurance Company of Florida and American Reliable Insurance Company effective May 1, 2009 (incorporated herein by reference to Exhibit 10.14.1 to Conn's, Inc. Form 10-Q for the quarterly period ended July 31, 2009 (File No. 000-50421) as filed with the Securities and Exchange Commission on August 27, 2009).

10.20 Consolidated Addendum and Amendment to Service Expense Reimbursement Agreements by and among Certain Member Companies of Assurant Solutions, CAI Credit Insurance Agency, Inc. and Affiliates Insurance Agency, Inc. effective April 1, 2004 (incorporated herein by reference to Exhibit 10.22 to Conn's, Inc. Form 10-K for the annual period ended January 31, 2006 (File No. 000-50421) as filed with the Securities and Exchange Commission on March 30, 2006).

10.21 Series 2006-A Supplement to Base Indenture, dated August 1, 2006, by and between Conn Funding II, L.P., as Issuer, and Wells Fargo Bank, National Association, as Trustee (incorporated herein by reference to Exhibit 10.23 to Conn's, Inc. Form 10-Q for the quarterly period ended October 31, 2006 (File No. 000-50421) as filed with the Securities and Exchange Commission on September 15, 2006).

10.22 Retailer Program agreement by and between GE Money bank and Conn Appliances, Inc. effective April 16, 2009 (filed herewith).

10.23 Agreement by and between Conn Appliances, Inc. and The Rental Store, Inc. effective July 1, 2010 (filed herewith).

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

12.1 Statement of computation of Ratio of Earnings to Fixed Charges (filed herewith).

21 Subsidiaries of Conn's, Inc. (filed herewith).

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

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

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

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

99.2 Subcertification by President – Retail Division in support of Rule 13a-14(a)/15d-14(a) Certification (Chief Executive Officer) (filed herewith).

99.3 Subcertification by President – Credit Division in support of Rule 13a-14(a)/15d-14(a) Certification (Chief Executive Officer) (filed herewith).

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

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| 99.5 | Subcertification by Secretary in support of Rule 13a-14(a)/15d-14(a) Certification (Chief Financial Officer) (filed herewith). |
| 99.6 | Subcertification of Chairman of the Board, Chief Operating Officer, Treasurer and Secretary in support of Section 1350 Certifications (Chief Executive Officer and Chief Financial Officer) (furnished herewith). |
| t | Management contract or compensatory plan or arrangement. |

AMENDMENT NO. 7 TO SECOND AMENDED AND RESTATED
NOTE PURCHASE AGREEMENT

This AMENDMENT NO. 7 TO SECOND AMENDED AND RESTATED NOTE PURCHASE AGREEMENT, dated as of August 9, 2010 (this "*Amendment*") is made among CONN FUNDING II, L.P. (the "*Issuer*"), CONN APPLIANCES, INC. ("*Conn Appliances*"), THREE PILLARS FUNDING LLC (f/k/a Three Pillars Funding Corporation), JPMORGAN CHASE BANK, N.A., JUPITER SECURITIZATION COMPANY LLC (as successor by merger to Park Avenue Receivables Company, LLC) and SUNTRUST ROBINSON HUMPHREY, INC. Capitalized terms used and not otherwise defined in this Amendment are used as defined in that certain Base Indenture, dated as of September 1, 2002, as amended from time to tim e, between the Issuer and the Wells Fargo Bank, National Association (as successor to Wells Fargo Bank Minnesota, National Association), as Trustee (the "*Trustee*") or, if not defined therein, in that certain Amended and Restated Series 2002-A Supplement, dated as of September 10, 2007, as amended from time to time, between the Issuer and the Trustee.

*Background*

A. The parties hereto have entered into the Second Amended and Restated Note Purchase Agreement, dated as of August 14, 2008, among the parties hereto (as amended, supplemented or otherwise modified through the date hereof, the "*Note Purchase Agreement*") to finance the purchase of Receivables by the Issuer from Conn Appliances.

B. The parties hereto wish to amend the Note Purchase Agreement.

C. The parties hereto are willing to agree to such an amendment, all as set out in this Amendment.

*Agreement*

1. *Amendments to the Note Purchase Agreement*.

(a) The definition of "Tranche B Purchase Expiration Date" set forth in Section 1.1 of the Note Purchase Agreement is hereby amended by deleting the date "August 9, 2010" where it appears therein and substituting the date "August 8, 2011" therefor.

(b) Section 10.5 of the Note Purchase Agreement is hereby amended and restated in its entirety as follows:

SECTION 10.5 Confidentiality. Unless otherwise consented to by the Administrator and the Funding Agent, each of the Issuer and the Seller hereby agrees that it will not disclose the contents of any Transaction Document, or any other confidential or proprietary information furnished by the Administrator, the Funding Agent, the Committed Purchaser or any Conduit Purchaser to any Person other than its Affiliates (which Affiliates shall have executed an agreement satisfactory in form and in substance to the Administrator and the Funding Agent to be bound by this Section 10.5) auditors and attorneys or as required by applicable la w. Each of the Administrator, the Funding Agent, the Committed Purchaser and each Conduit Purchaser hereby agrees to maintain the confidentiality of the contents of any confidential or proprietary information furnished by the Seller, the Servicer or the Seller, except that any such information may be disclosed (a) to its and its respective Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such information and instructed to keep such information confidential), (b) to the extent requested by any regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Note Purchase Agreement, (e) to the extent necessary to exercise any remedies hereunder or any suit, action or proceeding relating to this Note Purchase Agreement or the enforc ement of rights hereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section 10.5, to any assignee of or participant in, or any prospective assignee of or participant in, any of its rights or obligations under this Note Purchase Agreement, (g) by the Administrator, the Funding Agent, the Committed Purchaser or any Conduit Purchaser to any rating agency, provider of credit enhancement or liquidity to any Conduit Purchaser or any Person providing financing to, or holding equity interests in, any Conduit Purchaser, and to any officers, directors, employees, outside accountants and attorneys of any of the foregoing, (h) by the Committed Purchaser, any Conduit Purchaser, the Administrator or the Funding Agent, to a nationally recognized statistical rating organization in compliance with Rule 17g-5 under the Securities Exchange Act of 1934 (or to any other rating agency in compliance with any similar rule or regulation in any relevant jurisdiction), (i) with the consent of the Seller, the Issuer or Servicer, as applicable, or (j) to the extent such information (A) becomes publicly available other than as a result of a breach of this Section 10.5 or (B) becomes available to the Administrator, the Funding Agent, the Committed Purchaser or any Conduit Purchaser on a nonconfidential basis from a source other than the Seller, the Issuer or the Servicer or any of its respective Affiliates; provided, however, that the Administrator, the Funding Agent, the Committed Purchaser and each Conduit Purchaser may disclose the contents of any Transaction Document (other than any Fee Letter) to any Person. Any Person required to maintain the confidentiality of any information as provided in this Section 10.5 shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such confidential information as such Person would accord to its own confidential information.

(c) All references in the Note Purchase Agreement to "Park Avenue Receivables Company, LLC" are hereby deleted where they appear therein and "Jupiter Securitization Company, LLC" is substituted therefor.

(d) All references in the Note Purchase Agreement to "PARCO" are hereby deleted where they appear therein and "Jupiter" is substituted therefor.

2. *Representations and Warranties; No Default.* (a) Each of the Issuer and Conn Appliances, as Seller and as Servicer, hereby represents and warrants that, after giving effect to this Amendment:

(i) no event or condition has occurred and is continuing which would constitute a Event of Default, Pay Out Event, Servicer Default or Block Event; and

(ii) its representations and warranties set forth in the Note Purchase Agreement (as amended hereby) and the other Transaction Documents are true and correct as of the date hereof, as though made on and as of such date (except to the extent such representations and warranties relate solely to an earlier date and then as of such earlier date), and such representations and warranties shall continue to be true and correct (to such extent) after giving effect to the transactions contemplated hereby.

(b) The Administrator, on behalf of Three Pillars, and the Funding Agent, on behalf of Jupiter and the Committed Purchaser, hereby represent and warrant that together they own 100% of the Notes.

3. *Effectiveness; Binding Effect; Ratification*. This Amendment shall become effective, as of the date first set forth above upon receipt by the Administrator of (i) executed counterparts hereof from each of the parties hereto and (ii) such other opinions, agreements, instruments and other documents as the Administrator or the Funding Agent may reasonably request, and thereafter this Amendment shall be binding on the parties hereto and their respective successors and assigns.

(a) On and after the execution and delivery hereof, this Amendment shall be a part of the Note Purchase Agreement and each reference in the Note Purchase Agreement to "this Note Purchase Agreement" or "hereof", "hereunder" or words of like import, and each reference in any other Transaction Document to the Note Purchase Agreement shall mean and be a reference to such Note Purchase Agreement as amended hereby.

(b) Except as expressly amended hereby, the Note Purchase Agreement shall remain in full force and effect and is hereby ratified and confirmed by the parties hereto.

4. *Waivers.*

(a) *The parties hereto hereby waive (i) the requirement that the Administrator and Funding Agent provide a written response to the Issuer's request to extend the Purchase Expiration Date within 45 days after their receipt of such request solely with respect to the extension request from the Issuer dated May 17, 2010 (the "Extension Request Letter") and (ii)* the requirements of Section 2.4 of the Note Purchase Agreement requiring that documentation extending the Tranche B Purchase Expiration Dat e be entered into three Business Days prior to the occurrence thereof.

(b) The Issuer hereby revokes its instruction set forth in its letter dated August 3, 2010 that Three Pillars and the Committed Purchaser establish Term Accounts and make their respective Term Deposits into such Term Accounts on August 9, 2010.

5. *Miscellaneous*. (a) THIS AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICTS OF LAW PROVISIONS (OTHER THAN SECTIONS 5-1401 AND 5-1402 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 AMENDMENT 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 HEREBY WAIVES ANY OBJECTION BASED ON *FORUM NON CONVENIENS* AND ANY OBJECTION TO VEN UE 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.

(b) All reasonable costs and expenses incurred by the Conduit Purchasers, the Administrator, the Funding Agent and the Committed Purchaser in connection with this Amendment and all other instruments, opinions, documents, certificates, notices and agreements executed in connection therewith (including reasonable attorneys' costs) shall be paid by the Issuer.

(c) Headings used herein are for convenience of reference only and shall not affect the meaning of this Amendment.

(d) This Amendment may be executed in any number of counterparts, and by the parties hereto on separate counterparts, each of which shall be an original and all of which taken together shall constitute one and the same agreement.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date 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: Treasurer

CONN APPLIANCES, INC., as Seller and as Servicer

By: /s/ Michael J. Poppe
Name: Michael J. Poppe
Title: CFO and Executive Vice President

THREE PILLARS FUNDING LLC,
as a Conduit Purchaser

By: /s/ Doris J. Hearn
Name: Doris J. Hearn
Title: Vice-President

SUNTRUST ROBINSON HUMPHREY, INC.,
as Administrator

By: /s/ Joseph R. Franke
Name: Joseph R. Franke
Title: Director

JPMORGAN CHASE BANK, N.A., as Committed Purchaser and Funding Agent

By: /s/ Benita Volid
Name: Benita Volid
Title: Vice-President

JUPITER SECURITIZATION COMPANY LLC, as a Conduit Purchaser

By: JPMorgan Chase Bank, N.A.,
its attorney-in-fact

By: /s/ Benita Volid
Name: Benita Volid
Title: Vice President

**RETAILER PROGRAM AGREEMENT**
***CONN APPLIANCES, INC.***

THIS RETAILER PROGRAM AGREEMENT (the "Agreement") is made as of April 16, 2009 (the "Effective Date") by and between GE MONEY BANK, a federal savings bank located at 4246 South Riverboat Road, Suite 200, Salt Lake City, UT 84123-2551 ("Bank"), and Conn Appliances, Inc., a Texas corporation located at 3295 College Avenue, Beaumont Texas 77701 ("Retailer").

A. Bank is willing to provide an open-end credit program to qualified customers of Retailer on the terms set forth in this Agreement (the "Program").

B. Under the Program, (i) customers may finance the purchase of goods and services provided by Retailer and (ii) Retailer will accept credit cards issued under the Program ("Cards") and will process applications and credit transactions for credit accounts established by Bank ("Accounts").

NOW, THEREFORE, in consideration of the following terms and conditions and for good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, Bank and Retailer agree as follows:

**1. Bank's Obligations.** Bank's obligations include the following:

(a) Establish and administer the Program in accordance with all applicable laws and the terms and conditions of this Agreement;

(b) Provide a point-of-sale process for Retailer to use to enter customer applications and Card transactions for authorization and processing;

(c) Provide to Retailer a guide or manual which shall set forth instructions on how to submit and process transactions, as well as other relevant Program information (the "Operating Procedures");

(d) Provide to Retailer the approved forms of credit disclosures (credit applications, terms, privacy policies) and updates as they are published; and

(e) Contact Retailer in the event of any dispute requiring support from Retailer to resolve, which is made by an individual who has an Account under the Program ("Accountholder").

(f) Provide training for Retailer and its sales associates to assist in the understanding and implementation of subparagraph 1 (a) through (d);

**2. Retailer's Obligations.** Retailer's obligations include the following:

(a) Honor the Card as a method of payment for purchases and display point-of-sale signage relating to the Program which is distributed or approved by Bank;

(b) Promote, accept and process credit applications for Accounts from certain of its customers for certain promotions and only for personal, family or household purposes, in accordance with this Agreement and the Operating Procedures (e.g., ensure that requested fields are completed, verify identification, provide required terms and disclosures, etc.), without discrimination of any kind;

(c) Process only bona fide charges and credits and transmit them to Bank in the required format, as set forth in the Operating Procedures;

(d) Ensure that all information, about the Program (other than Bank's printed terms), and all Program advertising conducted by Retailer, provided or directed to prospective applicants, customers and Accountholders is complete, accurate and legally compliant, and refer prospective applicants and customers to the printed Program terms for detailed information;

(e) Only use documents and forms in connection with the Program that were provided to Retailer, or approved in writing, by Bank (and only the latest version of such documents) and refrain from modifying any such approved documents or forms without Bank's prior written consent;

(f) Cooperate in the resolution of any Accountholder disputes; respond within ten (10) days to any dispute forwarded to Retailer from Bank, and; forward to Bank promptly after receipt by Retailer copies of any communication relating to an Account received from any person;

(g) Obtain an authorization code from Bank on all transactions prior to submission, and call Bank's voice authorization facility prior to completion of a transaction in any case involving suspicious or unusual circumstances, including those in which the signature on the sales slip does not match the signature on the Card;

(h) Maintain fair and legally compliant return and exchange policies, and ensure that any material restriction or limitation is clearly and conspicuously disclosed to customers;

(i) Comply in all respects at all times with applicable laws, the terms of this Agreement, the Operating Procedures (as such Operating Procedures may be modified or updated from time to time by Bank), and other bulletins provided to Retailer by Bank from time to time;

(j) Train its personnel sufficiently, and provide time and space for Bank to conduct training of Retailer personnel, so as to be able to properly fulfill its responsibilities under the Program;

(k) Deliver all goods and/or services covered by any charge processed under Section 3 prior to the time Retailer submits the applicable Charge Transaction Data to Bank for settlement under such Section; and

(l) Retailer shall (i) develop and implement during each Program Year (as defined below) multiple credit promotions (the Retailer Fee Percentages for which are set forth on Schedule 5(a)) to finance such products as Retailer may from time to time select, and (ii) actively promote the use of such credit promotions in connection with such products. As use in this Agreement, "Program Year" means the twelve-month period between anniversaries of the Effective Date, with the first such period beginning on the Effective Date.

**3. Settlement Process/Payment for Charges.**

(a) As part of Retailer's obligations to Bank in connection with the Program, Retailer agrees to transmit to Bank, promptly, but in any event, no longer than five (5) days after the transaction date, complete information about all charges and credits to Accounts ("Charge Transaction Data") occurring since the immediately previous transmission, as provided in the Operating Procedures. Upon receipt of the Charge Transaction Data, and provided Retailer is not in default under this Agreement, Bank will deposit to a bank account designated by Retailer the total amount of all charges reflected in such Charge Transaction Data, less the total of (i) any credits reflected in such Charge Transaction Data, (ii) any amounts being charged back to Retailer, (iii) any Retailer Fees (and/or corrections to any such fees based on erroneous information submitted by Retailer), and (iv) at Bank's option, any other amounts which may be owed by Retailer to Bank. If at any time, the amount Bank owes Retailer is less than the amount Retailer owes Bank (without regard to any Reserve Account established pursuant to Section 3(b) hereof), Retailer agrees to pay Bank the net difference. Retailer hereby authorizes Bank to initiate ACH credits and debits to Retailer's designated bank account for purposes of settling transactions hereunder, and making necessary adjustments and initiating payments due to Bank from Retailer hereunder.

(b) If Retailer breaches this Agreement or if Bank experiences an Excessive (as defined below) number of disputes and/or chargebacks, returns or credits relating to charges submitted by Retailer (based on Bank's experience with Retailer and/or other retailers) during any calendar month (each such month, a "Trigger Month"), then Bank may withhold from the settlement payments otherwise due Retailer an amount Bank deems necessary to fund a non-interest bearing reserve account (the "Reserve Account"), but in no event shall such amount exceed the product of (i) Net Program S ales for the ninety (90) day period ending as of the end of the Trigger Month *multiplied by* (ii) a percentage, the numerator of which is the aggregate amount of credits, charge backs and disputes during the Trigger Month and the denominator of which is Net Program Sales during the Trigger Month. Bank shall be the sole owner of the Reserve Account (if any), and may (but need not) debit the Reserve Account from time to time to satisfy any amounts owed by Retailer to Bank. However, Bank will return to Retailer any amounts remaining in the Reserve Account no later than one year after termination of Retailer's participation in the Program (the "Final Liquidation Date"). For purposes of this Section, "Excessive" shall mean, with respect to any period, that the aggregat e amount at issue in connection with all credits, charge backs and disputes for such period exceeds three percent (3.00%) of Net Program Sales (as defined in Schedule 9(j)(B) hereto) for such period.

(c) Retailer will not process any charge for more than the sale price of the goods or services (including taxes) or impose any surcharge on transactions made under the Program, and will not require the Accountholder to pay any part of any charge assessed by Bank to Retailer, whether through any increase in price or otherwise, or to pay any contemporaneous finance charge in connection with the transaction charged to an Account. Additionally, Retailer will not accept any payments from an Accountholder for charges billed on an Account, and will instead refer the Accountholder to Bank's payment address. If for any reason, Retailer inadvertently receives an Accountholder payment, Retailer will hold such payment in trust for Bank and will immediately forward such payment to Bank for processing. Additionally, Retailer hereby grants Bank a limited power of attorney to cash and retain for its own account any Accountholder payments on Accounts which are erroneously made out to Retailer.

**4. Bank to Extend Credit.**

(a) Accountholder Terms. Bank, in its discretion, may establish and modify, from time to time, (i) the ordinary finance charge rates applicable to credit extended to Accountholders, and (ii) all other terms upon which credit will be extended to Accountholders, including without limitation, repayment terms, default finance charges, late fees, overlimit charges, returned check charges, and other ordinary fees and charges.

(b) Credit Review Point. Bank shall provide an internal credit allocation for the Program in the amount of the Credit Review Point. Bank shall not be obligated to make any extension of credit under the Program if, after such extension, the aggregate indebtedness for all Accounts would exceed the Credit Review Point then in effect. If, at any time during the term of this Agreement, the aggregate indebtedness with respect to all Accounts equals or exceeds eighty percent (80%) of the Credit Review Point then in effect ("CRP Threshold Date"), Bank will (i) promptly notify Retailer, (ii) review the Program and the Credit Review Point, and (iii) either increase the then existing Credit Review Point or leave such Credit Review Point at its existing level. Bank will select one of the foregoing options in clause (iii) within 90 days after such CRP Threshold Date, and will give Retailer written notice of such election, including, in the case of an election to increase the Credit Review Point, the amount of such increase. If at any time Bank notifies Retailer of its election not to increase the then applicable Credit Review Point pursuant to this Section, Retailer shall have the termination rights set forth in Section 15(b)(iii). For the purposes of this Agreement, "Credit Review Point" means Seventy-Five Million Dollars ($75,000,000) or such other higher amount as Bank, in its discretion, may from time to time specify to Retailer in writing.

**5. Credit-Based Promotions; Retailer Fees.**

(a) Bank initially will make available under the Program those credit-based promotions and corresponding "Retailer Fee Percentages" described on the attached Schedule 5(a).

(b) In connection with all credit-based promotions and non-promotional credit offers, Retailer agrees to pay to Bank the Retailer Fees applicable to each submission to Bank of Charge Transaction Data.

(c) At the end of each six (6) month period during the Term (the first such period beginning on the Effective Date), Bank may, after notice to Retailer and subject to the provisions of Section 15(b)(xi), adjust the Retailer Fee Percentages and, for any credit-based promotion, terminate such promotion or adjust the Retailer Fee Percentage applicable thereto.

(d) If Bank and Retailer agree to offer any additional credit-based promotions not included on Schedule 5(a), Bank will establish in writing, with acknowledgment by Retailer, the Retailer Fee Percentage applicable to the calculation of the Retailer Fee payable by Retailer for qualifying purchases, as well as such other terms and conditions as the parties shall agree. Bank's approval of any billing and credit terms for any promotion is not intended to be and will not be construed to be an approval of any materials used in advertising or soliciting participation in such promotion.

(e) Without limiting Bank's right to adjust Retailer Fee Percentages as set forth in Section 5(c) of the Agreement, during the Term, Bank shall adjust the Retailer Fee Percentages to reflect changes in its cost of funds as follows:

(i) As of the end of the first full calendar quarter following the Effective Date, and as of the end of each calendar quarter thereafter, Bank may adjust the Retailer Fee Percentage for each credit-based promotion then offered to Cardholders by Bank if a LIBOR Rate Trigger Movement has occurred since the last adjustment to the applicable Retailer Fee Percentage. The then-current Retailer Fee Percentage would be adjusted (up or down) by:

(A) in the case of a Retailer Fee Percentage applicable to a "with pay" (and/or "no pay", if applicable) credit based promotion of less than twelve (12) months in duration, 0.020% (2 basis points) for every 0.25% (25 basis points) movement in the Twelve Month LIBOR above or below the Base Twelve Month LIBOR, *multiplied by*, the number of months in such credit based promotion;

(B) in the case of a Retailer Fee Percentage applicable to a "with pay" (and/or "no pay", if applicable) credit based promotion of twelve (12) months or more in duration, 0.014% (1.4 basis points) for every 0.25% (25 basis points) movement in the Twelve Month LIBOR above or below the Base Twelve Month LIBOR, *multiplied by*, the number of months in such credit based promotion;

(C) in the case of a Retailer Fee Percentage applicable to an "equal pay" credit based promotion of less than thirty-six (36) months in duration, 0.008% (0.8 basis points) for every 0.25% (25 basis points) movement in the Twelve Month LIBOR above or below the Base Twelve Month LIBOR, *multiplied by*, the number of months in such credit-based promotion

(D) in the case of a Retailer Fee Percentage applicable to an "equal pay" credit based promotion of thirty-six (36) months or more in duration, 0.006% (0.6 basis points) for every 0.25% (25 basis points) movement in the Twelve Month LIBOR above or below the Base Twelve Month LIBOR, *multiplied by*, the number of months in such credit-based promotion

(ii) For purposes of effecting the above calculation, Bank shall establish the Twelve Month LIBOR for any quarter (the "COF Quarter") as of the last business day of the calendar quarter immediately preceding the COF Quarter and shall apply the revised Retailer Fee Percentages resulting from such calculation as of the first day of the second month in the COF Quarter. If the cost of funds adjustment calculation set forth in this Section 5(e) results in a Retailer Fee Percentage that is less than zero, such Retailer Fee Percentage shall, irrespective of such calculation, be deemed to equal zero and Bank shall have no obligation to rebate any amounts to Retailer in connection with the applicable credit-based promotion related to such Retailer Fee Percentage. For the avoidance of doubt, the adjustment (either up or down) to any Retailer Fee Percentage pursuant to this Section 5(e) will be in addition to any other prior adjustments (either up or down) made to any Retailer Fee Percentage pursuant to Section 5(c).

(f) For the purposes of this Agreement, the following terms have the following meanings:

"Base Fee Percentage" means, with respect to each Retailer Fee Percentage offered under the Program, the fee percentage set forth in Schedule 5(a) as of the Effective Date (as such Schedule may be amended from time to time to add additional credit based promotions).

"Base Twelve Month LIBOR" shall mean, for any credit-based promotion, (i) from the Effective Date and until the first adjustment to any Retailer Program Fee Percentage pursuant to Section 5.3(d), 2.10%; and (ii) following such first adjustment to any Retailer Program Fee Percentage pursuant to Section 5.3(d), the Twelve Month LIBOR upon which the most recent adjustment to such Retailer Fee Percentage pursuant to Section 2.3(d) was based.

"LIBOR Trigger Movement" means, as of the end of any calendar quarter and after taking into account all movements in the Twelve LIBOR Rate since the last adjustment to any Retailer Program Fee Percentage pursuant to Section 5.3(d), an increase or decrease in the Twelve Month LIBOR, relative to the Base LIBOR, equal to at least 25 basis points (0.25%).

"Twelve Month LIBOR" means, for any date, the twelve (12) month "London Interbank Offered Rate" (LIBOR) as published in *The Wall Street Journal* in its "Money Rates" section (or if *The Wall Street Journal* shall cease to be published or to publish such rates, in such other publication as Bank may, from time to time, specify) on such date, or if *The Wall Street Journal* is not published on such date, on the last day before such date on which *The Wall Street Journal* is published whether or not such rate is actually eve r charged or paid by any entity.

"Retailer Fee Percentage" means the percentage set by Bank used in calculating the Retailer Fee payable in connection with each submission by Retailer to Bank of Charge Transaction Data pertaining to a promotional or non-promotional purchase.

(g) If (a) at any time, any law, rule or regulation applicable to Bank (or to the credit extended under the Program) is implemented, or (b) Bank reasonably determines that there is a material prospect that any such law, rule or regulation will be implemented, and (c) Bank determines, in good faith, that such law, rule or regulation has had, or is reasonably likely to have, a material adverse effect on Bank's ability to provide the Program, or to offer certain credit based promotions under the Program, or on Program economics, then Bank may make such adjustments to the Retailer Fee Percentages then available under the Program, or discontinue or replace any impacted credit based promotions, as Bank reasonably believes are necessary to comply with the applicable law, rul e or regulation and/or to compensate Bank for any reduction in Program revenue or increase in Program costs that have resulted or are expected to result from the implementation of such law, rule or regulation. Bank may implement any such substitutions, replacements or adjustments to the credit promotions and/or Retailer Fee Percentages under the Program (i) upon or after Bank's implementation of the changes to its business, including the Program, that are expected to give rise to the reduction in Program revenue or increase in Program costs, and (ii) on not less than 45 days' prior written notice to Retailer.

**6. Credit Applications.** Retailer will follow all procedures provided to it by Bank in taking and immediately submitting to Bank credit applications for Accounts, will ensure that all credit applications are signed in person by the applicant, and will provide to each applicant at the time the credit application is submitted a complete and current copy of the applicable terms and conditions and privacy policy that applies to the Account. Bank may, in its sole discretion, approve or decline any application submitted.

**7. Chargeback Rights of Bank.** Bank will bear all Accountholder credit losses. However, Bank may charge back to Retailer any transaction when one or more of the following occurs:

(a) The Accountholder disputes the charge, if Bank has given Retailer an opportunity to respond and Bank determines that the Accountholder's dispute is valid.

(b) The Accountholder refuses to pay, based on an assertion of a dispute about the quality of the merchandise or services purchased from, or any act or omission by Retailer, including any alleged breach of warranty provided by or through Retailer.

(c) The charge does not fully comply with any of (i) this Agreement (or any representations, warranties and covenants set forth herein), (ii) the Operating Procedures and/or (iii) applicable law.

(d) The charge is disputed, and Retailer cannot supply a copy of the underlying sales receipt or application that resolves the dispute within ten days of Bank's request.

(e) Bank determines that any charge does not represent a bona fide sale by Retailer or otherwise involves fraudulent activities by Retailer's employees, contractors or agents.

(f) The Accountholder alleges that the Retailer provided false or misleading information (e.g., incorrect information about credit promotions).

(g) The goods or services purchased have not been delivered, provided or shipped.

(h) Any credit is submitted where there is no corresponding charge transaction.

(i) Any disputed or fraudulent charge or credit relates to a transaction where the Accountholder was not physically present at Retailer's location (e.g., by telephone or via Internet).

(j) The Accountholder disputes the amount or existence of, or otherwise refuses to pay, all or any portion of the indebtedness resulting from a Card-Not-Present Purchase. "Card-Not-Present Purchase" means a purchase of Retailer's products and/or services financed on an Account (i) where the person transacting such purchase does not present a Card relating to such Account, but states that he or she is an Accountholder or an authorized user, or (ii) where such purchase constitutes an Absentee Purchase (as defined in Section 2(m)). Notwithstanding the foregoing, a Card-Not-Present Purchase shall not include the initial purchase financed on an Account on the same day and at the same store location where Accountholder applied to obtain such Account.

(k) The transaction was submitted to Bank more than thirty (30) days after it occurred.

(l) The Accountholder or any person disputes the existence of an Account and Retailer cannot provide Bank with an executed application that resolves the dispute within ten days after Bank's request.

(m) Bank determines that any warranty made by Retailer pursuant to Section 10 was false or inaccurate in any respect when made.

**8. Ownership of Accounts and Information.** Retailer acknowledges that Bank owns all Accounts, and all information concerning Accountholders, applicants and Accounts obtained in connection with the Program (collectively, "Accountholder Information"), and that Retailer has no ownership rights therein. Accordingly, Retailer will not represent itself as the owner of, or the creditor on, any Account or Accountholder Information. Both (i) as a precaution, to confirm Bank's ownership of Accounts and related documentation, and (ii) to secure payment of and per formance by Retailer of any and all indebtedness, liabilities or obligations, now existing or hereafter arising pursuant to this Agreement, including indebtedness, liabilities and obligations that may be deemed to exist in the event of the applicability of Article 9 of the UCC to, and any recharacterization of, any transactions contemplated hereby, Retailer hereby grants to Bank a first priority continuing security interest in any right, title or interest that Retailer may now have or may hereafter be deemed to have in the Accounts and related documentation, in the Reserve Account, in the Collateral Account, and in any goods charged to Accounts which have been returned to Retailer but for which Retailer has not submitted a corresponding credit transaction to Bank, and the proceeds of all of the foregoing. Retailer authorizes Bank to prepare and file any documentation required to evidence and enforce this security interest, including UCC financing statements, and will sign any related documentation requested by Bank, including without limitation, any intercreditor agreements necessary to ensure that none of Retailer's other creditors asserts any claim on the Accounts, the Reserve Account or any related documentation.

**9. Retailer Representations, Warranties and Covenants.** Retailer represents, warrants and covenants as follows at all times from the date of this Agreement through the end of the Term (as defined in Section 15):

(a) Retailer will forward to Bank promptly after receipt, at any time during or following Retailer's participation in the Program, a copy of any legal proceeding, or any communication relating to an Account received from a Accountholder or from a governmental or regulatory authority.

(b) Retailer will not permit the sale of extended warranties, service contracts, gift certificates, stored value cards (or reloads), or any other future service or delivery obligation, to be charged to Accounts without Bank's prior written consent; provided, however, Bank acknowledges and agrees that Retailer currently offers extended warranties to Accountholders under the "Repair and Replacement Service Plan", which are underwritten by American Bankers Insurance Company of Florida (the "Extended Warranty Program"). Bank shall have the right to audit the Extended Warranty Program (or any successor thereto agreed to by Bank) not more than once in any calendar year (except following the occurrence and continuation of a default hereunder in which case no such limitation shall apply) at Bank's expense. Further, Retailer shall notify Bank promptly (and in advance to the extent practicable) of any material change in the Extended Warranty Program after the Program Commencement Date, or of Retailer's intention to select a new insurer or underwriter. Retailer will only be permitted to continue to finance extended warranties or service contracts on Accounts under the Extended Warranty Program if the insurer or underwriter has a rating of "A-" or better, as determined by the A.M. Best rating service (or any successor rating service thereto or, if A.M. Best ceases to publish such ratings, any similar rating provided by a rating service reasonably determined by Bank ) (the "A.M. Best Threshold"). Retailer shall be responsible for ensuring that all extended warranties and service contracts financed on Accounts fully comply with all applicable laws. If at any time the insurer or underwriter of the Extended Warranty Program fails to satisfy the A.M. Best Threshold, Bank may notify Retailer that Bank is no longer willing to authorize, and Retailer shall cease, financing on Accounts warranties provided under such Extended Warranty Program. Nothing in this Section 9(b) shall restrict Retailer from selling products subject to normal manufacturer's warranties included in the standard purchase price.

(c) Retailer will issue an Account credit (and not give any Accountholder cash), and include the credit in the next day's transmission of Charge Transaction Data, in connection with any return or exchange of merchandise or services originally charged to any Account.

(d) On behalf of Bank, Retailer shall (i) retain copies (which may be either physical copies or scanned images) of all charge and credit slips, original completed Card applications, and copies of all Charge Transaction Data submitted to Bank, for at least twenty-five (25) months and thereafter continuously unless after retaining such documents for the twenty-five (25) month period Retailer offers to ship such documents to Bank and Bank authorizes Retailer to destroy them instead; (ii) retain for forty-eight (48) months from the date of each purchase made on an Account, in electronic or tangible form, a record of such purchase, showing the amount of sales, use or excise tax included in the purchase, and the street ad dress of the physical location (except for Internet sales, which must be identified as such) where the purchase was made, (iii) provide any or all of these records to Bank within three (3) business days following Bank's request.

(e) Retailer is in compliance with, and will continue to comply with, all applicable laws, rules and regulations, including but not limited to: laws relating to (i) its sales of merchandise and services; (ii) the advertising or sale of products and services on credit; (iii) point-of-sale practices and representations made by Retailer's employees and representatives; and (iv) laws relating to privacy and data security.

(f) Retailer will provide only truthful and complete information to Accountholders regarding Accounts, and will take no action to prevent any amounts charged to any Account from being valid and enforceable against any Accountholder.

(g) Retailer will properly code all promotional charges and will make any corrections necessary in the event of mistakes and disputes regarding promotions.

(h) Retailer is and will at all times remain solvent, duly organized, validly existing and in good standing under the laws of its state of formation, will not violate its organizational documents or materially violate any agreements it has with third parties, and will advise Bank promptly of any condition or default under any agreement Retailer has with any third party that may materially affect Retailer's prospects, continued operations, or property.

(i) Any and all information previously furnished by Retailer to Bank, or any information subsequently furnished by Retailer, including information provided in any credit application or registration submitted by Retailer for participation in the Program, is or shall be true and correct in all material respects when furnished.

**10. Retailer Presentment Warranties.** Retailer represents and warrants as follows with respect to each submission of Charge Transaction Data to Bank and each underlying transaction;

(a) All purchases included in such Charge Transaction Data constitute bona fide, arms-length sales by Retailer of the goods or services described therein in the ordinary course of Retailer's business; Retailer has delivered all the products and fully performed all the services covered by such Charge Transaction Data;

(b) The charges included in such Charge Transaction Data did not involve a cash advance or goods or services not listed in the applicable invoice or receipt; only goods and services sold by Retailer are included in such Charge Transaction Data; no other credit provider has financed a portion of any sales transaction included in such Charge Transaction Data; the charges represent the entire purchase price of the goods and services identified in such Charge Transaction Data other than a bona fide down payment, deposit, or similar payment paid by cash or check, or financed by any means other than the Account;

(c) To the best of Retailer's knowledge, the goods and services covered by such Charge Transaction Data were sold by Retailer to Accountholders or authorized users for personal, family or household purposes;

(d) Retailer obtained a signed invoice or receipt for each charge included in such Charge Transaction Data;

(e) All purchases included in such Charge Transaction Data occurred no earlier than two days prior to the submission of such Charge Transaction Data; and all transactions included in such Charge Transaction Data were conducted in accordance with the Operating Procedures, this Agreement and all applicable laws; and

(f) Each invoice or receipt included in such Charge Transaction Data (or, in the case of Absentee Purchases, if applicable, the purchase information in such Charge Transaction Data) is not invalid, illegible, inaccurate or incomplete and has not been materially altered since being signed or submitted by the Accountholder; the Account number and name of the Accountholder has been accurately printed on each charge slip and has been included in each transmission of Charge Transaction Data; Retailer has obtained a valid authorization from Bank for each purchase (unless otherwise waived by Bank).

**11. Accountholder Information/Confidentiality and Data Security.**

(a) From time to time, Bank will make available to Retailer, or Retailer may capture in the course of operations under the Program, certain fields of Accountholder Information, in connection with Bank's operation of the Program. Retailer agrees in each such instance to use the Accountholder Information only on behalf of Bank for purposes of promoting sales under the Program, and only in accordance with applicable law and Bank's privacy disclosures to Accountholders. Retailer also agrees not to transfer or disclose Accountholder Information to any third party without Bank's prior written consent. While Retailer may not make use of Accountholder Information provided to Bank in connection w ith applications for the Program, nothing in this paragraph is intended to restrict Retailer's use of its own customer list (or any other information independently developed by Retailer) in any way, which list (or other information) may include information about Accountholders that Retailer obtains on its own in the course of providing goods or services to Accountholders. Any Accountholder Information provided to Retailer by Bank may not be used to augment Retailer's own customer files, even where Retailer transmitted this information to Bank on Bank's behalf. For the avoidance of doubt, information developed independently by Retailer through the Retailer In-House Program (as defined in Section 16 below) shall not be subject to the provisions of this Section 11.

(b) Retailer and Bank will each implement and maintain appropriate administrative, technical and physical safeguards to (i) protect the security, confidentiality and integrity of Accountholder Information, in accordance with applicable law, (ii) ensure against any anticipated threats or hazards to the security or integrity of Accountholder Information; and (iii) protect against unauthorized access to or use of Accountholder Information which could result in substantial harm or inconvenience to any Accountholder or applicant.

(c) Each of Retailer and Bank will be responsible for the acts and omissions of any third party (other than transfers to or on behalf of the other party) to whom it transfers, provides access, or discloses Accountholder Information. Additionally, Retailer and Bank will each ensure that any third party (other than the other party) who obtains access to Accountholder Information through it, directly or indirectly, signs a written contract including strict restrictions on transfer or disclosure, requirements that the Accountholder Information be used only for the specific purpose for which it was disclosed (which purpose must be in connection with Retailer's permitted uses hereunder) and data security provisions corresponding to Section 11(b) above. Bank may engage third parties to perform some or all of Bank's obligations under this Agreement, including, without limitation the servicing and administration of Accounts, and may share information with such third parties as needed to perform their contracted functions.

(d) Retailer and Bank shall notify the other party immediately following discovery or notification of any actual or threatened breach of security of the systems maintained by the Retailer and Bank, respectively. The party that suffers the breach of security (the "Affected Party") agrees to take action immediately, at its own expense, to investigate the actual or threatened breach, to identify and mitigate the effects of any such breach and to implement reasonable and appropriate measures in response to such breach. The Affected Party also wi ll provide the other party with all available information regarding such breach to assist that other party in implementing its information security response program and, if applicable, in notifying affected Accountholders. For the purposes of this subparagraph (d), the term "breach of security" or "breach" means the unauthorized access to or acquisition of any record containing personally identifiable information relating to an Accountholder, whether in paper, electronic, or other form, in a manner that renders misuse of the information reasonably possible or that otherwise compromises the security, confidentiality, or integrity of the information.

(e) Retailer and Bank, respectively, will use reasonable measures designed to properly dispose of all records containing personally identifiable information relating to Accountholders, whether in paper, electronic, or other form, including adhering to policies and procedures that require the destruction or erasure of electronic media containing such personally identifiable information so that the information cannot practicably be read or reconstructed.

**12. Retailer Information.** The information furnished by Retailer to Bank in connection with this Agreement does and will at all times accurately and fairly present the financial condition and business of Retailer. Without limiting the foregoing, the following shall apply during the Term:

(a) If at any time during the Term Retailer's parent entity, Conn's, Inc. (the "Guarantor"), which has of even date herewith executed a Corporate Guaranty (the "Guaranty"), a copy of which is attached to this Agreement as Exhibit "A", is not obligated to, or for any other reason does not, file periodic financial reports with the Securities and Exchange Commission pursuant to the reporting requirements of Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended, Guarantor will:

(i) As soon as practicable but in any event not more than ninety (90) days after the end of each fiscal year, deliver to Bank its audited annual financial statements, including its audited consolidated balance sheet, income statement and statement of cash flows and financial position.

(ii) As soon as practicable but in any event not more than sixty (60) days after the end of each fiscal quarter, deliver to Bank its unaudited quarterly financial statements, including its unaudited consolidated balance sheet, income statement and statement of cash flows and financial position, accompanied by a certificate from Guarantor's chief financial officer that such financial statements were prepared in accordance with generally accepted accounting principles applied on a consistent basis and present fairly the consolidated financial position of Guarantor as of the end of such fiscal quarter and the results of its operations, subject to normal year end audit adjustments.

(b) Guarantor will deliver to Bank at the end of each fiscal quarter of Guarantor a compliance certificate setting forth Guarantor's compliance (or failure to comply) with each financial covenant set forth on Schedule 9(j)(A). Such certificate shall set forth in reasonable detail the calculation used to establish such compliance (or non-compliance).

(c) Guarantor will satisfy and fully perform each financial covenant contained on the attached Schedule 9(j)(A) as and to the extent provided for therein.

(d) Retailer will provide Bank with information of any change of control involving Retailer, or any change in Retailer's name, business structure or form, principal office, or state of incorporation, within twenty (20) days before the change occurs.

**13. Credit Cards; Processing Terminals.**

(a) Bank will issue in connection with the Program Bank's "GECAF"-branded Cards (as well as other GECAF-brand Program materials).

(b) Bank will provide a point-of-sale process, which may include processing terminals, imprinters or other means (each, a "Terminal"), to be used for the authorization and monetary settlement of applications and transactions. Any Terminal provided to Retailer will remain Bank's property, and Retailer will return them to Bank at Bank's request. However, during the time Retailer has possession of the Terminal, Retailer will bear any personal property, use or excise taxes assessed on the Terminal. Retailer will be responsible for any damage or repair to a Terminal provided to it by Bank, and Retailer will safeguard the Terminal and use it only in accordance with appli cable instructions and specifications. Bank specifically does not grant to Retailer any intellectual property rights associated with the Terminal or other point-of-sale equipment, software or peripherals.

**14. Indemnification.**

(a) Retailer agrees to indemnify, defend and hold harmless Bank and its affiliates, officers, directors, employees, and agents from any losses, liabilities, and damages of any and every kind (including, without limitation, any costs, expenses or reasonable attorneys' fees incurred by any indemnified party) ("Damages"), to the extent arising out of any claim, complaint, or chargeback (i) made or claimed by an Accountholder with respect to any sale made by, or Charge Transaction Data submitted by, Retailer, (ii) made or claimed by any person or entity with respect to the products or services sold or provided by Retailer, or the advertising or prom otion involving such goods or services (excluding those conducted by Bank), (iii) caused by Retailer's breach of this Agreement, (iv) caused by Retailer's failure to comply in any material respect with the terms of the Operating Procedures, (v) caused by any voluntary or involuntary bankruptcy or insolvency proceeding by or against Retailer, (vi) caused by the acquisition by Retailer from Bank, in connection with a charge or credit to an Account, of an Accountholder's Account number by telephone or by some other means, (vii) caused by Bank's use of the Marks in accordance with the terms of this Agreement, or (viii) caused by or based on any activities, acts or omissions of any third party to whom Accountholder Information is transferred or made available by or on behalf of Retailer, including without limitation, information transferred or made available to a third party by Bank on Retailer's behalf.

(b) Bank agrees to indemnify, defend and hold harmless Retailer and its affiliates, officers, directors, employees, and agents from any Damages to the extent arising out of any claim or complaint based on (i) the failure of Bank's Accountholder terms and conditions or privacy policy to comply with applicable law; (ii) the products or services sold or provided by Bank, or the advertising or promotion involving such goods or services (excluding those conducted by Retailer, if any), (iii) an applicant's claim that Bank wrongfully declined his or her credit application; (iv) Bank's breach of this Agreement; or, (v) any activities, acts or omissions of any third party to whom Accountholder Information is transferr ed or made available by or on behalf of Bank (excluding Accountholder Information transferred by Bank to Retailer or any third party at Retailer's request).

(c) The indemnity provided under this Section 14 shall survive the termination of this Agreement. Notwithstanding anything in Section 14(a) or (b), the foregoing indemnities shall not apply to any Damages suffered by the party to be indemnified, to the extent caused by the gross negligence, willful misconduct or illegal acts of such party.

**15. Term/Termination.**

(a) This Agreement shall continue for a period of three (3) years from the date hereof (the "Term"), and may be extended only by the mutual written consent of the parties.

(b) Notwithstanding anything in Section 15(a) to the contrary, this Agreement may be terminated as provided below:

(i) Either party shall have the right to terminate this Agreement upon thirty (30) days prior written notice if the other party breaches this Agreement and, if susceptible of cure, fails to cure such breach within such 30-day period.

(ii) At anytime during the 90-day period immediately following each anniversary of the Effective Date, Bank shall have the right to terminate this Agreement upon 90 days prior written notice if Net Program Sales (as defined in Schedule 9(j)(B)) during the preceding Program Year do not exceed Fifteen Million Dollars ($15,000,000).

(iii) Retailer shall have the right to terminate this Agreement on not less than one hundred and twenty (120) days prior written notice if Bank elects not to increase the Credit Review Point pursuant to Section 4(b); provided, that in each case, any such notice of termination is given not more than sixty (60) days after Bank first advises Retailer of such election; provided, further, that as of the first date on which the aggregate outstanding indebtedness for all Accounts exceeds the Credit Review Point then in effect, this Agreement shall automatically and immediately terminate u nless the parties shall have mutually agreed in writing to continue the Program.

(iv) Either party shall have the right to terminate this Agreement on not less than ten (10) days prior written notice if a material adverse change has occurred in the operations, financial condition (including insolvency), business or prospects of the other party hereto, which the other party has determined, in good faith, has had, or is reasonably likely to have, a material adverse effect on the ongoing operation or continued viability of the Program. In order to be effective, the notice of termination must be delivered within ninety (90) days after the terminating party makes such determination.

(v) Bank shall have the right to immediately terminate this Agreement if Retailer undergoes a change of control.

(vi) Bank shall have the right to immediately terminate this Agreement if (x) applicable laws, regulations or other authority regulating Bank's rate or fee structure change in a manner that is adverse to Bank or are preempted, or (y) Bank determines that the Program does not qualify (or if Bank reasonably determines that there is a material risk that the Program will not qualify) as an "open-end" credit facility under Regulation Z, 12 C.F.R. 226.2(a)(20).

(vii) This Agreement shall automatically terminate if either party is the subject of bankruptcy, reorganization or similar proceedings, elects to wind up or dissolve its operations, suspends its business, or has a liquidator, trustee or custodian appointed over its affairs.

(viii) Bank shall have the right to terminate the Agreement upon ten (10) business days' prior written notice to Retailer if Guarantor fails to satisfy each financial covenant set forth in Schedule 9(j)(A) as and to the extent required therein; provided, that if during such ten (10) business day period Retailer provides to Bank an Eligible Letter of Credit in an amount equal to the then-current Letter of Credit Amount (as defined in Schedule 9(j)(B)), then, as to the specific reporting period within which such default occurred, such default shall be deemed cured. Additional terms and conditions applicable to any Letter of Credit are set forth on Schedule 9(j)(B) attached hereto.

(ix) Retailer shall have the right to terminate the Agreement upon ten (10) days' prior written notice to Bank if Bank (i) raises its internal applicant risk cutoff score ("Radar Score") above 500 (the "Risk Threshold") for thirty (30) or more consecutive days and (ii) Bank fails to lower such Radar Score to 500 or less within ten (10) days' after receipt of notice from Retailer.

(x) Bank shall have the right to terminate the Agreement immediately upon prior written notice to Retailer if at any time the Guaranty for any reason ceases to be a valid, binding and enforceable obligation of Guarantor.

(xi) Retailer shall have the right to terminate the Agreement as set forth below if Bank elects, pursuant to Section 5(c), to (I) increase the Retailer Fee Percentages set forth on Schedule 5(a) (in each case "New Pricing") or (II) terminate one or more credit based promotions set forth on Schedule 5(a) (as may be amended from time to time as provided for herein) (a "Promotion Termination Event"); provided, that Retailer may not elect to terminate this Agreement under this Section 15(b)(xi) in the case of New Pricing unless such New Pricing w ould, assuming implementation of such New Pricing on the date such New Pricing is proposed (even if Bank's notice of New Pricing indicates a later effective date), result in Increased Net Cost of Sales of at least (x) five percent (5%) with respect to the applicable Measurement Period (by way of example, if Retailer's Net Cost of Sales was 400 basis points for a given Measurement Period and the Net Cost of Sales that would have resulted if the New Pricing had been effectuated at the beginning of such Measurement Period is 421 basis points, then the five percent (5%) Increased Net Cost of Sales threshold would have been exceeded), or (y) fifteen percent (15%) since the Effective Date and; provided further, that such calculation shall exclude any cost of funds adjustments contemplated in Section 5(e). If the Increased Net Cost of Sales threshold has been exceeded, Retailer may only terminate this Agreement under this Section 15(b)(xi) after it has completed the "Competitive Pricing Procedures". For purposes of this Section 15(b)(xi), "Competitive Pricing Procedures" means the following procedures, which shall be implemented if either (i) the Increased Net Cost of Sales threshold has been exceeded, or (ii) a Promotion Termination Event has occurred, ***and*** (iii) Retailer asserts that such New Pricing is materially non-competitive. In such case, Retailer will have sixty (60) days from the date of Bank's notice to Retailer either setting forth the proposed New Pricing or establishing the existence of a Promotion Termination Event to obtain a bona fide written proposal from an issuer of private label credit programs ("Competing Offer") and to submit such Competing Offer to Bank. If Retailer fails to submit a Competing Offer within such period, then Retailer's option to terminate this Agreement as a result of such New Pricing or Promotion Termination Event, as the case may be, will expire. If Retailer presents Bank with a Competing Offer and Bank does not materially meet the Competing Offer, then over the sixty (60) day period following Bank's receipt of the Competing Offer (the "Negotiation Period"), Retailer and Bank will use commercially reasonable efforts to negotiate mutually agreeable New Pricing or, in the case of a Promotion Termination Event, an acceptable replacement promotion(s). If Retailer and Bank are unable to agree on New Pricing or, in the case of a Promotion Termination Event, an acceptable replacement promotion(s), by the end of the Negotiation Pe riod, then either party may, during the thirty (30) days immediately following the end of the Negotiation Period, give a written notice of termination to the other party. This Agreement will terminate sixty (60) days after any such termination notice. In each case, regardless of whether Retailer terminates this Agreement, the New Pricing or, in the case of a Promotion Termination Event, the revised credit promotion offerings, shall become effective immediately upon Bank's notice thereof to Retailer (unless Bank's notice of New Pricing or the Promotion Termination Event, indicates a later date) and shall remain effective until the Final Liquidation Date or the date when Bank and Retailer agree on other pricing. Anything in this Section 15(b)(xi) to the contrary notwithstanding, Retailer acknowledges that Bank is considering eliminating its "Deferred Interest" credit promotion offerings set forth on Schedule 5(a) as of the Effective Date and Retaile r agrees that, in such case, so long as Bank replaces any terminated "Deferred Interest" credit promotion with an alternative credit promotion that includes a "billed-and-waived" (or similar) interest structure, that terminating the then existing "Deferred Interest" credit promotions shall not constitute a Promotion Termination Event or otherwise allow Retailer to implement the provisions of this Section.

As used herein "Increased Net Cost of Sales" means, as of any date, the amount (expressed as a percentage) by which the Net Cost of Sales for Retailer that would have resulted if the New Pricing had been effectuated at the beginning of such Measurement Period ***is greater than*** the actual Net Cost of Sales for Retailer during the Measurement Period; "Measurement Period" means, with respect to any date, the 180 day period immediately preceding such date, and "Net Cost of Sales" means, as of any date, the percentage co st to Retailer of Program-financed sales, expressed in basis points, represented by the quotient, the numerator of which is aggregate Program Fees paid by Retailer during the Measurement Period and the denominator of which is Net Program Sales for such Measurement Period. Alterations to any Program Fee Percentage as a result of the application of Section 5(e) (and the corresponding increase or decrease in the aggregate amount of Program Fees paid during any period based thereon) shall not be included the calculation of the Net Cost of Sales.

(c) Notwithstanding termination by either party (i) the terms of this Agreement will continue to apply to any Accounts established or transactions occurring, prior to the effective termination date, (ii) the provisions of Sections 8 (Ownership of Accounts and Information), 11 (Accountholder Information/Confidentiality and Data Security), 14 (Indemnification), 15 (Term/Termination) and 18 (Miscellaneous) will survive, and (iii) Bank may use Retailer's name and marks for purposes of liquidating, transferring, selling, administering or collecting Accounts. Upon expiration or earlier termination of this Agreement, Bank will have the right, in addition to and without waiving any other rights it may have under the terms of thi s Agreement or applicable law, to liquidate the Accounts in any lawful manner which may be expeditious or economically advantageous to Bank, including, without limitation, the issuance of a replacement or substitute credit card, transferring or selling the Accounts to any person or soliciting the affected Accountholders to transfer or convert balances to other credit vehicles. Bank may continue to provide the Program following the expiration or termination hereof as Bank reasonably deems necessary to effect any transfer, conversion or substitution of the Accounts; provided, that such continuation shall in no circumstances exceed six (6) months. Bank may use the Retailer's names and marks through the Final Liquidation Date (as defined in Section 3(b)) to communicate with Accountholders in connection with any such liquidation, conversion, substitution or sale; provided, that such use shall be limited to (x) the extent necessary to identify the Program as the subject of any communication, including in connection with the conversion of Accounts contemplated above, or (y) continued billing and collections in substantially the same manner as such functions were performed prior to the expiration or earlier termination of this Agreement.

**16. Exclusivity; Right of First Refusal.**

(a) During the Term, Retailer will not (and will cause its affiliates not to) directly or indirectly, accept for payment, promote, sponsor, solicit, permit solicitation of, or make available to consumer customers of Retailer or any of its affiliates or otherwise provide, any consumer credit or charge program, online or internet payment service that in any way competes with the Program (including, without limitation, any credit facility part of any industry program, credit card network or the like) whether or not such Program bears, uses or refers to any trade names of Retailer, other than

(i) any program offered by Bank or an affiliate of Bank,

(ii) any generally accepted multi-purpose credit or charge card or by generally accepted multi-purpose debit or secured cards in each case, such as American Express, MasterCard, Visa and Discover cards (provided that none of the cards referred to in this clause (iy) may be "co-branded," "sponsored" or "co-sponsored" with Retailer or bear Retailer's name or marks),

(iii) the Retailer In-House Program; or

(iv) a Second Source Program.

As used herein, "Retailer In-House Program" means the consumer financing program operated by Retailer (or Retailer's affiliate) the purpose of which is to extend credit offered by Retailer (or Retailer's affiliate) to Retailer's customers for purposes of financing purchases of Retailer's goods and services; and, "Second Source Program" means any consumer credit program, including the Retailer In-House Program, that is available only to persons who submitted properly completed applications for an Account to, and were rejected by, Bank immediately preceding such person's application to such other credit program.

**17. Rights in Technology; Cross-Licenses of Technology.** Each of Retailer and its affiliates and Bank and its affiliates shall own exclusively all technology owned by such party at the time that such technology is provided for use in establishing, developing or administering the Program, all changes made by such party with respect thereto, and any new technology created by such party in connection therewith (in the case of Retailer and its affiliates, the "Retailer Technology", and in the case of Bank and its affiliates, the "Bank Technology"). Each of Retailer and Bank grant to the other and its respective affiliates a non-exclusive, royalty-free, fully paid up, non-assignable, non-sublicensable, worldwide right and license to use the Retailer Technology or Bank Technology, as applicable, to the extent necessary or convenient to comply with the licensee's obligations under the Agreement. This license shall expire at the end of the Term. Upon the expiration of this license, each licensee party shall return to the licensor party (or, at the licensor party's option, shall destroy) the licensor's technology then in the licensee's possession or control. Neither party shall have any right to reverse engineer, decompile or disassemble the technology licensed to it hereunder. The limited licenses granted under this Section 17 are AS IS and without any express or implied warranty of any kind. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, EACH LICENSING PARTY DISCLAIMS ANY EXPRESS OR IMPLIED WARRANTY OF TITLE, NON-INFRINGEMENT, AGAINST INTERFERENCE O F ENJOYMENT, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, LACK OF REASONABLE EFFORT AND/OR LACK OF NEGLIGENCE.

**18. Miscellaneous.**

**(a) Assignability**. Retailer may not assign this Agreement, or its rights or obligations hereunder without the prior written consent of Bank. Bank may, without Retailer's consent, assign this Agreement to an affiliate, transfer or securitize all or any portion of the Accounts or any related rights or interests therein. Bank may also use subcontractors to perform obligations of Bank hereunder, but any such subcontracting will not relieve Bank of its obligations to Retailer hereunder.

**(b) Amendment**. This Agreement may not be amended except by written instrument signed by Retailer and Bank.

**(c) Nonwaiver; Remedies Cumulative**. No delay by any party hereto in exercising any of its rights hereunder, or in the partial or single exercise of such rights, shall operate as a waiver of that or any other right. No right under any provision of this Agreement may be waived except in writing and then only in the specific instance and for the specific purpose for which such waiver was given. The rights and remedies provided for in this Agreement are cumulative and are not exclusive of any other rights, powers, privileges or remedies pr ovided for by law or in equity.

**(d) Governing Law**. Except to the extent superseded by federal law applicable to banks or savings associations, this Agreement and all rights and obligations hereunder, including, but not limited to, matters of construction, validity and performance, shall be governed by and construed in accordance with the laws of the State of Utah, without regard to principles of conflicts of laws. THE PARTIES HERETO WAIVE THEIR RIGHT TO REQUEST A TRIAL BY JURY IN ANY SUIT, ACTION OR PROCEEDING IN ANY COURT OF LAW, TRIBUNAL, OR OTHER LEGAL PROCEEDING ARISING OUT OF OR INVOLVING THIS AGREEMENT, OR ANY DOCUMENT DELIVERED IN CONNECTION HEREWITH, OR RELATING TO ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

**(e) Further Assurances**. Each party hereto agrees to execute all such further documents and instruments and to do all such further things as any other party may reasonably request in order to give effect to and to consummate the transactions contemplated hereby.

**(f) Notices**. All notices, demands and other communications provided for in this Agreement shall be in writing or (unless otherwise specified) by telephonic facsimile transmission and shall be sent by certified mail or nationally-recognized overnight courier, or delivered to the other party, in the case of Retailer, at the address set forth in the preamble above, and in the case of Bank, to the address set forth in the preamble above, Attn: President, with a copy to GE Money Sales Finance, 950 Forrer Blvd., Kettering, OH 45420, Attn: Counsel or, i n either case at such other address as shall be designated by such party in a written notice given to all other parties in accordance with the terms of this Section. All such notices and communications if duly given or made, when sent by certified mail, shall be effective three business days after deposit in the mails, when sent by overnight courier shall be effective one business day after delivery to such overnight courier, and otherwise shall be effective upon receipt.

**(g) Exchange of Information.** Bank may exchange information about Retailer or any of the other persons listed above in this Section with other financial institutions, credit, or trade associations. Additionally, Retailer hereby authorizes Bank to audit and monitor its administration and promotion of the Program through anonymous requests to open or use Accounts under the Program and by other means.

**(h) Financial Accommodation**. Retailer acknowledges that this Agreement is a financial accommodation contract for the benefit of Retailer, which means that it is not intended to be subject to assumption by a debtor in possession in bankruptcy.

**(i) Value-Added Programs/Products.** Bank and Bank's affiliates may market or may authorize third parties to market (i) additional products and services that do not compete with the products or services produced or sold by Retailer to Accountholders, via direct mail, billing inserts and otherwise and may finance such products or services on Accounts, and (ii) additional credit and financial products and services that do not compete with the products or services produced or sold by Retailer (including without limitation a general purpose bankcard) to customers at the point of sale or as a companion prod uct for an established Account. Bank may not use the Marks (as defined in Section 18(l)) or Guarantor's or Retailer's name in any such solicitations without the express written consent of Guarantor (in the case of the Marks or Guarantor's name) or Retailer (in the case of Retailer's name) and, in such case, Bank shall follow any guidelines provided by the applicable party in respect thereof. Retailer will have no rights with respect to any proceeds of such additional products and services.

**(j) No Consequential Damages.** Except with respect to indemnification of third party claims, confidentiality/security obligations and exclusivity obligations set forth herein, (i) in no event shall the indemnifying party be liable to the indemnified party for any consequential damages arising from the indemnifying party's actions under this Agreement, and (ii) both parties waive any claim for punitive damages arising from the other party's actions under this Agreement.

**(k) Force Majeure.** Neither party shall be deemed to be in breach of this Agreement if it fails to make any payment or perform any other obligation and such failure is a result of a force majeure event. As used herein, "force majeure event" shall mean any of the following: acts of God, fire, earthquake, acts or war or terrorism, explosion, accident, nuclear disaster, riot, material changes in applicable laws or regulations, including but not limited to a change in state or federal law, or other event beyond a party's reasonable control, rendering it illegal, impossible or untenable for such party to perform as contemplated in , or to offer the Program on the terms contemplated under, this Agreement.

**(l) Use of Marks.** Guarantor hereby grants Bank a nonexclusive, royalty-free license to use its (or its subsidiaries) names and any related marks, tradestyles, trademarks, service marks, logos or similar proprietary designations as the same currently exist and as they may be amended or adopted by Guarantor from time to time ("Marks") in connection with the establishment, administration and operation of the Program, and in connection with the ownership, liquidation or transfer of Accounts created pursuant hereto, during and after the term of this Agreement (including, without limitation, the exer cise by Bank of its rights and fulfillment of its obligations under this Agreement and under applicable law). Any such use of the Marks by Bank shall be subject to the prior written consent of Guarantor, which shall not be unreasonably withheld or delayed. Without the prior written consent of Bank, Retailer may not use Bank's (or any affiliate thereof) names or any related marks, logos or similar proprietary designations; provided, that Retailer may use Bank's business name, in the nominative sense, in connection with any credit disclosure verbiage included in any advertising of the Program. If Bank consents to a use other than in the nominative sense, Retailer shall comply with all guidelines established by Bank (including as may be set forth in a website designated by Bank) applicable to such use. Any such consent, including any limitations, shall remain valid until the earlier of termination of this Agreement of Bank's written withdrawal thereof. In addition, the parties shall consult with each other before they, or any affiliate or agent, draft any press release or public statement with respect to this Agreement or the Program and no such press release or public statement shall be issued prior to receiving express written approval of the other, except, in each case, as may be required by applicable law or regulation.

**(m) Credit Approval.** With respect to any credit approval mechanism or process employed by Bank in connection with the Program, Retailer acknowledges that it is a "service provider" for Bank for purposes of communicating credit decisions to Retailer's customers.

**(n) Incorporation of Schedules.** Each Schedule attached hereto is hereby incorporated by reference.

**(o)** **Entire Agreement**. This Agreement (together with the schedules and appendices, if any, attached hereto) is the entire agreement of the parties with respect to the subject matter hereof and supersedes all other prior understandings and agreements whether written or oral. This Agreement supersedes any prior agreement between the parties and will govern all prior transactions, including all transactions previously submitted to Bank, regardless of the date of submission. For the avoidance of doubt, the provisions of this Section shall not serve to supersede or otherwise effect the Guaranty. If any provision of this Agreem ent is held to be invalid, void or unenforceable, all other provisions shall remain valid and be enforced and construed as if such invalid provision were never a part of this Agreement.

**(p)** **Confidentiality.** All material and information supplied by one party to the other party under this Agreement, including, but not limited to, information concerning a party's marketing plans, objectives or financial results ("Confidential Information"), is confidential and proprietary. All such information will be used by each party solely in the performance of its obligations and exercise of its rights pursuant to this Agreement. Each party will receive Confidential Information from the other party in confidence and will not disclose such Confiden tial Information to any third party, except (i) as contemplated under this Agreement; (ii) as may be agreed upon in writing by the party providing such Confidential Information; (iii) in the case of Bank, to an affiliate of Bank; (iv) to the extent necessary, in exercising or enforcing its rights; or (v) as required by law. Each party will use its best efforts to ensure that its officers, employees, and agents take such action as will be necessary or advisable to preserve and protect the confidentiality of Confidential Information. Upon written request after the Final Liquidation Date, each party will return to the party providing such Confidential Information all such Confidential Information in its possession or control. Confidential Information will not include information in the public domain and information lawfully obtained from a third party.

IN WITNESS WHEREOF, Bank and Retailer have caused this Agreement to be executed by their respective officers thereunto duly authorized by all requisite corporate action as of the date first above written. Guarantor has executed this Agreement to confirm its agreement as to Sections 12(a), (b) and (c) and 18(i) and (l) and Schedule 9(j)(A) only, and for no other reason, and Guarantor acknowledges and agrees that, except for the provisions applicable to it under Sections 18 (i) and (l), Guarantor shall have no rights whatsoever under this Agreement. Each of Bank, Retailer and Guarantor represent and warrant that upon execution by each party, this Agreement will constitute a legal, binding obligation of such party, enforceable against such party in accordance with its terms.

**GE MONEY BANK**

**By: /s/ Glenn P. Marino**
**Its: Executive Vice-President**

**CONN APPLIANCES, INC.**

**By: /s/ Timothy L. Frank**
**Its: President**

**CONN'S, INC.**

**By: /s/ Timothy L. Frank**
**Its: President and Chief Operating Officer**

**SCHEDULE 5(a)**
**TO**
**RETAILER PROGRAM AGREEMENT**

**Initial Approved Credit-Based Promotions**

**A. Non-Promotional Credit Offer:** 25-Day Deferred Interest; Retailer Fee Percentage: 0%

**B. Credit-Based Promotions:**

| **Promotional Term** | **Retailer Fee Percentage** | |
|---|---|---|
| | **With Pay/Deferred Interest** | **Equal Pay/No Interest** |
| 3 Month | 0.50% | N/A |
| 6 Month | 1.75% | N/A |
| 12 Month | 4.47% | 5.48% |
| 18 Month | 7.07% | 8.38% |
| 24 Month | 10.30% | 10.90% |
| 36 Month | N/A | 15.10% |

**SCHEDULE 5(e)**
**TO**
**RETAILER PROGRAM AGREEMENT**

**Interest Rate Adjustor Calculation Examples**

**Hypothetical #1: 6 Month No Pay With Interest Promotion**

| | 12 Month LIBOR Rate | Promotional Rate |
|---|---|---|
| Program Commencement Date | 2.00%(Base 12 Month LIBOR) | 4.09% |
| One Quarter Later | 2.69% | 4.33% |
| Two Quarters Later | 1.55% | 3.97% |

**Hypothetical #2: 12 Month With Pay Deferred Interest Promotion**

| | 12 Month LIBOR Rate | Promotional Rate |
|---|---|---|
| Program Commencement Date | 2.00%(Base 12 Month LIBOR) | 3.49% |
| One Quarter Later | 2.69% | 3.83% |
| Two Quarters Later | 1.55% | 3.32% |

**Hypothetical #3: 24 Month Equal Pay Promotion**

| | 12 Month LIBOR Rate | Promotional Rate |
|---|---|---|
| Program Commencement Date | 2.00%(Base 12 Month LIBOR) | 6.65% |
| One Quarter Later | 2.69% | 7.03% |
| Two Quarters Later | 1.55% | 6.46% |

**Hypothetical #4: 48 Month Equal Pay Promotion**

| | 12 Month LIBOR Rate | Promotional Rate |
|---|---|---|
| Program Commencement Date | 2.00%(Base 12 Month LIBOR) | 12.83% |
| One Quarter Later | 2.69% | 13.41% |
| Two Quarters Later | 1.55% | 12.54% |

**SCHEDULE 9(j)(A)**
**TO**
**RETAILER PROGRAM AGREEMENT**

**Financial Covenants**

**Minimum Fixed Charge Coverage Ratio.** Guarantor shall maintain on a consolidated basis a Fixed Charge Coverage Ratio at least equal to 1.5:1.0 measured quarterly as of the last day of each Fiscal Quarter on a trailing twelve month basis.

**Maximum Leverage Ratio.** Guarantor shall maintain on a consolidated basis a Leverage Ratio not greater than 3.0:1.0 for each Fiscal Quarter, measured as of the last day of such Fiscal Quarter.

**Reporting:** In order to establish compliance with the Financial Covenants set forth above, Guarantor shall deliver to Bank: (i) within forty five (45) days after the end of each fiscal quarter of Guarantor (other than Guarantor's fourth Fiscal Quarter), a certificate, signed by Guarantor's Chief Financial Officer and in a form satisfactory to Bank, establishing Guarantor's compliance or non-compliance with each Financial Covenant for such fiscal quarter, and (ii) within ninety (90) days after the end of Guarantor's fourth fiscal quarter during each fiscal year, a certificate, signed by Guarantor's Chief Financial Officer and in a form satisfactory to Bank, establishing Guarantor's compliance or non-compliance with each Financial Covenant for such fiscal quarter.

As used in this Schedule, the following terms have the meanings given as set forth below. Any capitalized terms not otherwise defined below, shall be given the meanings ascribed to such terms in the Credit Facility, as such document was filed with the Securities and Exchange Commission on August 20, 2008.

Borrowed Money: with respect to any Obligor, without duplication, its (a) Debt that (i) arises from the lending of money by any person to such Obligor, (ii) is evidenced by notes, drafts, bonds, debentures, credit documents or similar instruments, (iii) accrues interest or is a type upon which interest charges are customarily paid (excluding trade payables owing in the Ordinary Course of Business and obligations owing to Flooring Lenders), or (iv) was issued or assumed as full or partial payment for any kind of property; (b) Capital Leases; (c) reimbursement obligations with respect to letters of credit; and (d) guaranties of any Debt of the foregoing types owing by another person. In no event shall Debt incurred under or in connection with the Existing Securitization Facility constitute Borrowed Money.

Capital Expenditures: all liabilities incurred, expenditures made or payments due (whether or not made) by any Borrower or any of its Subsidiaries for the acquisition of any fixed assets, or any improvements, replacements, substitutions or additions thereto with a useful life of more than one year, including the principal portion of Capital Leases.

Capital Lease: any lease that is required to be capitalized for financial reporting purposes in accordance with GAAP.

Contingent Obligation: any obligation of a person (without duplication) arising from a guaranty, indemnity or other assurance of payment or performance of any Debt, lease, dividend or other obligation ("primary obligations") of another obligor ("primary obligor") in any manner, whether directly or indirectly, including any obligation of such person under any (a) guaranty, endorsement, co-making or sale with recourse of an obligation of a primary obligor; (b) obligation to make take-or-pay or similar payments regardless of non-performance ;by any other party to an agreement; and (c) arrangement (i) to purchase any primary obligation or security therefor, (ii) to supply funds for the purchase or payment of any primary obligation, (iii) to maintain or assure working capital, equity capital, net worth or solvency of the primary obligor, (iv) to purchase any kind of property or services for the purpose of assuring the ability of the primary obligor to perform a primary obligation, or (v) otherwise to assure or hold harmless the holder of any primary obligation against loss in respect thereof. The amount of any Contingent Obligation shall be deemed to be the stated or determinable amount of the primary obligation (or , if less, the maximum amount for which such person may be liable under the instrument evidencing the Contingent Obligation) or, if not stated or determinable, the maximum reasonably anticipated liability with respect thereto.

Credit Facility: means the LOAN AND SECURITY AGREEMENT, dated as of August 14, 2008, between Borrowers and certain financial institutions as parties thereto from time to time as Lenders, BANK OF AMERICA, N.A., as Administrative Agent, JPMORGAN CHASE BANK, NATIONAL ASSOCIATION, as Syndication Agent, and CAPITAL ONE, N.A., as Co-Documentation Agent.

Debt: as applied to any person, without duplication, (a) all items that would be included as liabilities on a balance sheet in accordance with GAAP, including Capital Leases, but excluding trade payables incurred and being paid in the Ordinary Course of Business and amounts owed to Flooring Lenders on account of Flooring Arrangements paid in the Ordinary Course of Business; (b) all Contingent Obligations; (c) all reimbursement obligations in connection with letters of credit issued for the account of such person; and (d) in the case of any Borrower, the obligations under the Credit Facility. The Debt of a person shall include any recourse Debt of any partnership in which such person is a general partner or joint venturer.

EBITDAR: determined on a consolidated basis for Parent and its Subsidiaries for the trailing 12 month period measured as of the end of any Fiscal Quarter of Parent, net income, calculated before interest expense, provision for income taxes, depreciation and amortization expense, stock based compensation, book rent expense, gains or losses arising from the sale of capital assets, any extraordinary gains or losses (in each case, to the extent included in determining net income), and any fair value adjustments, and reduced to the extent the Borrowers' recorded loss reserve measured as of the end of any Fiscal Quarter is less than the EBITDAR Loss R eserve measured as of the end of the same Fiscal Quarter.

EBITDAR Loss Reserve: at any date is the sum of (i) Net Charge-Offs for the 12 month period ending on the measurement date, plus (ii) the net change in Net Balances over 180 days past due for the 12 month period ending on the measurement date.

Existing Securitization Facility: the receivables financing facility established pursuant to the Indenture and the "Transaction Documents" as defined therein. As used in this definition, “Indenture” means the Base Indenture dated September 1, 2002 between the Receivables SPV and Wells Fargo Bank, National Association, together with all amendments, modifications and supplements thereto.

Fixed Charge Coverage Ratio: the ratio, determined on a consolidated basis for Parent and its Subsidiaries for the most recent four Fiscal Quarters, of (a) EBITDAR minus unfinanced Net Capital Expenditures, to (b) Fixed Charges.

Fixed Charges: the sum of interest expense (other than payment-in-kind), scheduled/amortized principal payments made on Borrowed Money, un-scheduled principal payments made on Borrowed Money (other than payments on account of the Obligations or any other revolving Debt permitted hereunder), book rent expense, cash income taxes paid, and Distributions made.

Leverage Ratio: the ratio, determined as of the end of any Fiscal Quarter for the Parent and its Subsidiaries, of (a) the sum of (i) Borrowed Money (other than Contingent Obligations) as of the last day of such quarter, and (ii) the product of 8 multiplied by the trailing 12 month book rent expense for such Fiscal Quarter, to (b) EBITDAR for such Fiscal Quarter.

Net Capital Expenditures: Capital Expenditures less net proceeds received from the sale of any fixed assets.

**SCHEDULE 9(j)(B)**
**TO**
**RETAILER PROGRAM AGREEMENT**

**Letter of Credit**

(a) At any time during the Letter of Credit Period, Bank shall have the right to request that Retailer deliver to Bank, within ten business (10) days of such request, an Eligible Letter of Credit in an amount equal to (i) Two Hundred Thousand Dollars ($200,000), in the event the Letter of Credit Event occurs during the first Program Year (as defined below), or (ii) the product of Net Program Sales for the immediately preceding twelve-month period *multiplied* by three percent (3%), in the event the Letter of Credit Event occurs after the first Program Year (such amount, the "Letter of Credit Amount"). During any Letter of Credit Peri od, Bank shall have the right to re-calculate the Letter of Credit Amount at the end of every other calendar quarter; provided, that Bank may recalculate the Letter of Credit Amount more frequently if Bank reasonably determines that such recalculation is appropriate based on a material increase in Net Program Sales during any quarter (but in no event may Bank conduct any such recalculation more frequently than quarterly). If, during the Letter of Credit Period, an event shall occur which would cause any Letter of Credit previously delivered to Bank to cease to be an Eligible Letter of Credit or no longer be in an amount equal to or greater than the Letter of Credit Amount, then within ten (10) business days of the earlier of (i) the date on which Retailer first learns of the occurrence of such event; or (ii) the date on which Retailer first receives notice thereof from Bank, Retailer shall cause a substitute Eligible Letter of Credit to be issued and delivered to Bank in a face amount equal to or greater than the Letter of Credit Amount. On or before forty-five (45) days prior to the expiration of each Letter of Credit provided to Bank, Retailer shall cause a substitute Eligible Letter of Credit to be issued and delivered to Bank in a face amount equal to or greater than the Letter of Credit Amount. Any amounts drawn under a Letter of Credit hereunder in excess of the amounts due Bank hereunder shall be held by Bank in a non-interest bearing account on Bank's books (the "Collateral Account") and shall secure Retailer's full and prompt payment of all further amounts due hereunder. If, during the Letter of Credit Period, Retailer fails to pay any amounts hereunder when due, Bank may immediately, and without prior notice to Retailer, further draw on the Letter of Credit or, if applicable, debit any such unpaid amount fr om any amounts then remaining in the Collateral Account. In addition, if, during the Letter of Credit Period, Retailer fails to provide a substitute or replacement Eligible Letter of Credit as required by this Schedule 9(j)(B) or if Retailer is in default under the Agreement, including filing for bankruptcy protection or having an involuntary bankruptcy proceeding initiated against it, Bank may draw on the full amount available under the Letter of Credit, apply any amounts received in such drawing against Retailer's outstanding obligations hereunder, and credit the Collateral Account with the amount equal to any remaining balance. Bank's security interest in the Collateral Account shall be in addition to any right of setoff or recoupment that Bank may otherwise have under the Agreement or applicable law. The obligations under this Schedule 9(j)(B) shall apply at all times until the end of the Letter of Credit Period, at which time, Bank shall (x) surrender any out standing Letter of Credit to Retailer, and (y) pay to Retailer an amount equal to the amount remaining in the Collateral Account, if any.

(b) For the purposes of this Schedule 9(j)(B), the following terms shall have the following meanings:

"Eligible Letter of Credit" means a standby irrevocable Letter of Credit in form reasonably acceptable to Bank, satisfying the following conditions: (i) the Letter of Credit shall not expire earlier than the first anniversary of the date of its issuance or the date of any renewal thereof; (ii) the Letter of Credit shall be issued or confirmed by a bank reasonably acceptable to Bank which is chartered under the laws of the United States and maintains offices located in the continental United States; (iii) the Letter of Credit shall expressly permit multiple draws; (iv) the Letter of Credit shall be assignable and transferable; and (v) payment under the Letter of Credit shall be made at the issuing or confirming bank 's counters at one or more offices located in the continental United States upon presentation of a draft with an accompanying certificate from any officer of the Letter of Credit beneficiary to the effect either:

(A) that Retailer has failed to renew the Letter of Credit or provide a substitute Letter of Credit in accordance with this Schedule 9(j)(B) and that the amount of the draft is less than or equal to the full undrawn amount of the Letter of Credit;

(B) that Retailer has failed to pay any amounts due under the Agreement and that the amount of the draft is equal to or less than the past due amounts;
(C) that Retailer is in default under the Agreement or a Letter of Credit Event has occurred and that the amount of the draft is less than or equal to the full undrawn amount of the Letter of Credit; or
(D) that Retailer has filed, is placed in or otherwise is subject to any bankruptcy or similar state or federal reorganization provision.

"Letter of Credit" means each letter of credit provided by Retailer to Bank in support of Retailer's obligations under the Agreement, as the same may be amended from time to time.

"Letter of Credit Event" means Retailer's breach of any of the financial covenants set forth in Schedule 9(j)(A).

"Letter of Credit Period" means the period of time between the occurrence of a Letter of Credit Event and the earlier of (i) the end of the Remediation Period and (ii) the date which is one hundred eighty (180) days after the later of (x) expiration of this Agreement, and (y) sixty (60) days after the expiration of any credit promotional period relating to a purchase financed under the Program, unless Bank, in its sole discretion, determines to shorten such period.

"Net Program Sales" means, for any given period, the aggregate amount of sales to Accountholders resulting in charges to Account during such period less aggregate credits to Accounts during such period, in each case reflected in Charge Transaction Data.

"Remediation Period" means a nine-month period beginning after the occurrence of a Letter of Credit Event throughout which Retailer has been in full compliance with the financial covenants set forth in Schedule 9(j)(A).

**EXHIBIT A**
**FORM OF**

**CORPORATE GUARANTY**

For value received and to induce GE Money Bank (“GEMB”) to lend money or otherwise extend financial accommodations to or for the benefit of Conn’s, Inc., a Delaware corporation located at 3295 College Street, Beaumont, Texas 77701 (herein called the “Debtor”), the undersigned ("Guarantor") hereby absolutely and unconditionally guarantees payment to the GEMB when due (whether at scheduled maturity, by declaration or otherwise) of any and all indebtedness, liabilities and obligations now or hereafter owing by Debtor to GEMB under or in connection with that certain Retailer Program Agreement, dated as of April 16, 2009 (the “Program Agreement”), by and between GEMB and Conn Appliances, Inc., including interest, penalties, and/or damages thereon (collec tively herein called the "Guaranteed Debt"). This Guaranty is a guaranty of payment and not merely of collection.

Guarantor hereby waives presentment, demand and protest; notice of acceptance of this Guaranty; notice of the creation of any Guaranteed Debt, of any default and of protest, dishonor, or other action taken in reliance hereon; all demands and notices of any kind in connection with this guaranty of the Guaranteed Debt; and all diligence in collection or protection of or realization upon any of the Guaranteed Debt.

GEMB may, from time to time, either before or after any notice of discontinuance of this Guaranty, without notice to or consent of Guarantor and without in any way affecting any of Guarantor’s liability or GEMB’s rights hereunder: (a) alter, accelerate, extend, renew, or change the time, place, manner or terms of payment of, or grant indulgences with respect to, any of the Guaranteed Debt; (b) obtain the primary or secondary liability of any party or parties, in addition to Guarantor, with respect to any of the Guaranteed Debt; (c) release or compromise any liability of Debtor or any other party or parties primarily or secondarily liable on any of the Guaranteed Debt; (d) release, foreclose on or otherwise enforce GEMB’s liens on any collateral securing any of t he obligation of Debtor to GEMB, whether or not covered hereby; (e) apply to the Guaranteed Debt in such manner as GEMB shall determine any sums received by it from Debtor or from any other source to be applied to Debtor’s obligations; or (f) resort to Guarantor for payment of any or all of the Guaranteed Debt, whether or not GEMB shall have resorted to any property securing any of the Guaranteed Debt or shall have proceeded against Debtor, any other guarantor or any other party primarily or secondarily liable on any of the Guaranteed Debt.

This Guaranty shall be a continuing guaranty and shall be binding upon Guarantor regardless of how long before or after the date hereof any Guaranteed Debt was or is incurred. Guarantor’s obligations hereunder shall cease as of the effective date of the expiration or earlier termination of the Program Agreement (the “Guaranty Termination Date”). As of such date Guarantor's obligations hereunder shall be limited to (a) Guaranteed Debt outstanding or contracted or committed for (whether or not outstanding) on or before the Guaranty Termination Date; (b) any extensions, renewals or modifications of such Guaranteed Debt; and (c) any additional fees and expenses incurred by GEMB (including attorneys' fees and costs in seeking to enforce or collect such Gua ranteed Debt).

Guarantor agrees that this Guaranty shall continue to be effective, or shall be reinstated as the case may be, if at any time any payment to GEMB of any of the Guaranteed Debt is rescinded or must be restored or returned by GEMB upon the insolvency, bankruptcy or reorganization of Debtor, all as though such payment had not been made. Guarantor hereby irrevocably waives all claims it has or may acquire against Debtor in respect of the Guaranteed Debt, including rights of exoneration, reimbursement and subrogation.

This Guaranty is assignable by GEMB and shall inure to the benefit of GEMB, its successors and assigns. If more than one party shall execute this Guaranty, then the term "Guarantor" shall mean all parties executing this Guaranty, and all such parties shall be jointly and severally obligated hereunder. This Guaranty may not be assigned by Guarantor without the express written consent of GEMB, which consent will be given or withheld in GEMB's sole discretion.

If at any time during the term of the Program Agreement Guarantor is not obligated to, or for any other reason does not, file periodic financial reports with the Securities and Exchange Commission pursuant to the reporting requirements of Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended, upon GEMB's request, Guarantor shall provide such financial statements and other information relating to Guarantor's operations and financial condition as GEMB may request from time to time.

This Guaranty may not be amended except by written instrument signed by GEMB and Guarantor. No delay by GEMB in exercising any of its rights or partial or single exercise of its rights shall operate as a waiver of that or any other right. The exercise of one or more of GEMB's rights shall not be a waiver of, nor preclude the exercise of, any rights or remedies available under this Guaranty, in law, or in equity.

All notices, demands and other communications hereunder shall be in writing and shall be sent by facsimile or nationally recognized overnight courier service addressed to the party to whom such notice or other communication is to be given or made at such party’s address as set forth in this Guaranty, or to such other address as such party may designate in writing to the other party from time to time in accordance with the provisions hereof and shall be deemed effective upon actual receipt.

This Guaranty and all rights and obligations hereunder shall be governed by and construed in accordance with the substantive laws of the State of Utah. If any provision of this Guaranty is held to be invalid, void or unenforceable, all other provisions shall remain valid and be enforced and construed as if such invalid provision were never a part of this Guaranty. Guarantor agrees to pay all expenses (including attorneys’ fees and legal expenses) incurred by GEMB to collect the Guaranteed Debt and in enforcing this Guaranty.

Guarantor hereby represents and warrants that it has the requisite corporate power, authority and legal right to execute, deliver and perform this Guaranty, and Guarantor has taken all necessary corporate action to authorize such execution, delivery and performance. This Guaranty violates no contractual provisions entered into by Guarantor, nor any law. No consent of any other person (including, without limitation, stockholders or creditors of Guarantor), and no consent, license, permit, approval or authorization of, exemption by, or registration, filing, or declaration with, any governmental authority, is required in connection with the execution, delivery, performance, validity or enforceability of this Guaranty or against the Guarantor. This Guaranty ha s been duly executed and delivered by Guarantor and constitutes the legal, valid and binding obligation of Guarantor enforceable against it in accordance with its terms.

CONN’S INC.

Date: April 16, 2009

By: /s/ Timothy L. Frank

Title: President and Chief Operating Officer

Addresses for Notices:

To GEMB:

GE Money Bank
4246 South Riverboat Road, Suite 200
Salt Lake City, Utah 84123
Attention: President

cc: GE Capital, Sales Finance
950 Forrer Blvd.
Kettering, OH 45420
Attn: Counsel

To Guarantor:

Conn’s, Inc.
3295 College Street
Beaumont, Texas 77701
Attention: Chief Financial Officer

# AGREEMENT

This Agreement ("Agreement") is entered into as of the 1st day of July, 2010 by and between Conn Appliances, Inc. (“HOST”), whose address is 3295 College St., Beaumont, Texas, 77701, and The Rental Store, Inc., an Arizona corporation (“TRS”), whose address is 9977 North 90th Street #150, Scottsdale, AZ 85258.

## Recitals:

A. Whereas, HOST owns and operates retail stores engaged in the sale of furniture and other household goods at various locations;

B. Whereas, TRS is engaged in the business of "lease-purchase" and enters into lease and rental contracts with the general public;

C. Whereas HOST and TRS desire to enter into a business arrangement with each other in regards to those locations operating within _________________, as more specifically defined on Exhibit “A” attached hereto, each such locations are hereinafter referred to as a “Location”.

## Basic Agreements:

Now therefore, in consideration of the mutual promises contained herein and for other good and valuable consideration, the parties hereto agree as follows:

1. Independent Business Enterprise. TRS shall operate as an independent and separate business entity within each Location, and, except as provided herein, HOST shall not have any responsibility for the operations of TRS at each Location.

2. Customer Referral. HOST shall use its commercially reasonable efforts to inform its customers of the rental services provided by TRS at each of the Locations. Each party acknowledges that its employees cannot make any representations, promises or give any assurances on behalf of the other party.

3. Purchase of Inventory. TRS shall purchase all inventory and ancillary products such as warranties or fabric protection for its rental activities originating at the Location from HOST, paying HOST's tagged retail price of the items purchased, subject to various promotions and price match policies agreed to by the parties. (Retail price is in lieu of rent, utilities, advertising, etc.). TRS shall purchase such inventory and products from HOST by making payment directly to HOST or as directed by HOST such that TRS shall obtain said inventory free and clear of all liens, claims and encumbrances. TRS will remit said payment via wire transfer not later than 14 days following presentation of billing by HOST for received product to the local representative of TRS. Such billing shall be a summary of outstanding invoices in a form and substance mutually agreed to by the parties, submitted on a weekly basis by HOST.

4. Delivery//Damaged Product. TRS shall be deemed to be a normal retail customer, with the same access to delivery services and remedies for defective product. The fees paid by TRS for delivery services shall be the same as the fees paid by the general public.

5. Location, Taxes, Utilities, and Maintenance. HOST shall provide sufficient space for the business operations of TRS within each of the Locations not to exceed 300 square feet and HOST shall bear such construction costs, if any, necessary to provide this space. Such space must be acceptable by both parties. HOST shall be responsible for all real estate taxes assessed against each Location and all utilities, maintenance, services, and rent, mortgage payments, fees and charges pertaining to the Location. TRS shall pay for all deposits and charges for telephone service pertaining to the business operations of TRS.

6. Insurance. TRS agrees to procure and maintain a policy or policies of commercial general liability insurance at its own cost and expense, insuring TRS from all claims, demands, or actions for injury or death in the amount of not less than $1,000,000.00 as to each individual Location and $3,000,000.00 as to all the Locations and for damage to property in an amount of not less than $500,000 made by or on behalf of any person or persons, firm or corporation arising from, related to, or connected with, the conduct and operation of TRS's business at each Location. HOST shall be named as an additional insured on such policies. TRS shall insure its personal property at each location.

7. No Joint Venture. TRS and HOST each have separate and independent rights and obligations under this Agreement. Nothing contained herein shall be construed as creating, forming or constituting any partnership, joint venture, merger or consolidation of TRS and HOST for any purpose whatsoever or in any respect. All lease-purchase and rental contracts which arise, originate, or are located on said Locations, and all books and records in connection therewith or in any way relating thereto or evidencing the lease-purchase and rental contracts, are solely the property of The Rental Store, Inc.

8. Term. This Agreement shall be deemed to be in effect until: (i) such time as one or both parties give written notice of intent to terminate the Agreement, in which instance such notice of pending termination must be given a minimum of six months prior to the effective termination date; or (ii) this Agreement may be terminated by either party upon (a) notice of the occurrence of a default by the other party in the performance of any of its obligations under this Agreement and (b) failure to cure said default within fifteen business days.

9. No Solicitation. Each party understands that it is necessary for the other party to keep its business affairs, including but not limited to, pricing strategies, sales procedures, customer information, techniques and methods of doing business confidential. HOST covenants and agrees, during the term of this Agreement and for a period of twelve (12) months thereafter to not, either directly or indirectly: (i) solicit, induce or attempt to influence or encourage any employee of TRS to terminate his or her employment with the TRS or to become employed by HOST in any manner and (ii) engage in the establishment, start up, management or operation or participate or invest in or be in control of any “lease pur chase business” at a Location. TRS covenants and agrees, during the term of this Agreement and for a period of twelve (12) months thereafter to not, either directly or indirectly solicit, induce or attempt to influence or encourage any employee of HOST to terminate his or her employment with the HOST or to become employed by TRS. The parties hereto agree that a violation on a party’s part of any covenant in this paragraph 9 will cause such damage to other party as well as be irreparable and, for that reason, each party further agrees that the other party shall be entitled as a matter of right and upon notice as provided in paragraph 16 hereof, to an injunction from any court of competent jurisdiction and, restraining any further violation of said covenants by the other party. Such right to injunctive remedies shall be in addition to and cumulative with any other rights and remedies a party may have pursuant to this Agreement or law.

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Additional Agreements

10. Compliance with Laws. TRS shall, at all times, comply with all present and future laws, ordinances, orders, rules, regulations, and requirements of all federal, state, and municipal governments which now or hereafter may be applicable to the operation of the TRS business.

11. Indemnity. TRS agrees to defend, indemnify, and hold HOST and its partners, and the agents, officers, and employees of HOST, harmless from and against all claims or causes of action for damage or injury or death to persons or property arising out of or relating to the operation of the business of TRS, including, but not limited to, any claims or causes of action caused by or resulting from the sole or concurrent negligence, but not the gross negligence or willful misconduct of HOST or its partners, or the agents, officers, or employees of HOST or its partners. This Section shall survive this Agreement.

12. Rights of Others. Except as expressly provided herein, nothing expressed or implied in this Agreement is intended or shall be construed to confer upon or to give to any person or entity, other than the parties hereto, any benefits, rights or remedies under or by reason of any term, provision, condition, undertaking or agreement contained herein; provided, however, that it is expressly understood and agreed that the provisions, terms and conditions of this Agreement shall be binding upon and shall inure to the benefit of and shall be enforceable by the successors or assigns of the parties hereto.

13. Modifications. No promise, representation, warranty or agreement made subsequent to the execution and delivery of this Agreement by either party hereto, and no revocation, partial or otherwise, or change, amendment or addition to, or alteration or modification of, this Agreement shall be valid unless the same shall be in writing signed by all parties hereto.

14. No Assignment. This Agreement shall inure to the benefit of, and be binding upon, the parties hereto, their respective successors and assigns provided, however, that neither this Agreement nor any rights or obligations hereunder shall be assignable by either party without the prior express written consent of the other, and any purported assignment made in contravention hereof shall be void.

15. Time of Essence. Time is expressly made of the essence in this Agreement.

16. Notices. All notices required or permitted to be given hereunder shall be in writing and may be given in person or by United States mail, by delivery service or by electronic transmission. Any notice directed to a party to this Agreement shall become effective upon the earliest of the following: (i) actual receipt by that party; (ii) delivery to the designated address of that party, addressed to that party; or (iii) if given by certified or registered United States mail, the earlier of actual receipt or three (3) business days after deposit with the United States Postal Service, postage prepaid, addressed to that party at its designated address. The designated address of a party shall be the ad dress of that party shown at the beginning of this Agreement or such other address as that party, from time to time, may specify by notice to the other parties.

17. Severability. If a court of competent jurisdiction makes a final determination that any term or provision hereof is invalid, illegal or unenforceable, the invalid, illegal or unenforceable term or provision shall be deemed replaced by a term or provision that is legal, valid and enforceable and that comes closest to expressing the intention of the illegal, invalid or unenforceable term or provision, and the remaining terms and provisions hereof shall remain unimpaired.

18. Choice of Law. This Agreement shall be governed by and construed according to the laws of the State of Arizona, without giving effect to conflict of laws principles. The parties hereto consent to the jurisdiction and venue of the federal and state courts located within Maricopa County, Arizona.

19. Headings. The headings or captions of sections and paragraphs in this Agreement are for reference only, do not define or limit the provisions of such sections or paragraphs, and shall not affect the interpretation of this Agreement.

20. Exhibits. All exhibits or schedules when approved and attached to this Agreement are a part of and are incorporated by reference into this Agreement with the same effect as if they were recited at length in the body of this Agreement. The parties agree that as new HOST locations become the subject of this Agreement, Exhibit A hereto shall be amended by the inclusion of such new location, and such new location shall be deemed a "Location" for purposes of this Agreement.

21. Recitals. The Recitals are and form a part of this Agreement.

22. Counterparts. This Agreement may be executed in any number of counterparts by the parties hereto and will become effective and binding upon the parties at such time as all persons who are parties hereto have signed a counterpart of this Agreement. All counterparts so executed shall constitute one agreement binding upon all parties hereto, notwithstanding that all parties have not signed the same counterpart.

23. Entire Agreement. This Agreement and the various other documents required hereby embody and constitute the entire understanding between the parties with respect to the transaction contemplated herein, and all prior agreements, understandings, representations, and statements, oral or written, are merged into this Agreement. The waiver by either party of any breach of any term, covenant or condition contained in this Agreement shall not be deemed to be a waiver of such term, covenant, or condition or any subsequent breach of same or any other term, covenant or condition contained herein. Neither this Agreement nor any provision hereof may be waived, except by an instrument signed by the party aga inst whom the enforcement of such waiver is sought, and then only to the extent set forth in such instrument.

24. Negotiations. The parties hereto hereby acknowledge that this Agreement is the result of continual and ongoing negotiation between the parties. All parties have arrived at this Agreement through the exercise of equal bargaining power and any ambiguities herein should be construed against neither party, but should be given a fair and reasonable interpretation.

---

IN WITNESS WHEREOF, HOST and TRS have caused this Agreement to be executed on the day and year first above written.

HOST:

Conn Appliances, Inc.

By /s/ Timothy L. Frank

Its Chief Executive Officer

TRS:

THE RENTAL STORE, INC., an Arizona corporation

By /s/ Steve Gingerich

Its Chief Financial Officer

EXHIBIT A – Location List

| No | Store Name | Type | Market | City | St |
|---|---|---|---|---|---|
| 16 | I45 North | Store | Hou | Houston | TX |
| 18 | Gulf Frwy | Store | Hou | Houston | TX |
| 17 | Gessner (NEW) | Store | Hou | Houston | TX |
| 62 | NW Loop 410 | Store | SA | San Antonio | TX |
| 84 | Mesquite | Store | DFW | Mesquite | TX |
| 47 | Corpus | Store | Valley | Corpus Christi | TX |
| 27 | Northline (NEW) | Store | Hou | Houston | TX |
| 70 | Gulfgate | Store | Hou | Houston | TX |
| 68 | Walzem | Store | SA | San Antonio | TX |
| 26 | Uvalde | Store | Hou | Houston | TX |
| 61 | SW Military | Store | SA | San Antonio | TX |
| 41 | McAllen | Store | Valley | McAllen | TX |
| 9 | Airline | Store | LA | Baton Rouge | LA |
| 79 | Lufkin | Store | Bmt | Lufkin | TX |
| 64 | W Commerce | Store | SA | San Antonio | TX |
| 67 | Capital Plaza | Store | Austin | Austin | TX |
| 66 | William Cannon | Store | Austin | Austin | TX |
| 88 | Hurst | Store | DFW | Hurst | TX |
| 43 | Brownsville | Store | Valley | Brownsville | TX |
| 89 | Wheatland | Store | DFW | Dallas | TX |
| 23 | Witte | Store | Hou | Houston | TX |
| 83 | Lewisville | Store | DFW | Dallas | TX |
| 77 | Baytown Garth | Store | Hou | Baytown | TX |
| 97 | Oak Cliff | Store | DFW | Dallas | TX |
| 81 | Royal | Store | DFW | Dallas | TX |
| 25 | Willowbrook | Store | Hou | Houston | TX |
| 24 | Humble | Store | Hou | Humble | TX |
| 71 | 290 | Store | Hou | Houston | TX |
| 87 | Cedar Hill | Store | DFW | Cedar Hill | TX |
| 5 | Port Arthur | Store | Bmt | Port Arthur | TX |
| 12 | Parkdale | Store | Bmt | Beaumont | TX |
| 2 | Gateway | Store | Bmt | Beaumont | TX |
| 8 | W Willow | Store | LA | Lafayette | LA |
| 6 | Lake Charles | Store | LA | Lake Charles | LA |

EXHIBIT 12.1

**Statement of Computation of Ratio of Earnings to Fixed Charges**
**(Dollars in thousands)**

| | Six Months Ended July 31, | |
|---|---|---|
| | **2009** | **2010** |
| Income before income taxes | $ 26,552 | $ 11,873 |
| Fixed charges | 17,445 | 18,890 |
| Capitalized interest | (33) | (18) |
| Total earnings | $ 43,964 | $ 30,745 |
| Interest expense (including capitalized interest) | $ 10,379 | $ 10,679 |
| Amortized premiums and expenses | 698 | 1,852 |
| Estimated interest within rent expense | 6,368 | 6,359 |
| Total fixed charges | $ 17,445 | $ 18,890 |
| Ratio of earnings to fixed charges | 2.52 | 1.63 |

EXHIBIT 21

**SUBSIDIARIES OF CONN'S, INC.**

| **Subsidiary** | **Jurisdiction** |
| --- | --- |
| CAIAIR, Inc. | Delaware |
| CAI Credit Insurance Agency, Inc. | Louisiana |
| CAI Holding Co. | Delaware |
| Conn Appliances, Inc. | Texas |
| Conn Appliances, LLC | Delaware |
| Conn Credit Corporation, Inc. | Texas |
| Conn Funding II GP, LLC | Texas |
| Conn Funding II, LP | Texas |
| Conn Lending, LLC | Delaware |
| Conn Credit I, LP | Texas |

**EXHIBIT 31.1**

**RULE 13a-14(a)/15d-14(a) CERTIFICATION**
**(CHIEF EXECUTIVE OFFICER)**

I, Timothy L. Frank, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Conn's, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Timothy L. Frank
Chief Executive Officer and President

Date: August 26, 2010

**EXHIBIT 31.2**

**RULE 13a-14(a)/15d-14(a) CERTIFICATION**
**(CHIEF FINANCIAL OFFICER)**

I, Michael J. Poppe, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Conn's, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Michael J. Poppe
Michael J. Poppe
Executive Vice President and Chief Financial Officer

Date: August 26, 2010

**EXHIBIT 32.1**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Conn's, Inc. (the "***Company***") on Form 10-Q for the period ended July 31, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "***Report***"), we, Timothy L. Frank, Chief Executive Officer and President of the Company and Michael J. Poppe, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Timothy L. Frank
Timothy L. Frank
Chief Executive Officer and President

/s/ Michael J. Poppe
Michael J. Poppe
Executive Vice President and Chief Financial Officer

Dated: August 26, 2010

A signed original of this written statement required by Section 906 has been provided to Conn's, Inc. and will be retained by Conn's, Inc. and furnished to the Securities and Exchange Commission or its staff upon request. The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

**EXHIBIT 99.1**

**SUBCERTIFICATION OF CHAIRMAN OF THE BOARD IN SUPPORT OF RULE 13a-14(a)/15d-14(a) CERTIFICATION (CHIEF EXECUTIVE OFFICER)**

I, William C. Nylin Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Conn's, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ William C. Nylin, Jr.
William C. Nylin, Jr.
Chairman of the Board

Date August 26, 2010

**SUBCERTIFICATION OF PRESIDENT – RETAIL DIVISION IN SUPPORT OF RULE 13a-14(a)/15d-14(a) CERTIFICATION (CHIEF EXECUTIVE OFFICER)**

I, David W. Trahan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Conn's, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ David W. Trahan
David W. Trahan
President – Retail Division

Date: August 26, 2010

EXHIBIT 99.3

**SUBCERTIFICATION OF PRESIDENT – CREDIT DIVISION IN SUPPORT OF RULE 13a-14(a)/15d-14(a) CERTIFICATION (CHIEF EXECUTIVE OFFICER)**

I, Reymundo de la Fuente, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Conn's, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Reymundo de la Fuente, Jr.

Reymundo de la Fuente, Jr.
President - Credit Division

Date: August 26, 2010

**EXHIBIT 99.4**

**SUBCERTIFICATION OF TREASURER IN SUPPORT OF RULE 13a-14(a)/15d-14(a) CERTIFICATION (CHIEF FINANCIAL OFFICER)**

I, David R. Atnip, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Conn's, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ David R. Atnip
David R. Atnip
Senior Vice President and Treasurer

Date: August 26, 2010

**EXHIBIT 99.5**

**SUBCERTIFICATION OF SECRETARY IN SUPPORT OF RULE 13a-14(a)/15d-14(a) CERTIFICATION**
**(CHIEF EXECUTIVE OFFICER)**

I, Sydney K. Boone, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Conn's, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Sydney K. Boone, Jr.
Sydney K. Boone, Jr.
Corporate General Counsel and Secretary

Date: August 26, 2010

**SUBCERTIFICATION OF CHAIRMAN OF THE BOARD,
PRESIDENTS, TREASURER AND SECRETARY IN SUPPORT OF
18 U.S.C. SECTION 1350 CERTIFICATION,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Conn's, Inc. (the "***Company***") on Form 10-Q for the period ended July 31, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "***Report***"), we, William C. Nylin, Jr., Chairman of the Board, David W. Trahan, President – Retail Division, Reymundo de la Fuente, Jr., President – Credit Division, David R. Atnip, Senior Vice President and Treasurer of the Company, and Sydney K. Boone, Jr., Corporate General Counsel and Secretary of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ William C. Nylin, Jr.
William C. Nylin, Jr.
Chairman of the Board

/s/ David W. Trahan
David W. Trahan
President – Retail Division

/s/ Reymundo de la Fuente, Jr.
Reymundo de la Fuente, Jr.
President – Credit Division

/s/ David R. Atnip
David R. Atnip
Senior Vice President and Treasurer

/s/ Sydney K. Boone, Jr.
Sydney K. Boone, Jr.
Corporate General Counsel and Secretary

Dated: August 26, 2010

A signed original of this written statement has been provided to Conn's, Inc. and will be retained by Conn's, Inc. The foregoing certification is being furnished solely to support certifications pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.