UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended	Commission File Number
October 31, 2006	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 (1) 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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check One):
Large accelerated filer [ ] Accelerated filer [x] Non-accelerated filer [ ]

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of November 27, 2006:

Class	Outstanding
Common stock, $.01 par value per share	23,735,622

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Part I. FINANCIAL INFORMATION
Item 1. Financial Statements

Conn's, Inc.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)
(As Adjusted, see Note 1, and As Restated, see Note 8)

Assets	January 31, 2006	October 31, 2006
Current assets		(unaudited)
Cash and cash equivalents	$ 45,176	$ 44,127
Accounts receivable, net	23,542	30,570
Interests in securitized assets	139,282	123,104
Inventories	73,987	77,224
Deferred income taxes	-	186
Prepaid expenses and other assets	4,004	5,440
Total current assets	285,991	280,651
Non-current deferred income tax asset	1,561	2,016
Property and equipment		
Land	6,671	9,025
Buildings	7,084	11,935
Equipment and fixtures	9,612	12,686
Transportation equipment	3,284	2,942
Leasehold improvements	65,507	67,945
Subtotal	92,158	104,533
Less accumulated depreciation	(37,332)	(44,817)
Total property and equipment, net	54,826	59,716
Goodwill, net	9,617	9,617
Debt issuance costs and other assets, net	260	221
Total assets	$352,255	$352,221
Liabilities and Stockholders' Equity		
Current liabilities		
Current portion of long-term debt	$ 136	$ 83
Accounts payable	40,920	32,286
Accrued compensation and related expenses	18,847	7,519
Accrued expenses	17,380	20,316
Income taxes payable	8,794	450
Deferred income taxes	1,343	-
Deferred revenues and allowances	8,498	9,549
Total current liabilities	95,918	70,203
Long-term debt	-	116
Deferred gain on sale of property	476	351
Stockholders' equity		
Preferred stock ($0.01 par value, 1,000,000 shares authorized; none issued or outstanding)	-	-
Common stock ($0.01 par value, 40,000,000 shares authorized; 23,571,564 and 23,735,122 shares issued and outstanding at January 31, 2006 and October 31, 2006, respectively)	236	237
Additional paid-in capital	89,027	92,121
Accumulated other comprehensive income	10,492	6,124
Retained earnings	156,106	183,753
Treasury stock, at cost, 0 and 33,800 shares, respectively	-	(684)
Total stockholders' equity	255,861	281,551
Total liabilities and stockholders' equity	$352,255	$352,221

See notes to consolidated financial statements.

Conn's, Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(in thousands, except earnings per share)
(As Adjusted, See Note 1 and As Restated, See Note 8)

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2005	2006	2005	2006
Revenues				
Product sales	$140,405	$139,594	$398,547	$448,750
Service maintenance agreement commissions, net	7,506	6,845	22,238	21,875
Service revenues	5,157	5,951	15,066	17,107
Total net sales	153,068	152,390	435,851	487,732
Finance charges and other	19,521	21,303	59,217	60,353
Total revenues	172,589	173,693	495,068	548,085
Cost and expenses				
Cost of goods sold, including warehousing and occupancy costs	110,024	110,627	314,520	356,112
Cost of parts sold, including warehousing and occupancy costs	1,334	1,834	3,795	4,788
Selling, general and administrative expense	47,152	49,701	131,841	144,790
Provision for bad debts	331	526	662	959
Total cost and expenses	158,841	162,688	450,818	506,649
Operating income	13,748	11,005	44,250	41,436
Interest (income) expense, net	74	(141)	488	(512)
Other (income) expense, net	(27)	(19)	7	(773)
Income before income taxes	13,701	11,165	43,755	42,721
Provision for income taxes				
Current	5,623	4,449	18,730	14,782
Deferred	(777)	(438)	(3,291)	292
Total provision for income taxes	4,846	4,011	15,439	15,074
Net income	$ 8,855	$ 7,154	$ 28,316	$ 27,647
Earnings per share				
Basic	$ 0.38	$ 0.30	$ 1.21	$ 1.17
Diluted	$ 0.36	$ 0.30	$ 1.18	$ 1.14
Average common shares outstanding				
Basic	23,458	23,698	23,378	23,658
Diluted	24,265	24,165	24,020	24,318

See notes to consolidated financial statements.

Conn's, Inc.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
Nine Months Ended October 31, 2006
(unaudited)
(in thousands except descriptive shares)
(As Adjusted, See Note 1 and As Restated, See Note 8)

	Common Stock Shares	Common Stock Amount	Accum. Other Comprehensive Income	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total
Balance January 31, 2006	23,572	$236	$10,492	$89,027	$156,106	$ -	$255,861
Exercise of options to acquire 155,328 shares of common stock	155	1		1,510			1,511
Issuance of 8,230 shares of common stock under Employee Stock Purchase Plan	8			184			184
Stock-based compensation				1,204			1,204
Purchase of 33,800 shares of treasury stock						(684)	(684)
Tax benefit from options exercised				196			196
Net income					27,647		27,647
Adjustment of fair value of securitized assets (including tax benefit of $2,276), net of reclassification adjustments of $6,909 (net of tax of $3,886)			(4,368)				(4,368)
Total comprehensive income							23,279
Balance October 31, 2006	23,735	$237	$ 6,124	$92,121	$183,753	$(684)	$281,551

See notes to consolidated financial statements.

Conn's, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited) (in thousands)
(As Adjusted, See Note 1 and As Restated, See Note 8)

	Nine Months Ended October 31,	
	2005	2006
Cash flows from operating activities		
Net income	$ 28,316	$ 27,647
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	8,356	9,292
Amortization	(210)	(336)
Provision for bad debts	662	959
Stock-based compensation	785	1,204
Excess tax benefits from stock-based compensation	(23)	(196)
Discounts on promotional credit	611	1,001
Accretion from interests in securitized assets	(14,415)	(14,182)
Provision for deferred income taxes	(3,291)	292
Loss (Gain) from sale of property and equipment	8	(773)
Loss from derivatives	69	-
Changes in operating assets and liabilities:		
Accounts receivable	1,277	14,728
Inventory	(9,290)	(3,237)
Prepaid expenses and other assets	(482)	(1,436)
Accounts payable	26,019	(8,634)
Accrued expenses	8,093	(8,392)
Income taxes payable	4,493	(8,148)
Deferred revenue and allowances	851	1,301
Net cash provided by operating activities	51,829	11,090
Cash flows from investing activities		
Purchase of property and equipment	(14,107)	(15,681)
Proceeds from sales of property	22	2,272
Net cash used in investing activities	(14,085)	(13,409)
Cash flows from financing activities		
Proceeds from stock issued under employee benefit plans	2,022	1,695
Purchase of treasury stock	-	(684)
Excess tax benefits from stock-based compensation	23	196
Borrowings under lines of credit	62,300	13,400
Payments on lines of credit	(72,800)	(13,400)
Increase in debt issuance costs	(130)	-
Borrowings under promissory notes	-	208
Payment of promissory notes	(21)	(145)
Net cash provided by (used in) financing activities	(8,606)	1,270
Net change in cash	29,138	(1,049)
Cash and cash equivalents		
Beginning of the year	7,027	45,176
End of period	$ 36,165	$ 44,127

See notes to consolidated financial statements.

Conn's , Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)
October 31, 2006

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. Operating results for the three and nine month periods ended October 31, 2006 are not necessarily indicative of the results that may be expected for the year ending January 31, 2007. 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 Annual Report on Form 10-K/A filed on September 15, 2006.

The Company's balance sheet at January 31, 2006, as adjusted for Statement of Financial Accounting Standards No. 123R, has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial presentation. Please see the Company's Form 10-K/A for the fiscal year ended January 31, 2006 for a complete presentation of the audited financial statements at that date, together with all required footnotes, and for a complete presentation and explanation of the components and presentations of the financial statements.

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

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

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

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2005	2006	2005	2006
Common stock outstanding, beginning of period	23,388,235	23,697,318	23,267,596	23,571,564
Weighted average common stock issued in stock option exercises	68,646	15,100	106,292	87,919
Weighted average common stock issued to employee stock purchase plan	866	1,184	3,879	3,282
Weighted average treasury stock purchased	-	(15,185)	-	(5,117)
Shares used in computing basic earnings per share	23,457,747	23,698,417	23,377,767	23,657,648
Dilutive effect of stock options, net of assumed repurchase of treasury stock	807,565	466,741	642,415	659,870
Shares used in computing diluted earnings per share	24,265,312	24,165,158	24,020,182	24,317,518

Goodwill. Goodwill represents the excess of purchase price over the fair market value of net assets acquired. The Company assesses the potential future impairment of goodwill on an annual basis, or at any other time when impairment indicators exist. The Company concluded at January 31, 2006 and October 31, 2006 that no impairment of goodwill existed.

Stock-Based Compensation. On February 1, 2006, the Company adopted SFAS No. 123R, Stock-Based Payment, using the modified retrospective application transition. Under the modified retrospective application transition, all prior period financial statements have been adjusted to give effect to the fair-value-based method of accounting for stock-based compensation. The adoption of this statement impacted the financial statements presented as follows:

- For the three months ended October 31, 2005 and 2006, Income before income taxes was reduced by $0.2 million and $0.4 million, respectively. For the nine months ended October 31, 2005 and 2006, Income before income taxes was reduced by $0.8 million and $1.2 million, respectively.

- For the three months ended October 31, 2005 and 2006, Net income was reduced by $0.2 million and $0.3 million, respectively. For the nine months ended October 31, 2005 and 2006, Net income was reduced by $0.6 million and $1.0 million, respectively.

- For the three months ended October 31, 2005 and 2006, Basic earnings per share was reduced by $.01 and $.01, respectively. For the nine months ended October 31, 2005 and 2006, Basic earnings per share was reduced by $.03 and $.04, respectively.

- For the three months ended October 31, 2005 and 2006, Diluted earnings per share was reduced by $.01 and $.01, respectively. For the nine months ended October 31, 2005 and 2006, Diluted earnings per share was reduced by $.03 and $.04, respectively.

- For the nine months ended October 31, 2005 and 2006, Cash flows from operating activities were reduced by, and Cash flows from investing activities were increased by, $0.0 and $0.2 million, respectively.

- As of January 31, 2006, the Current deferred income tax asset increased $0.3 million, Additional paid-in capital increased $2.0 million and Retained earnings decreased $1.7 million.

For post-IPO stock option grants, the Company has used the Black-Scholes model to determine fair value. Stock-based compensation expense is recorded, net of estimated forfeitures, on a straight-line basis over the vesting period of the applicable grant. Prior to the IPO, the value of the options issued was estimated using the minimum valuation option-pricing model. Since the minimum valuation option-pricing model does not qualify as a fair value pricing model under FAS 123R, the Company follows the intrinsic value method of accounting for stock-based compensation to employees for these grants, as prescribed by Accounting Principles Board ("APB") Opinion No. 25, Accounting for Stock Issued

to Employees, and related interpretations. If compensation expense for the Company's stock options granted prior to the IPO had been recognized using the fair value method of accounting under SFAS No. 123, net income available for common stockholders for the three months ended October 31, 2005 and 2006 would have decreased by 0.8% and 0.2%, respectively. Net income available for common stockholders for the nine months ended October 31, 2005 and 2006 would have decreased by 1.0% and 0.4%, respectively. The following table presents the impact to earnings per share as if the Company had adopted the fair value recognition provisions of SFAS No. 123 (dollars in thousands except per share data):

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2005	2006	2005	2006
Net income available for common stockholders as reported	$8,855	$7,154	$28,316	$27,647
Add: Stock-based compensation recorded, net of tax	199	332	647	994
Less: Stock-based compensation, net of tax for all awards	(271)	(345)	(925)	(1,104)
Pro forma net income	$8,783	$7,141	$28,038	$27,537
Earnings per share-as reported:				
Basic	$ 0.38	$ 0.30	$ 1.21	$ 1.17
Diluted	$ 0.36	$ 0.30	$ 1.18	$ 1.14
Pro forma earnings per share:				
Basic	$ 0.37	$ 0.30	$ 1.20	$ 1.16
Diluted	$ 0.36	$ 0.30	$ 1.17	$ 1.13

As of October 31, 2006, the total compensation cost related to non-vested awards not yet recognized totaled $4.3 million and is expected to be recognized over a weighted average period of 3.3 years.

Application of APB 21 to Promotional Credit Programs that Exceed One Year in Duration: The Company offers promotional credit payment plans, on certain products, that extend beyond one year. In accordance with APB 21, Interest on Receivables and Payables, such sales are discounted to their fair value resulting in a reduction in sales and receivables and the amortization of the discount amount over the term of the deferred interest payment plan. The difference between the gross sale and the discounted amount is reflected as a reduction of Product sales in the consolidated statements of operations and the amount of the discount being amortized in the current period is recorded in Finance charges and other. For the three months ended October 31, 2005 and 2006, Product sales were reduced by $0.7 million and $1.7 million, respectively, and Finance charges and other was increased by $0.7 million and $0.8 million, respectively, to effect the adjustment to fair value and to reflect the appropriate amortization of the discount. For the nine months ended October 31, 2005 and 2006, Product sales were reduced by $2.3 million and $3.3 million, respectively, and Finance charges and other was increased by $1.7 million and $2.3 million, respectively, to effect the adjustment to fair value and to reflect the appropriate amortization of the discount.

Texas Tax Law Changes. On May 18, 2006, the Governor of Texas signed a tax bill that modified the existing franchise tax, with the most significant change being the replacement of the existing base with a tax based on margin. Taxable margin is generally defined as total federal tax revenues minus the greater of (a) cost of goods sold or (b) compensation. The tax rate to be paid by retailers and wholesalers is 0.5% on taxable margin. This will result in an increase in taxes paid by the Company, as franchise taxes paid have totaled less than $50,000 per year for the last several years.

The tax changes impacted earnings beginning in the quarter ended July 31, 2006. For the quarter and nine months ended October 31, 2006, the Company accrued, net of federal tax benefit, approximately $173,000 and $290,000, respectively, in additional tax liability and had initially recorded approximately $29,000 in deferred tax assets as a result of the new margin tax.

Recent Accounting Pronouncements. In October 2005, FASB Staff Position (FSP) No. 13-1, Accounting for Rental Costs Incurred during a Construction Period, was issued. This FSP addresses the accounting for rental costs associated with operating leases that are incurred during a construction period. It requires that those costs be recognized as rental expense and included in income from continuing operations. The guidance in this FSP is to be applied to the first reporting period beginning after December 15, 2005 and states that a lessee shall cease capitalizing rental costs as of the effective date of the FSP for operating lease arrangements entered into prior to the effective date of the FSP. The Company implemented the guidance in this FSP as of February 1, 2006, and it did not have a material impact on its financial condition or results of operations.

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

In February 2006, the FASB Emerging Issues Task Force issued EITF No. 06-3, How Sales Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross Versus Net Presentation). The Task Force reached a consensus that a company should disclose its accounting policy (i.e., gross or net presentation) regarding presentation of taxes within the scope of this Issue. If taxes included in gross revenues are significant, a company should disclose the amount of such taxes for each period for which an income statement is presented. The consensus is effective for the first annual or interim reporting period beginning after December 15, 2006. The disclosures are required for annual and interim financial statements for each period for which an income statement is presented. The Company has evaluated the EITF and will disclose its accounting policy regarding the presentation of sales taxes beginning with the first quarter of fiscal 2008.

In July 2006, FASB Interpretation (FIN) No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109, Accounting for Income Taxes, was issued. This interpretation clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. The interpretation is effective for fiscal years beginning after December 15, 2006. The Company is currently analyzing the impact this statement will have on its financial condition and results of operations.

In September 2006, SFAS No. 157, Fair Value Measurements, was issued. This statement clarifies the principle that fair value should be based on the assumptions market participants would use when pricing an asset or liability. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is currently analyzing the impact this statement will have on its financial condition and results of operations.

In September 2006, Staff Accounting Bulletin (SAB) No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements, was issued. This bulletin addresses how the effects of prior year uncorrected errors must be considered in quantifying misstatements in the current year financial statements. This bulletin is effective for fiscal years ending after November 15, 2006.

Reclassifications. Certain reclassifications have been made in the prior year's financial statements to conform to the current year's presentation. Specifically, Other (income) expense, which consists of (gain) loss on sales of property and equipment, is now separately detailed. Previously these amounts were included in Selling, general and administrative expense. Additionally, the impact of the cancellation of insurance policies on charged-off receivables, which were previously included in the Provision for bad debts on the consolidated statements of operations, are now reported as a reduction of Insurance commissions, which is included in Finance charges and other.

2. Supplemental Disclosure of Revenue and Comprehensive Income

The following is a summary of the classification of the amounts included as Finance charges and other for the three and nine months ended October 31, 2005 and 2006 (in thousands):

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2005	2006	2005	2006
Securitization income (1)	$15,146	$16,783	$43,445	$45,294
Income from receivables not sold	319	306	903	964
Insurance commissions	3,643	4,074	12,025	13,069
Other	413	140	2,844	1,026
Finance charges and other	$19,521	$21,303	$59,217	$60,353

(1) Due to the expectation of higher credit losses during the last six months of the current fiscal year, resulting primarily from disruption to our credit operations as a result of Hurricane Rita, a $1.5 million impairment charge was recorded in Securitization income during the three months ended July 31, 2006. The impairment charge was based on an estimated average credit charge-off rate of 3.6% over the six month period ending January 31, 2007. The increase in credit losses for three month period was in-line with our expectations at the time we recorded the impairment charge. The charge-off rate used in the valuation of the interest in securitized assets is expected to return to the level of the historical 3.0% charge-off rate assumption at the beginning of the next fiscal year.

The components of total comprehensive income for the three and nine months ended October 31, 2005 and 2006 are presented in the table below (in thousands):

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2005	2006	2005	2006
Net income	$8,855	$ 7,154	$28,316	$27,647
Unrealized gain on derivative instruments	-	-	246	-
Taxes on unrealized gain on derivatives	-	-	(86)	-
Adjustment of fair value of securitized assets (1)	891	(6,628)	1,925	(6,644)
Taxes on adjustment of fair value	(302)	2,395	(665)	2,276
Total comprehensive income	$9,444	$ 2,921	$29,736	$23,279

(1) As a result of the completion of a new bond issuance by the QSPE, the discount recorded on the Company's investment was increased to reflect the impact of the longer term to maturity.

3. Supplemental Disclosure Regarding Managed Receivables

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

	Total Principal Amount of Receivables		Principal Amount 60 Days or More Past Due (1)	
	January 31, 2006	October 31, 2006	January 31, 2006	October 31, 2006
Primary portfolio:				
Installment	$380,603	$362,117	$24,934	$25,091
Revolving	41,046	51,189	1,095	1,220
Subtotal	421,649	413,306	26,029	26,311
Secondary portfolio:				
Installment	98,072	122,382	9,508	11,489
Total receivables managed	519,721	535,688	35,537	37,800
Less receivables sold	509,681	525,723	33,483	35,815
Receivables not sold	10,040	9,965	$ 2,054	$ 1,985
Non-customer receivables	13,502	20,605		
Total accounts receivable, net	$ 23,542	$ 30,570		

(1) Amounts are based on end of period balances. The principal amount 60 days or more past due relative to total receivables managed is not necessarily indicative of relative balances expected at other times during the year due to seasonal fluctuations in delinquency.

	Average Balances		Credit Charge-offs (1)	
	Three Months Ended October 31,		Three Months Ended October 31,	
	2005	2006	2005	2006
Primary portfolio:				
Installment	$357,015	$366,440		
Revolving	37,521	46,637		
Subtotal	394,536	413,077	$1,805	$2,897
Secondary portfolio:				
Installment	84,994	119,884	448	906
Total receivables managed	479,530	532,961	2,253	3,803
Less receivables sold	469,586	522,722	2,079	3,517
Receivables not sold	$ 9,944	$ 10,239	$ 174	$ 286

(1) Amounts represent total credit charge-offs, net of recoveries, on total receivables. The increased level of credit losses is primarily a result of the impact on our credit operations of Hurricane Rita that hit the Gulf Coast during September 2005.

	Average Balances		Credit Charge-offs (1)	
	Nine Months Ended October 31,		Nine Months Ended October 31,	
	2005	2006	2005	2006
Primary portfolio:				
Installment	$344,348	$369,660		
Revolving	33,748	44,345		
Subtotal	378,096	414,005	$6,915	$10,772
Secondary portfolio:				
Installment	80,060	112,598	1,299	2,764
Total receivables managed	458,156	526,603	8,214	13,536
Less receivables sold	448,513	516,263	7,611	12,916
Receivables not sold	$ 9,643	$ 10,340	$ 603	$ 620

(1) Amounts represent total credit charge-offs, net of recoveries, on total receivables. The increased level of credit losses is primarily a result of the impact on our credit operations of Hurricane Rita that hit the Gulf Coast during September 2005.

4. Fair Value of Derivatives

The Company held interest rate swaps and collars with notional amounts totaling $20.0 million, which expired on April 15, 2005, and were held for the purpose of hedging against variable interest rate risk, primarily related to cash flows from the Company's interest-only strip as well as variable rate debt.

In fiscal 2004, hedge accounting was discontinued for the $20.0 million of swaps. In accordance with SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, at the time hedge accounting was discontinued, the Company began to recognize changes in fair value of the swaps as a reduction to interest expense and to amortize the amount of accumulated other comprehensive loss related to those derivatives as interest expense over the period that the forecasted transactions affected the consolidated statements of operations. As the swaps expired on April 15, 2005, there was no financial statement impact during the three months ended October 31, 2005 and 2006. During the nine months ended October 31, 2005 and 2006, the Company reclassified $246,000 and $0, respectively, of losses previously recorded in accumulated other comprehensive income into the consolidated statements of operations and recorded $177,000 and $0, respectively, of interest reductions in the consolidated statements of operations because of the change in fair value of the swaps.

5. Debt and Letters of Credit

At October 31, 2006, the Company had $48.1 million of its $50 million revolving credit facility available for borrowings. The amounts utilized under the revolving credit facility reflected $1.9 million related to letters of credit issued. Additionally, there were no amounts outstanding under a short-term revolving bank agreement that provides up to $8.0 million of availability on an unsecured basis. This unsecured facility matures in June 2007 and has a floating rate of interest, based on Prime, which equaled 7.75% at October 31, 2006.

Effective August 28, 2006, the Company entered into an amendment of its $50 million revolving credit facility with its existing lenders. The amendment increases the Company's restricted payment capacity, which includes payments for repurchases of capital stock, from $25 million to $50 million. There were no other modifications of the Credit Agreement.

The Company utilizes unsecured letters of credit to secure a portion of the QSPE's asset-backed securitization program, deductibles under the Company's property and casualty insurance programs and international product purchases. At October 31, 2006, the Company had outstanding unsecured letters of credit of $23.9 million. These letters of credit were issued under the three following facilities:

- The Company has a $5.0 million sublimit provided under its revolving line of credit for stand-by and import letters of credit. At October 31, 2006, $1.9 million of letters of credit were outstanding and callable at the option of the Company's property and casualty insurance carrier if the Company does not honor its requirement to fund deductible amounts as billed under its insurance program.

- The Company has arranged for a $20.0 million stand-by letter of credit to provide assurance to the trustee of the asset-backed securitization program that funds collected by the Company, as the servicer, would be remitted as required under the base indenture and other related documents. The letter of credit has a term of one year and expires in August 2007.

- The Company obtained a $10.0 million commitment for trade letters of credit to secure product purchases under an international arrangement. At October 31, 2006, there was $1.9 million outstanding under this commitment. The letter of credit commitment has a term of one year and expires in May 2007. No letter of credit issued under this commitment can have an expiration date more than 180 days after the commitment expiration date.

The maximum potential amount of future payments under these letter of credit facilities is considered to be the aggregate face amount of each letter of credit commitment, which total $35.0 million as of October 31, 2006.

6. Stock-Based Compensation

The Company originally approved an Incentive Stock Option Plan that provides for a pool of up to 3.5 million options to purchase shares of the Company's common stock. Such options are to be granted to various officers and employees at prices equal to the market value on the date of the grant. The options vest over three or five year periods (depending on the grant) and expire ten years after the date of grant. As part of the completion of the IPO, the Company amended the Incentive Stock Option Plan to provide for a total available pool of 2,559,767 options, adopted a Non-Employee Director Stock Option Plan that included 300,000 options, and adopted an Employee Stock Purchase Plan that reserved up to 1,267,085 shares of the Company's common stock to be issued. At the Company's annual meeting on May 31, 2006, amendments to the stock option plans were approved, which increased the shares available under the Incentive Stock Option Plan to 3,859,767 and increased the shares available under the Non-Employee Director Stock Option Plan to 600,000. On November 24, 2003, the Company issued six non-employee directors 240,000 total options to acquire the Company's stock at $14.00 per share. On June 3, 2004, the Company issued 40,000 options to acquire the Company's stock at $17.34 per share to a seventh non-employee director. At October 31, 2006, the Company had 320,000 options available for grant under the Non-Employee Director Stock Option Plan.

The Employee Stock Purchase Plan is available to a majority of the employees of the Company and its subsidiaries, subject to minimum employment conditions and maximum compensation limitations. At the end of each calendar quarter, employee contributions are used to acquire shares of common stock at 85% of the lower of the fair market value of the common stock on the first or last day of the calendar quarter. During the nine month periods ended October 31, 2005 and 2006, the Company issued 8,306 and 8,230 shares of common stock, respectively, to employees participating in the plan, leaving 1,239,695 shares remaining reserved for future issuance under the plan as of October 31, 2006.

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

	Nine Months Ended October 31,			
	2005		2006	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of period	1,666	$ 11.50	1,626	$ 16.31
Granted	-	$ -	-	$ -
Exercised	(220)	$ (8.13)	(149)	$ (9.41)
Forfeited	(79)	$(14.75)	(26)	$(23.82)
Outstanding, end of period	1,367	$ 11.85	1,451	$ 16.87
Options exercisable at end of period	660		705	
Options available for grant	758		1,779	
Intrinsic value of options exercised during the period	$3.1 million		$2.8 million	

Range of Exercise Prices	Options Outstanding: Shares Outstanding October 31, 2006	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Options Exercisable: Shares Exercisable October 31, 2006	Weighted Average Exercise Price
$8.21-$10.83	583	4.6	$ 8.52	557	$ 8.42
$14.00 -$16.49	281	7.2	$14.27	101	$14.22
$17.73	272	8.1	$17.73	47	$17.73
$33.88	315	9.1	$33.88	-	$ -
Total	1,451	6.7	$16.87	705	$9.87

Aggregate intrinsic value of exercisable options at October 31, 2006 .... $10.0 million

7. Contingencies

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

Service Maintenance Agreement Obligations. The Company sells service maintenance agreements under which it is the obligor for payment of qualifying claims. The Company is responsible for administering the program, including setting the pricing of the agreements sold and paying the claims. The 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 agreements sold are deferred at the time of sale and recorded in revenues in the statement of operations over the life of the agreements. The revenues deferred related to these agreements totaled $3.6 million and $3.9 million, respectively, as of January 31, 2006 and October 31, 2006, and are included on the face of the balance sheet in Deferred revenues and allowances.

8. Restatement of Financial Statements

The Company restated its consolidated financial statements for the quarter and nine-months ended October 31, 2005 to correct for errors in recording interests in securitized assets, securitization income and related income tax impacts that were incorrectly accounted for under U.S. generally accepted accounting principles, specifically covered by Statement of Financial Accounting Standards ("SFAS") No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities and Emerging Issues Task Force ("EITF") No. 99-20, Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interest in Securitized Financial Assets.

The following table sets forth the effects of the adjustments on Net Income for the quarter and nine-months ended October 31, 2005.

Increase (Decrease) in Net Income
(Dollars in thousands)

	Quarter ended October 31, 2005	Nine Months ended October 31, 2005
As Previously Reported net income	$8,932	$27,611
Securitization income	(118)	1,034
Provision for bad debts	-	53
Income tax provision	41	(382)
Total adjustment	(77)	705
Restated net income	$8,855	$28,316
Percent change	-0.9%	2.6%

The following tables set forth the effects of the restatement adjustments on affected line items within our previously reported Consolidated Statement of Operations for the quarter and nine-months ended October 31, 2005, and Consolidated Statement of Cash Flows for the nine-months ended October 31, 2005.

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

	Quarter ended October 31, 2005		Nine Months ended October 31, 2005	
	As Previously Reported	Restated	As Previously Reported	Restated
Finance charges and other	$ 20,237	$ 19,521	$ 59,992	$ 59,217
Total revenues	173,305	172,589	495,843	495,068
Provision for bad debts	929	331	2,524	662
Total cost and expenses	159,412	158,841	452,687	450,818
Operating income	13,893	13,748	43,156	44,250
Income before income taxes	13,819	13,701	42,668	43,755
Total provision for income taxes	4,887	4,846	15,057	15,439
Net Income	8,932	8,855	27,611	28,316
Earnings per share				
Basic	$ 0.38	$ 0.38	$ 1.18	$ 1.21
Diluted	$ 0.37	$ 0.36	$ 1.15	$ 1.18

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

	Nine Months ended October 31, 2005	
	As Previously Reported	Restated
Cash flows from operating activities		
Net income	$ 27,611	$ 28,316
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for bad debts	2,524	662
Accretion from interests in securitized assets	(10,667)	(14,415)
Provision for deferred income taxes	(3,673)	(3,291)
Change in operating assets and liabilities:		
Accounts receivable	(3,246)	1,277

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 are not limited to:

- the success of our growth strategy and plans regarding opening new stores and entering adjacent and new markets, including our plans to continue expanding into the Dallas/Fort Worth Metroplex, and South Texas;
- our intention to update or expand existing stores;
- our ability to obtain capital for required capital expenditures and costs related to the opening of new stores or to update or expand existing stores;
- our cash flows from operations, borrowings from our revolving line of credit and proceeds from securitizations to fund our operations, debt repayment and expansion;
- the ability of the QSPE to obtain additional funding for the purpose of purchasing our receivables;
- the effect of rising interest rates that could increase our cost of borrowing or reduce securitization income;
- the potential for deterioration in the delinquency status of the sold or owned credit portfolios or higher than historical charge-offs in the portfolios could adversely impact earnings;
- the potential for greater than expected losses in the sold or owned credit portfolios due to the impact of Hurricane Rita on our credit operations;
- the long-term effect of the change in bankruptcy laws could effect charge-offs in the credit portfolio which 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, DVD players, HDTV, digital audio, home networking devices and other new products, and our ability to capitalize on such growth;
- the potential for price erosion or lower unit sales that could result in declines in revenues;
- higher oil and gas prices 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 short-term and long-term impact of adverse weather conditions (e.g. hurricanes) that could result in volatility in our revenues and increased expenses and casualty losses;

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

- our relationships with key suppliers;

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

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

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

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

- the outcome of litigation affecting our business.

Additional important factors that could cause our actual results to differ materially from our expectations are discussed under "Risk Factors" in our Form 10-K/A filed with the Securities Exchange Commission on September 15, 2006. 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 our financial condition and performance in the indicated periods, including an analysis of those key factors that contributed to our financial condition and performance and that are, or are expected to be, the key "drivers" of our business.

On September 8, 2006, we concluded that our consolidated financial statements for the years ended January 31, 2006, 2005 and 2004 as well as the selected financial data for the years ended January 31, 2006, 2005, 2004, 2003, and July 31, 2001, the six months ended January 31, 2002 and the twelve months ended January 31, 2002, and for the quarters ended April 30, 2006 and 2005 should be restated to correct for errors in recording interests in securitized assets, securitization income and related income tax impacts that were incorrectly accounted for under U.S. generally accepted accounting principles, specifically covered by Statement of Financial Accounting Standards ("SFAS") No. 140, Accounting for transfers and Servicing of Financial Assets and Extinguishment of Liabilities and Emerging Issues Task Force ("EITF") No. 99-20, Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interest in Securitized Financial Assets. The following discussion has been updated, as appropriate, to reflect the changes to our financial statements. See Note 8 to the financial statements for discussion of the impacts on the financial statements.

On February 1, 2006, we were required to adopt Statement of Financial Accounting Standard No. 123R, Stock-Based Compensation. We elected to use the modified retrospective application transition, which results in the retrospective adjustment of all prior period financial statements using the fair-value-based method of accounting for stock-based compensation. As applicable, all amounts disclosed in the financial statements and in Management's Discussion and Analysis of Financial Condition and Results of Operations have been adjusted accordingly. See Note 1 to the financial statements for discussion of the impacts on the financial statements.

We are a specialty retailer that sells major home appliances, including refrigerators, freezers, washers, dryers and ranges, a variety of consumer electronics, including projection, plasma, DLP and LCD televisions, camcorders, DVD players, portable audio and home theater products, lawn and garden products, mattresses and furniture. We also sell home office equipment, including computers and computer accessories and continue to introduce additional product categories for the consumer and home to help increase same store sales and to respond to our customers' product needs. We require all our sales associates to be knowledgeable of all of our products, but to specialize in certain specific product categories.

We currently operate 60 retail locations in Texas and Louisiana, and have several other stores under development.

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 57% of our retail sales through our internal credit programs. We finance a large portion of our customer receivables through an asset-backed securitization facility, and we derive servicing fee income and interest income from these assets. As part of our asset-backed securitization facility, we have created a qualifying special purpose entity, which we refer to as the QSPE or the issuer, to purchase customer receivables from us and to issue asset-backed and variable funding notes to third parties. We transfer receivables, consisting of retail installment and revolving account receivables extended to our customers, to the issuer in exchange for cash and subordinated securities. To finance its acquisition of these receivables, the issuer has issued notes to third parties.

We also derive revenues from repair services on the products we sell and from product delivery and installation services we provide to our customers. Additionally, acting as an agent for unaffiliated companies, we sell credit insurance and service maintenance 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 service maintenance agreements, under which we are the primary obligor, to protect the customers after the original manufacturer's warranty or service maintenance agreement has expired.

Our business is moderately seasonal, with a slightly greater proportionate 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 nine months ended October 31, 2006. A detailed explanation of the changes in our operations for these periods as compared to the prior year is included under Results of Operations. As explained in that section, our pretax income for the quarter ended October 31, 2006 decreased approximately 18.5%, primarily as a result of higher selling, general and administrative expenses. Our pretax income for the nine months ended October 31, 2006 decreased approximately 2.4%, primarily as a result of higher selling, general and administrative expenses, partially offset by higher revenues and gross margin dollars. Increased interest income and higher other income partially offset the decline in pretax income. Some of the more specific items impacting our operating and pretax income were:

- Same store sales for the quarter declined by 3.7% and for the nine months same store sales grew 6.5% over the same period for the prior year. While same store sales for the quarter declined, we were able to retain a large portion of the 23.3% same store sales growth experienced in the prior year period as a result of Hurricanes Rita and Katrina. The same store sales increase, in the markets not impacted by Hurricanes Rita and Katrina, was 0.1% for the quarter and 5.4% for the nine months. These other markets accounted for 79.7% of same store Product sales and Service maintenance agreement commissions during the three months ended October 31, 2006 and 78.7% of same store Product sales and Service maintenance agreement commissions during the nine months ended October 31, 2006.

- Our entry into the Dallas/Fort Worth and the South Texas markets and the addition of stores in our existing Houston and San Antonio markets had a positive impact on our revenues. We achieved approximately $4.9 million and $24.1 million of increases in product sales and service maintenance agreement commissions for the quarter and nine months ended October 31, 2006, respectively, from the new stores that were opened in these markets after February 1, 2005. Our plans provide for the opening of additional stores in existing markets during fiscal 2007 as we focus on opportunities in markets in which we have existing infrastructure.

- Deferred interest and "same as cash" plans 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 months and nine months ended October 31, 2006, $42.6 million, or 30.5%, and $113.7 million, or 25.3%, respectively, in gross product sales were financed by deferred interest and "same as cash" plans. For the comparable periods in the prior year gross product sales financed by deferred interest and "same as cash" sales were $38.5 million, or 27.4% and $119.0 million, or 29.8%. We expect to continue to offer extended term promotional credit in the future.

- Our gross margin for the quarter decreased from 35.5% to 35.3% for the three months ended October 31, 2006 when compared to the same period in the prior year, primarily as a result of reduced product margins to 20.8% for the three months ended October 31, 2006, from 21.6% in the prior year, and reduced front-end and retrospective Service Maintenance agreement commissions, due to lower sales penetration during the period and higher claims experience, partially offset by increased Finance charges and other income. Our gross margin for the nine months decreased from 35.7% to 34.2% when compared to the same period in the prior year, primarily due to the impact on securitization income of higher charge-offs in the credit portfolio, reduced retrospective Service Maintenance agreement commissions and a reduction in the gross margin on product sales to 20.6% for the nine months ended October 31, 2006, from 21.1% in the prior year.

- Finance charges and other increased 9.1% for the quarter and 1.9% for the nine months ended October 31, 2006, as compared to the double-digit Product sales growth for the nine-months ended October 31, 2006, as:

    - securitization income increased by 10.8% and 4.3%, respectively, for the quarter and nine months ended October 31, 2006. The quarterly comparison was impacted by the $0.9 million impairment charge recorded in the prior year period, which reduced the value of our interests in securitized assets for anticipated higher credit losses due to the impact of Hurricane Rita on our credit operations and an increase in bankruptcy filings due to the new bankruptcy laws that took effect in October 2005. The nine-month comparison was also impacted by a 69.7% increase in credit losses, due to higher than expected losses primarily as a result of the disruption to our credit operations caused by Hurricane Rita. As a result of the increased credit losses incurred, during the three months ended July 31, 2006, due to the expectation of continued higher losses over the following six months, we recorded an impairment charge of $1.5 million, reducing the value of our interest in securitized assets.
    - service maintenance agreement retrospective commissions for the quarter and the nine months ended October 31, 2006 decreased $0.2 million and $1.7 million, respectively, due to a change in the commission structure resulting in higher front-end commissions, which are included in Net sales and higher claims experience.

- During the three months ended October 31, 2006, Selling, general and administrative (SG&A) expense increased as a percent of revenues to 28.7% from 27.3% when compared to the prior year, primarily from increased occupancy cost, property taxes, professional fees related to the financial restatement, stock-based compensation and other small increases as a percent of revenues, while the prior year period included approximately $0.8 million of expenses incurred due to Hurricane Rita. During the nine months ended October 31, 2006, Selling, general and administrative expense decreased as a percent of revenues to 26.4% from 26.6% when compared to the prior year, primarily from reduced net advertising and insurance expenses as a percent of revenues, partially offset by increased property tax expense.

- Operating margin decreased from 8.0% to 6.3% for the three months ended October 31, 2006 when compared to the same period in the prior year due to reduced gross margin and increased SG&A expense. The factors above also affected the operating margin for the nine months ended October 31, 2006 which decreased from 9.0% during the same period last year to 7.6%.

- We adopted SFAS No. 123R, Share-Based Payment, during the quarter ended April 30, 2006. The adoption resulted in expenses totaling $0.4 million being recorded to SG&A during the quarter ended October 31, 2006 as compared to $0.2 million being recorded in the quarter ended October 31, 2005. The adoption resulted in expenses totaling $1.2 million being recorded to SG&A during the nine months ended October 31, 2006 as compared to $0.8 million being recorded in the nine months ended October 31, 2005.

- During the nine months ended October 31, 2006, the Company completed the sale of a building and the related land, resulting in the recognition of a gain of $0.7 million, which is reflected in Other (income) expense.

Operational Changes and Resulting Outlook

During the quarter, we opened a new store in the San Antonio market and during November 2006, we opened a new store in the Dallas/Fort Worth market. We have several other locations in Texas that we believe are promising and, along with new stores in existing markets, are in various stages of development for opening in fiscal year 2007.

The credit portfolio delinquency and charge-off statistics were negatively impacted by the effects of Hurricane Rita that hit the Gulf Coast during September of 2005. The hurricane impacted our customer's ability to pay on their accounts and hampered our credit collection operations, including payment processing delays caused by disruption in the mail service. The credit collection operations were negatively affected by the loss of personnel, as some employees did not return to work, and by the increase in the number of delinquent accounts, resulting in increased workloads for the personnel that returned to work. To address the staffing issues, we have intensified our recruiting efforts to attract individuals to our Beaumont, Texas collection center and have opened a second collection center in Dallas, Texas. As we added these new employees, we reassigned our more experienced collectors to handle later-stage delinquent accounts. The new employees are not collecting with the same effectiveness as the more experienced collectors and the level of early stage delinquencies has increased. We believe this will improve as these new employees receive more training and become more experienced, and as we re-distribute our more experienced collectors through-out the delinquency stages. Non-storm factors that may have negatively affected delinquencies and charge-offs include the impact of the bankruptcy law change in October 2005 and other economic factors on our customers. Additionally, as the portfolio growth has slowed to 3.1% for the nine months ended October 31, 2006, from 14.4% for the prior year period, the 60-day delinquency rate of 7.1% has been negatively impacted by 80 basis points. Contrary to earlier predictions, the delinquency performance of the credit portfolio has not improved since January 31, 2006. However, loss rates have returned to historical levels and we expect the delinquency rates to return to historical levels over the next six months. If the delinquency rates do not improve, we may be required to book additional impairment charges in the future. See detail information regarding the delinquency status of the credit portfolio in Note 3 to the financial statements and additional information regarding our accounting for these assets under Application of Critical Accounting Policies - Transfers of Financial Assets.

On May 18, 2006, the Governor of Texas signed a tax bill that modifies the existing franchise tax, with the most significant change being the replacement of the existing base with a tax based on margin. Taxable margin is generally defined as total federal tax revenues minus the greater of (a) cost of goods sold or (b) compensation. The tax rate to be paid by retailers and wholesalers is 0.5% on taxable margin. This will result in an increase in taxes paid by us, as franchise taxes paid have totaled less than $50,000 per year for the last several years. The tax changes impacted earnings beginning in the quarter ended July 31, 2006. For the quarter and nine months ended, we accrued, net of federal tax benefit, approximately $173,000 and $290,000, respectively, in additional tax liability and initially recorded approximately $29,000 in net deferred tax assets as a result of the new margin tax. Going forward, we expect our effective tax rate on Income before income taxes to increase to between 36% and 37%, from an average of 35.1% over the past three fiscal years.

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

Application of Critical Accounting Policies

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

Transfers of Financial Assets. We transfer customer receivables to the QSPE that issues asset-backed securities to third party lenders using these accounts as collateral, and we continue to service these accounts after the transfer. We recognize the sale of these accounts when we relinquish control of the transferred financial asset in accordance with SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities. As we transfer the accounts, we record an asset representing the interest only strip which is the difference between the interest earned on customer accounts and the cost associated with financing and servicing the transferred accounts, including a provision for bad debts associated with the transferred accounts (on a revolving pool basis) discounted to a market rate of interest. The gain or loss recognized on these transactions is based on our best estimates of key assumptions, including forecasted credit losses based on actual portfolio experience over the past twelve months, payment rates, forward yield curves, costs of servicing the accounts and appropriate discount rates. The use of different estimates or assumptions could produce different financial results. For example, if we had assumed a 10.0% reduction in net interest spread (which might be caused by rising interest rates or reductions in rates charged on the accounts transferred), our interest in securitized assets would have been reduced by $5.4 million as of October 31, 2006, which may have an adverse affect on earnings. We recognize income from our interest in these transferred accounts as gains on the transfer of the asset, interest income and servicing fees. This income is recorded as Finance charges and other in our consolidated statements of operations. If the assumption used for estimating credit losses was increased by 0.5%, the impact to recorded Finance charges and other would have been a reduction in revenues and pretax income of $2.0 million.

Deferred Taxes. We have net deferred tax assets of approximately $2.2 million as of October 31, 2006. If we had assumed that the future tax rate at which these deferred items would reverse was 50 basis points higher than currently anticipated, we would have increased the net deferred tax asset and increased net income by approximately $30,000.

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

Property and Equipment. Our accounting policies regarding land, buildings, equipment and leasehold improvements include judgments regarding the estimated useful lives of such assets, the estimated residual values to which the assets are depreciated, and the determination as to what constitutes increasing the life of existing assets. These judgments and estimates may produce materially different amounts of depreciation and amortization expense that would be reported if different assumptions were used. These judgments may also impact the need to recognize an impairment charge on the carrying amount of these assets as the cash flows associated with the assets are realized. In addition, the actual life of the asset and residual value may be different from the estimates used to prepare financial statements in prior periods.

Revenue Recognition. Revenues from the sale of retail products are recognized at the time the product is delivered to the customer. Such revenues are recognized net of any adjustments for sales incentive offers such as discounts, coupons, rebates, or other free products or services and discounts of promotional credit sales that will extend beyond one year. We sell service maintenance 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 service maintenance renewal agreements in which we are deemed to be the obligor on the contract at the time of sale, revenue is recognized ratably, on a straight-line basis, over the term of the service maintenance agreement. These service maintenance agreements are renewal contracts that provide our customers protection against product repair costs arising after the expiration of the manufacturer's warranty and the third party obligor contracts. These agreements typically range from 12 months to 36 months. These agreements are separate units of accounting under Emerging Issues Task Force No. 00-21, Revenue Arrangements with Multiple Deliverables. The amount of service maintenance agreement revenue deferred at October 31, 2006 and January 31, 2006 was $3.9 million and $3.6 million, respectively, and is included in Deferred revenues and allowances in the accompanying balance sheets.

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

Accounting for Stock-Based Compensation. We adopted Statement of Financial Accounting Standards No. 123R, Share-Based Payment, effective February 1, 2006, using the modified retrospective application transition. This statement establishes standards for accounting for transactions in which an entity exchanges its equity instruments for goods or services, focusing primarily on accounting for transactions in which an entity obtains an employee's services. The statement requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments, based on the grant-date fair value of the award, and record that cost over the period during which the employee is required to provide service in exchange for the award. As a result of the adoption of this pronouncement, we retrospectively adjusted prior financial statements to record compensation expense, as previously reported in the notes to our financial statements, for all awards valued using fair-value based methods. The impact of the adoption of this pronouncement is discussed in more detail in Note 1 to our financial statements.

Accounting for Leases. The accounting for leases is governed primarily by SFAS No. 13, Accounting for Leases. As required by the standard, we analyze each lease, at its inception, to determine whether it should be accounted for as an operating lease or a capital lease. Additionally, monthly lease expense for each operating lease is calculated as the average of all payments required under the minimum lease term, including rent escalations. 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 improvements is computed on a straight line basis over the shorter of the remaining lease term or the estimated useful life of the improvements. Effective

February 1, 2006 we implemented the requirements of FASB Staff Position No. 13-1, which addresses the accounting for rental costs associated with operating leases that are incurred during a construction period. As required by that guidance, we recognize as rental expense all rental costs associated with ground or building operating leases that are incurred during a construction period. That rental expense is included in income from continuing operations and is not capitalized.

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 October 31,		Nine Months Ended October 31,	
	2005	2006	2005	2006
Revenues:				
Product sales	81.4 %	80.4 %	80.5 %	81.9 %
Service maintenance agreement commissions (net)	4.3	3.9	4.5	4.0
Service revenues	3.0	3.4	3.0	3.1
Total net sales	88.7	87.7	88.0	89.0
Finance charges and other	11.3	12.3	12.0	11.0
Total revenues	100.0	100.0	100.0	100.0
Costs and expenses:				
Cost of goods sold, including warehousing and occupancy cost	63.7	63.7	63.5	65.0
Cost of parts sold, including warehousing and occupancy cost	0.8	1.0	0.8	0.8
Selling, general and administrative expense	27.3	28.7	26.6	26.4
Provision for bad debts	0.2	0.3	0.1	0.2
Total costs and expenses	92.0	93.7	91.0	92.4
Operating income	8.0	6.3	9.0	7.6
Interest (income) expense, net	0.0	(0.1)	0.1	(0.1)
Other (income) expense, net	0.0	0.0	0.0	(0.1)
Income before income taxes	8.0	6.4	8.9	7.8
Provision for income taxes	2.8	2.3	3.1	2.8
Net income	5.2 %	4.1 %	5.8 %	5.0 %

The table above identifies several changes in our operations for the current quarter, including changes in revenue and expense categories expressed as a percentage of revenues. These changes are discussed in the Executive Overview, and in more detail in the discussion of operating results beginning in the analysis below.

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

The presentation of gross margins may not be comparable to other retailers since we include the cost of our in-home delivery service as part of Selling, general and administrative expense. Similarly, we include the cost 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.

Three Months Ended October 31, 2006 Compared to Three Months Ended October 31, 2005

Revenues. Total revenues increased by $1.1 million, or 0.6%, from $172.6 million for the three months ended October 31, 2005 to $173.7 million for the three months ended October 31, 2006. The increase was attributable to an increase of $1.8 million, or 9.1%, in finance charges and other revenue, offset by decreases in net sales of $0.7 million, or 0.4%.

The $0.7 million decrease in net sales was made up of the following:

- a $5.4 million same store sales decrease of 3.7%, which was mitigated by our ability to retain a large portion of the 23.3% same store sales growth experienced in the prior year period as a result of Hurricanes Rita and Katrina. The same store sales increase in the markets not impacted by Hurricanes Rita and Katrina was 0.1%. These other markets accounted for 79.7% of same store Product sales and Service maintenance agreement commissions during the three months ended October 31, 2006. Service maintenance agreement (SMA) sales have declined due to lower sales penetration;

- a $4.9 million increase generated by six retail locations that were not open for three consecutive months in each period;

- a $1.0 million decrease resulted from an increase in discounts on extended-term promotional credit sales (those with terms longer than 12 months); and

- a $0.8 million increase resulted from an increase in service revenues.

The components of the $0.7 million decrease in net sales, were a $0.8 million decrease in Product sales and a $0.7 million decrease in service maintenance agreement commissions offset by a net increase in service revenues of $0.8 million. The $0.8 million decrease in product sales resulted from the following:

- approximately $7.7 million decrease attributable to decreases in unit sales, due to decreased appliances (primarily refrigeration), lawn and garden, and track sales, partially offset by increases in electronics, furniture and mattresses sales, and

- approximately $6.9 million increase attributable to increases in unit price points. The price point impact was driven by a shift to higher-priced high-efficiency laundry items, new higher priced refrigeration and increased delivery fees, partially offset by a slight decline in our mattresses and room air categories and the $1.0 million increase in discounts on extended-term promotional credit sales.

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

Category	Three Months Ended October 31, 2005 Amount	2005 Percent	2006 Amount	2006 Percent	Percent Increase	
Major home appliances	$ 55,803	36.4 %	$ 50,152	32.9 %	(10.1)%	(1)
Consumer electronics	41,629	27.2	46,748	30.7	12.3	(2)
Track	21,218	13.9	18,358	12.0	(13.5)	(3)
Delivery	2,561	1.7	2,729	1.8	6.6	(4)
Lawn and garden	4,817	3.1	4,002	2.6	(16.9)	(5)
Mattresses	3,304	2.2	3,606	2.4	9.1	(6)
Furniture	3,731	2.4	7,927	5.2	112.5	(7)
Other	7,342	4.8	6,072	4.0	(17.3)	(8)
Total product sales	140,405	91.7	139,594	91.6	(0.6)	
Service maintenance agreement commissions	7,506	4.9	6,845	4.5	(8.8)	(9)
Service revenues	5,157	3.4	5,951	3.9	15.4	(10)
Total net sales	$153,068	100.0 %	$152,390	100.0 %	(0.4)%	

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(1) This decrease is due to higher than normal demand for these products in the prior year due to consumers replacing appliances after Hurricanes Katrina and Rita.

(2) This increase is due to increased unit volume in the area of flat-panel and micro-display televisions, which also have higher price points than traditional tube and projection televisions.

(3) The decline in track sales (consisting largely of computers, computer peripherals, portable electronics and small appliances) is due primarily to reduced sales of computers and portable CRT televisions.

(4) This increase is due primarily to an increase in the fees charged for deliveries.

(5) A delayed selling season due to dry weather positively impacted this category in the prior year.

(6) This increase is due to increased emphasis on and improved merchandising and execution at our stores in the sale of this category.

(7) This increase is due to the increased emphasis on the sales of furniture, primarily sofas, recliners and entertainment centers, and new product lines added to this category.

(8) The decline in this category, which includes air conditioning, is due primarily to lower price points as the demand for smaller units increased.

(9) This decrease is due to the decrease in product sales and reduced sales penetration as we introduced products (furniture and mattresses) that are not SMA-eligible.

(10) This increase is driven by increased units in operation as we continue to grow product sales and an increase in the prices of parts used to repair higher-priced technology (flat-panel and micro-display televisions, etc.).

Revenue from Finance charges and other increased by approximately $1.8 million, or 9.1%, from $19.5 million for the three months ended October 31, 2005 to $21.3 million for the three months ended October 31, 2006. It increased while product sales declined, due primarily to an increase in securitization income of $1.6 million, or 10.8% and an increase in insurance commissions of $0.4 million, partially offset by a $0.2 million decrease in service maintenance agreement retrospective commissions. The securitization income comparison was impacted by a $0.9 million impairment charge recorded in the quarter ended October 31, 2005. The impairment charge reduced the value of our interests in securitized assets for anticipated higher credit losses due to the impact of Hurricane Rita on our credit operations and increased bankruptcy filings due to the new bankruptcy laws that took effect in October 2005. During the three months ended July 31, 2006, due to the expectation of continued higher losses over the following six months, we recorded an impairment charge of $1.5 million, reducing the value of our interest in securitized assets. The 69.2% increase in net credit losses experienced during the quarter ended October 31, 2006, was in-line with our expectations at the time we recorded the impairment charge. This impairment charge was based on an estimated charge-off rate of approximately 3.6% over the six month period ending January 31, 2007. The charge-off rate used in the securitized asset valuation is expected to return to the level of the historical charge-off rate assumption of 3.0% at the beginning of our next fiscal year. Additionally, securitization income has been negatively impacted by increased interest cost on the borrowings of the QSPE, due to rising interest rates, and slower growth in the credit portfolio, which impacts the interest income earned by the QSPE.

Cost of Goods Sold. Cost of goods sold, including warehousing and occupancy cost, increased by $0.6 million, or 0.5%, from $110.0 million for the three months ended October 31, 2005 to $110.6 million for the three months ended October 31, 2006. This increase was higher than the 0.6% decrease in Product sales during the three months ended October 31, 2006. Cost of products sold increased to 79.2% of Product sales in the quarter ended October 31, 2006, as compared to 78.4% in the quarter ended October 31, 2005. The increase in Cost of goods sold as a percentage of Product sales was primarily as a result of higher product and warehousing costs, which grew faster than sales.

Cost of Parts Sold. Cost of parts sold, including warehousing and occupancy cost, increased approximately $0.5 million, or 37.5%, for the three months ended October 31, 2006 as compared to the three months ended October 31, 2005, due to a 41.7% increase in parts sales.

Selling, General and Administrative Expense. Selling, general and administrative expense increased by $2.5 million, or 5.4%, from $47.2 million for the three months ended October 31, 2005 to $49.7 million for the three months ended October 31, 2006. The increase in expense resulted primarily from increased occupancy cost, property taxes, and professional fees related to the financial restatement. The prior year period included approximately $0.8 million of expenses incurred due to Hurricane Rita. We adopted SFAS No. 123R, Share-Based Payment, effective February 1, 2006. The adoption resulted in expenses totaling $0.4 million being recorded to SG&A during the quarter ended October 31, 2006 as compared to $0.2 million being recorded in the quarter ended October 31, 2005.

Provision for Bad Debts. The provision for bad debts on non-credit portfolio receivables and credit portfolio receivables retained by the Company and not transferred to the QSPE increased by $0.2 million, during the three months ended October 31, 2006, as compared to the three months ended October 31, 2005, primarily as a result of provision adjustments due to increased credit losses. See Note 3 to the financial statements for information regarding the performance of the credit portfolio.

Interest (Income) Expense, net. Net interest (income) expense improved by $215,000, from net interest expense of $74,000 for the three months ended October 31, 2005 to net interest income of $141,000 for the three months ended October 31, 2006. The net improvement in interest (income) expense was primarily attributable to increased interest income from invested funds of approximately $132,000. The remaining change of $83,000 resulted from lower average outstanding debt balances and capitalization of interest expense on construction in progress.

Other (Income) Expense, net. Other (income) expense, net declined by $8,000, from net income of $27,000 for the three months ended October 31, 2005, to net income of $19,000 for the three months ended October 31, 2006.

Provision for Income Taxes. The provision for income taxes decreased by $0.8 million, or 17.2%, from $4.8 million for the three months ended October 31, 2005 to $4.0 million for the three months ended October 31, 2006. The decrease in the Provision for income taxes is attributable to lower Income before income taxes and adjustments to reconcile final tax returns to previous estimates, partially offset by the impact of the new Texas margin tax. Our effective tax rate increased to 35.9% from 35.4% due to the impact of the Texas margin tax.

Net Income. As a result of the above factors, Net income decreased $1.7 million, or 19.2%, from $8.9 million for the three months ended October 31, 2005 to $7.2 million for the three months ended October 31, 2006.

Nine Months Ended October 31, 2006 Compared to Nine Months Ended October 31, 2005

Revenues. Total revenues increased by $53.0 million, or 10.7%, from $495.1 million for the nine months ended October 31, 2005 to $548.1 million for the nine months ended October 31, 2006. The increase was attributable to increases in net sales of $51.9 million, or 11.9%, and a increase of $1.1 million, or 1.9%, in finance charges and other revenue.

The $51.9 million increase in net sales was made up of the following:

- a $26.7 million same store sales increase of 6.5%. The same store sales increase in the markets not impacted by Hurricanes Rita and Katrina was 5.4%. These other markets accounted for 78.7% of same store Product sales and Service maintenance agreement commissions during the nine months ended October 31, 2006. Additionally, as a result of changes in the commission structure on our third-party service maintenance agreement (SMA) contracts, beginning July 2005, we began realizing the benefit of increased front-end commissions on SMA sales, which increased net sales by approximately $0.9 million, (offsetting this increase is a decrease in retrospective commissions which is reflected in Finance charges and other);

- a $24.1 million increase generated by nine retail locations that were not open for nine consecutive months in each period;

- a $1.0 million decrease resulted from an increase in discounts on extended-term promotional credit sales (those with terms longer than 12 months); and

- a $2.1 million increase resulted from an increase in service revenues.

The components of the $51.9 million increase in net sales were a $50.2 million increase in product sales and a $1.7 million net increase in service maintenance agreement commissions and service revenues. The $50.2 million increase in product sales resulted from the following:

- approximately $26.4 million was attributable to increases in unit sales, due to increased appliances, consumer electronics (especially plasma and LCD televisions), and furniture sales, partially offset by a decline in track sales, and

- approximately $23.8 million was attributable to increases in unit price points. The price point impact was driven by a shift to higher-priced track items and increased delivery fees, as well as consumers selecting higher priced appliance products, including high-efficiency washers and dryers and stainless kitchen appliances, partially offset by a decline in electronics as prices for new technology erode and the $1.0 million increase in discounts on extended-term promotional credit sales.

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

	Nine Months Ended October 31,					
	2005		2006			
Category	Amount	Percent	Amount	Percent	Percent Increase	
Major home appliances	$148,983	34.2 %	$165,445	33.9 %	11.0 %	(1)
Consumer electronics	125,011	28.7	146,799	30.1	17.4	(1)
Track	65,183	15.0	61,820	12.7	(5.2)	(2)
Delivery	6,960	1.6	8,488	1.8	22.0	(3)
Lawn and garden	16,042	3.7	15,695	3.2	(2.2)	(4)
Mattresses	9,306	2.1	13,610	2.8	46.2	(5)
Furniture	10,500	2.4	21,577	4.4	105.5	(6)
Other	16,562	3.8	15,316	3.1	(7.5)	(7)
Total product sales	398,547	91.5	448,750	92.0	12.6	
Service maintenance agreement commissions	22,238	5.1	21,875	4.5	(1.6)	(8)
Service revenues	15,066	3.4	17,107	3.5	13.5	(9)
Total net sales	$435,851	100.0 %	$487,732	100.0 %	11.9 %	

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(1) These increases are consistent with overall increase in product sales and improved unit prices.
(2) The decline in track sales (consisting largely of computers, computer peripherals, portable electronics and small appliances) is due primarily to reduced sales of computers and portable CRT televisions.
(3) This increase is due primarily to the increase in total product sales, as well as an increase in the fees charged for deliveries.
(4) A slower late-summer selling season due to dry weather impacted this category.
(5) This increase is due to increased emphasis on and improved merchandising and execution at our stores in the sale of this category.
(6) This increase is due to the increased emphasis on the sales of furniture, primarily sofas, recliners and entertainment centers, and new product lines added to this category.
(7) The decline in this category, which includes air conditioning, is due primarily to lower price points as the demand for smaller units increased.
(8) This decrease is due to reduced sales penetration as we introduced products (furniture and mattresses) that are not SMA-eligible.
(9) This increase is driven by increased units in operation as we continue to grow product sales and an increase in the prices of parts used to repair higher-priced technology (flat-panel and micro-display televisions, etc.).

Revenue from Finance charges and other increased by approximately $1.2 million, or 1.9%, from $59.2 million for the nine months ended October 31, 2005, to $60.4 million for the nine months ended October 31, 2006. The increase was due to a $1.8 million increase in securitization income and a $1.1 million increase in insurance commissions, partially offset by a $1.7 million decrease in service maintenance agreement commissions and other. Securitization income was impacted by a 69.7% increase in net credit losses in the nine months ended October 31, 2006 as compared to the nine months ended October 31, 2005. The increased net credit losses were due to higher than expected losses primarily as a result of the disruption to our credit operations caused by Hurricane Rita. During the quarter ended July 31, 2006, due to the expectation of continued higher losses over the following six months, we recorded an impairment charge of $1.5 million, reducing the value of our interest in securitized assets. This impairment charge is based on an estimated charge-off rate of approximately 3.6% over the six month period. The charge-off rate used in the securitized asset valuation is expected to return to the level of the historical charge-off rate assumption of 3.0% at the beginning of our next fiscal year. Securitization income for the nine months ended October 31, 2005 was impacted by a $0.9 million impairment charge, which reduced the value of our interests in securitized assets for anticipated higher credit losses due to the impact of Hurricane Rita on our credit operations and an increase in bankruptcy filings due to the new bankruptcy law that took effect in October 2005. Additionally, securitization income has been negatively impacted by increased interest cost on the borrowings of the QSPE, due to rising interest rates, and slower growth in the credit portfolio, which impacts the interest income earned by the QSPE.

Cost of Goods Sold. Cost of goods sold, including warehousing and occupancy cost, increased by $41.6 million, or 13.2%, from $314.5 million for the nine months ended October 31, 2005 to $356.1 million for the nine months ended October 31, 2006. This increase was higher than the 12.6% increase in Product sales during the nine months ended October 31, 2006. Cost of products sold increased to 79.4% of Product sales in the nine months ended October 31, 2006, as compared to 78.9% in the nine months ended October 31, 2005. The increase in Cost of goods sold as a percentage of Product sales was primarily as a result of higher product and warehousing costs, which grew faster than sales.

Cost of Parts Sold. Cost of parts sold, including warehousing and occupancy cost, increased approximately $1.0 million, or 26.2%, for the nine months ended October 31, 2006 as compared to the nine months ended October 31, 2005, due to a 36.6% increase in parts sales.

Selling, General and Administrative Expense. While Selling, general and administrative expense increased by $13.0 million, or 9.8%, from $131.8 million for the nine months ended October 31, 2005 to $144.8 million for the nine months ended October 31, 2006, it decreased as a percentage of total revenue from 26.6% to 26.4%. The decrease in expense as a percentage of total revenues resulted primarily from reduced net advertising and insurance expenses as a percent of revenues, partially offset by increased property tax expense. We adopted SFAS No. 123R, Share-Based Payment, effective February 1, 2006. The adoption resulted in expenses totaling $1.2 million being recorded to SG&A during the nine months ended October 31, 2006 as compared to $0.8 million being recorded in the nine months ended October 31, 2005.

Provision for Bad Debts. The provision for bad debts on non-credit portfolio receivables and credit portfolio receivables retained by the Company and not transferred to the QSPE increased by $0.3 million, during the nine months ended October 31, 2006, as compared to the nine months ended October 31, 2005, primarily as a result of provision adjustments due to increased credit losses.

Interest (Income) Expense, net. Net interest (income) expense improved by $1.0 million, from net interest expense of $0.5 million for the nine months ended October 31, 2005 to net interest income of $0.5 million for the nine months ended October 31, 2006. The net improvement in interest (income) expense was primarily attributable to:

- the expiration of $20.0 million of our interest rate hedges and the discontinuation of hedge accounting resulted in a net decrease in interest expense of approximately $244,000; and
- increased interest income from invested funds of approximately $510,000.

The remaining change of $246,000 resulted from lower average outstanding debt balances and capitalization of interest expense on construction in progress.

Other (Income) Expense, net. Other (income) expense, net improved by $780,000, from net expense of $7,000 for the nine months ended October 31, 2005, to net income of $773,000 for the nine months ended October 31, 2006. This change was primarily the result of a $0.7 million gain recognized on the sale of a building and the related land.

Provision for Income Taxes. The provision for income taxes decreased by $0.3 million, or 2.4%, from $15.4 million for the nine months ended October 31, 2005 to $15.1 million for the nine months ended October 31, 2006. The decrease in the Provision for income taxes is attributable to lower Income before income taxes, state tax refunds received during the period and adjustments to reconcile final tax returns to previous estimates, partially offset by additional tax expense from the new Texas margin tax. The impact of the new Texas margin tax was partially offset by the one-time benefit of deferred tax assets recorded as a result of the new tax. Our effective rate for both periods was 35.3% as the refunds and return adjustments were offset by the impact of the Texas margin tax.

Net Income. As a result of the above factors, Net income decreased $0.7 million, or 2.4%, from $28.3 million for the nine months ended October 31, 2005 to $27.6 million for the nine months ended October 31, 2006.

Liquidity and Capital Resources

Current Activities

Historically we have financed our operations through a combination of cash flow generated from operations, and external borrowings, including primarily bank debt, extended terms provided by our vendors for inventory purchases, acquisition of inventory under consignment arrangements and transfers of receivables to our asset-backed securitization facilities.

As of October 31, 2006, we had approximately $39.4 million in excess cash, the majority of which was generated through the operations of the Company. In addition to the excess cash, we had $48.1 million under our revolving line of credit, net of standby letters of credit issued, and $8.0 million under our unsecured bank line of credit available to us for general corporate purposes, $31.0 million under extended vendor terms for purchases of inventory and $221.0 million in commitments available to our QSPE for the transfer of receivables.

In its regularly scheduled meeting on August 24, 2006, our Board of Directors authorized the repurchase of up to $50 million of our common stock, dependent on market conditions and the price of the stock. We expect to fund these purchases with a combination of excess cash, cash flow from operations, borrowings under our revolving credit facilities and proceeds from the sale of owned properties. Through October 31, 2006, we had spent $0.7 million under this authorization to acquire 33,800 shares of our common stock.

Effective August 28, 2006, we entered into an amendment to our $50 million revolving credit facility with the existing lenders. The amendment increases our restricted payment capacity, which includes payments for repurchases of capital stock, from $25 million to $50 million. There were no other modifications of the Credit Agreement.

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

	Actual	Required Minimum/ Maximum
Debt service coverage ratio must exceed required minimum	4.24 to 1.00	2.00 to 1.00
Total adjusted leverage ratio must be lower than required maximum	1.56 to 1.00	3.00 to 1.00
Consolidated net worth must exceed required minimum	$275.4 million	$168.1 million
Charge-off ratio must be lower than required maximum	0.03 to 1.00	0.06 to 1.00
Extension ratio must be lower than required maximum	0.03 to 1.00	0.05 to 1.00
Thirty-day delinquency ratio must be lower than required maximum	0.09 to 1.00	0.13 to 1.00

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

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 QSPE's asset-backed securitization facilities. Based on our current operating plans, we believe that cash generated from operations, available borrowings under our bank credit facility and unsecured credit line, extended vendor terms for purchases of inventory, acquisition of inventory under consignment arrangements and access to the unfunded portion of the variable funding portion of the QSPE's asset-backed securitization program will be sufficient to fund our operations, store expansion and updating activities, stock repurchases, if any, and capital programs through at least January 31, 2007. However, there are several factors that could decrease cash provided by operating activities, including:

- reduced demand for our products;
- more stringent vendor terms on our inventory purchases;
- 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 receivables portfolio under our current QSPE's asset-backed securitization program as a result of changes in performance or types of receivables transferred (promotional versus non-promotional and primary versus secondary portfolio);
- inability to expand our capacity for financing our receivables portfolio under new or replacement QSPE asset-backed securitization programs or a requirement that we retain a higher percentage of the credit portfolio under such new programs;
- increases in program costs (interest and administrative fees relative to our receivables portfolio associated with the funding of our receivables); and
- increases in personnel costs.

During the nine months ended October 31, 2006, net cash provided by operating activities decreased $40.7 million from $51.8 million provided in the 2005 period to $11.1 million used in the 2006 period. The net decrease in cash provided from operations resulted primarily from the timing of payments of accounts payable and federal income and employment tax payments. We had obtained extended payment terms from several of our vendors due to the impact of hurricanes in the prior fiscal year. Federal income and employment tax payment deadlines after Hurricane Rita were also deferred until February 28, 2006. Those extended terms ended and deadlines were reached in the nine months ended October 31, 2006 and we were required to satisfy those obligations, which negatively impacted our operating cash flows by approximately $18.9 million. Also impacting accounts payable timing were reduced receipts of product during the month of October 2006, resulting in payment due dates on much of the on-hand inventory at October 31, 2006, being met and satisfied. Additionally, during the nine months ended October 31, 2006, cash flow was benefited by the financing transaction completed by the QSPE which provided additional cash, which reduced our retained interest.

As noted above, 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, or 12 months; in fiscal year 2005 we increased these terms to include 18, 24 and 36 months. The various "same as cash" promotional accounts and deferred interest program accounts 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 receivables was 18.2% as of October 31, 2006. At October 31, 2005, this percentage, computed on a consistent basis with the October 31, 2006 calculation, would have been 20.8%. The weighted average promotional period was 12.4 months and 11.7 months for promotional receivables outstanding as of October 31, 2005 and 2006, respectively. The weighted average remaining term on those same promotional receivables was 7.7 months as of both October 31, 2005 and 2006. While overall these promotional receivables have a much shorter weighted average term than non-promotional receivables, we receive less income on these receivables, resulting in a reduction of the net interest margin used in the calculation of the gain on the sale of receivables.

Net cash used by investing activities decreased by $0.7 million, from $14.1 million for the nine months ended October 31, 2005 to $13.4 million for the nine months ended October 31, 2006. The decrease in cash used in investing activities resulted primarily from the sales of property and equipment, partially offset by increased purchases of property and equipment. The cash expended for property and equipment was used primarily for construction of new stores and the reformatting of existing stores to better support our current product mix. Based on current plans, we expect to increase expenditures for property and equipment in fiscal 2007 as we open additional stores, including ownership and development of shopping centers that will feature our store, as compared to fiscal 2006. Additionally, we intend to sell and lease-back certain of the properties we currently own, in order to provide cash flow for funding our growth and stock repurchase plans.

Net cash from financing activities increased by $9.9 million from $8.6 million used during the nine months ended October 31, 2005 to $1.3 million provided during the nine months ended October 31, 2006. The increase in cash provided by financing activities resulted primarily from decreases in payments on various debt instruments of $10.5 million. Also benefiting cash flow from financing activities was increased proceeds from stock issued under employee benefit plans. During the nine months ended October 31, 2006, we used $0.7 million to purchase 33,800 shares of our common stock.

Off-Balance Sheet Financing Arrangements

Since we extend credit in connection with a large portion of our retail, service maintenance and credit insurance sales, we have created a qualified special purpose entity, which we refer to as the QSPE or the issuer, to purchase customer receivables from us and to issue asset-backed and variable funding notes to third parties to obtain cash for these purchases. We transfer receivables, consisting of retail installment contracts and revolving accounts extended to our customers, to the issuer in exchange for cash and subordinated, unsecured promissory notes. To finance its acquisition of these receivables, the issuer has issued the notes and bonds described below to third parties. The unsecured promissory notes issued to us are subordinate to these third party notes and bonds.

In August 2006, the issuer entered into an amendment of the Series A note to increase the total available funding to $300 million from $250 million, divided into a $100 million 364-day tranche, and a $200 million tranche that expires in August 2011. The Company's QSPE closed and consummated an offering, pursuant to Rule 144A and Regulation S under the Securities Act of 1933, of $150 million of asset-backed fixed-rate notes (Series 2006A bonds), the net proceeds of which were used primarily to provide the QSPE with additional capacity, fund a required $6.0 million cash reserve account and to reduce the amount outstanding under the existing Series A variable funding note. The proceeds of the new issuance provide the issuer additional capacity for the purchase of our receivables and to make the $10 million monthly principal payments due on the Series B bonds beginning in October 2006.

At October 31, 2006, the issuer had issued three series of notes and bonds: a Series A variable funding note with a total availability of $300 million purchased by Three Pillars Funding LLC, three classes of Series B bonds with an aggregate amount outstanding of $190 million, of which $8.0 million was required to be placed in a restricted cash account for the benefit of the bondholders, and three classes of Series 2006A bonds with an aggregate amount outstanding of $150 million, of which $6.0 million was required to be placed in a restricted cash account for the benefit of the bondholders. If the 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. At October 31, 2006, the net portfolio yield was in compliance with this requirement. Private institutional investors, primarily insurance companies, purchased the Series B bonds at a weighted fixed rate of 5.25% and Series 2006A bonds at a weighted fixed rate of 5.75%.

In August 2006, certain of the existing transaction documents related to the activities of the QSPE were amended. The following is a summary of the key amendments:

- increase our consolidated net worth requirement from $30 million to $150 million;

- add certain return mail procedures to the internal accounting control procedures and processing functions report delivered by independent accountants pursuant to the servicing agreement;

- change the definition of "Eligible Installment Contract Receivable" under the base indenture to allow up to 27.5% of all receivables by outstanding principal balance to consist of installment contract receivables of the secondary portfolio (formerly 25% of such receivables were permitted);

- change the definition of "Eligible Installment Contract Receivable" and "Eligible Revolving Charge Receivable" under the base indenture to allow up to 5.0% of the amount or number of installment contract and revolving charge receivables, whichever occurs first, to have a maximum repayment period and cash option period exceeding thirty-six months but no more than forty-eight months (secondary portfolio maximum term remains thirty-six months);

- change certain definitions under the series supplements for the Series A notes and the Series B bonds, including changes to the series supplements for the Series A notes that have the effect of increasing the current level of funding available to the issuer; and

- provide for the issuer's issuance of additional asset-backed notes and obtain additional commitments under the Series A notes upon the occurrence of certain events related to the expiration of any commitment under the Series A notes or the amount of the commitment used under the Series A notes.

We continue to service the transferred accounts for the QSPE, and we receive a monthly servicing fee, so long as we act as servicer, in an amount equal to ..0025% multiplied by the average aggregate principal amount of receivables serviced plus the amount of average aggregate defaulted receivables. The issuer records revenues equal to the interest charged to the customer on the receivables less losses, the cost of funds, the program administration fees paid in connection with either Three Pillars Funding LLC, the Series B or Series 2006A bond holders, the servicing fee and additional earnings to the extent they are available.

After August, 2006 amendment, the Series A variable funding note now permits the issuer to borrow funds up to $300 million to purchase receivables from us, thereby functioning as a "basket" to accumulate receivables. As issuer borrowings under the Series A variable funding note approach $300 million, the issuer is required to request an increase in the Series A amount or issue a new series of bonds and use the proceeds to pay down the then outstanding balance of the Series A variable funding note, so that the basket will once again become available to accumulate new receivables or meet other obligations required under the transaction documents. As of October 31, 2006, borrowings under the Series A variable funding note were $79.0 million.

We are not directly liable to the lenders under the asset-backed securitization facility. If the issuer is unable to repay the Series A note, Series B bonds and Series 2006A 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, the Series B and Series 2006A bond holders could claim the balance in its $14.0 million restricted cash account. We are also contingently liable under a $20.0 million letter of credit that secures our performance of our obligations or services under the servicing agreement as it relates to the transferred assets that are part of the asset-backed securitization facility.

The issuer is subject to certain affirmative and negative covenants contained in the transaction documents governing the Series A variable funding note and the Series B and Series 2006A 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, protection of collateral and financial reporting. In addition, the program requires the issuer to maintain a minimum net worth.

A summary of the significant financial covenants that govern the Series A variable funding note compared to actual compliance status at October 31, 2006, is presented below:

	As reported	Required Minimum/ Maximum
Issuer interest must exceed required minimum	$46.4 million	$43.7 million
Gross loss rate must be lower than required maximum	3.8%	10.0%
Net portfolio yield must exceed required minimum	7.9%	2.0%
Payment rate must exceed required minimum	6.8%	3.0%

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

Events of default under the Series A variable funding note and the Series B and Series 2006A 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 other events pertaining to us. The issuer's obligations under the program are secured by the receivables and proceeds.

Securitization Facilities
We finance most of our customer receivables through asset-backed securitization facilities

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                                                                                                        ----------------------------
                                                                                                               Series A Note
                                                                                                               $300 million
                                                                                                           Credit Rating: P1/A2
                                                                                                          Three Pillars Funding LLC
                              Customer Receivables                                      |-------------> ----------------------------
                                                                                        |
- ---------------------------- -------------------> -----------------------------------------------------------------------------------
          Retail                                                       Qualifying       |                      Series B Bonds
          Sales                                                     Special Purpose <-------------->           $190 million
          Entity                                                        Entity          |                 Private Institutional
                                                                       ("QSPE")         |                       Investors
                                                                                        |                 Class A: $114 mm (Aaa)
                                                                                        |                 Class B: $54.9 mm (A2)
                                                                                        |               Class C: $21.1 mm (Baa2)
- ---------------------------- <------------------- -----------------------------------------------------------------------------------
                                                                                        |
                              1. Cash proceeds                                          |               ----------------------------
                              2. Subordinated Securities                                |                   Series 2006A Bonds
                              3. Right to Receive Cash Flows                            |                      $150 million
                                 Equal to Interest Rate Spread                          -------------->   Private Institutional
                                                                                        |                       Investors
                                                                                        |                 Class A: $90 mm (Aaa)
                                                                                        |                 Class B: $43.3 mm (A2)
                                                                                        |               Class C: $16.7 mm (Baa2)
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Both the bank credit facility and the asset-backed securitization program are significant factors relative to our ongoing liquidity and our ability to meet the cash needs associated with the growth of our business. Our inability to use either of these programs because of a failure to comply with their covenants would adversely affect our continued growth. Funding of current and future receivables under the QSPE's asset-backed securitization program can be adversely affected if we exceed certain predetermined levels of re-aged receivables, size of the secondary portfolio, the amount of promotional receivables, write-offs, bankruptcies or other ineligible receivable amounts. If the funding under the QSPE's asset-backed securitization program was reduced or terminated, we would have to draw down our bank credit facility more quickly than we have estimated.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest rates under our bank credit facility (as executed October 31, 2005) are variable and are determined, at our option, as the base rate, which is the greater of prime rate or federal funds rate plus 0.50% plus the base rate margin, which ranges from 0.00% to 0.50%, or LIBOR plus the LIBOR margin, which ranges from 0.75% to 1.75%. Accordingly, changes in the prime rate, the federal funds rate or LIBOR, which are affected by changes in interest rates generally, will affect the interest rate on, and therefore our costs under, our bank credit facility. We are also exposed to interest rate risk associated with our interest only strip and the subordinated securities we receive from our sales of receivables to the QSPE.

We held interest rate swaps and collars with notional amounts totaling $20.0 million which expired on April, 15 2005. The swaps and collars were held for the purpose of hedging against variable interest rate risk, primarily related to cash flows from our interest-only strip as well as our variable rate debt. There have been no material changes in our interest rate risks since January 31, 2006.

Item 4. Controls and Procedures

An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, regarding the effectiveness of our disclosure controls and procedures (as defined in 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act") as of the end of the period covered by this quarterly report. Based on that evaluation, our management, including our Chief Executive Officer and our Chief Financial Officer, concluded that our disclosure controls and procedures are effective in timely alerting them to material information relating to our Company (including its consolidated subsidiaries) required to be included in our periodic filings with the Securities and Exchange Commission.

During the preparation of our consolidated financial statements for the quarter ended July 31, 2006, we identified an issue related to the recording of securitization income. Based on our discovery and the results of discussions with our independent accountants and the Audit Committee of the Board of Directors, it was determined that a review of our accounting under SFAS No. 140 should be completed before the statements for the quarter ended July 31, 2006 were issued. The internal review revealed that we had incorrectly reduced securitization income and the value of our interests in securitized assets by the amount of future expected loan losses recorded on the books of the qualifying special purpose entity that owns the receivables.

As a result of the error discussed above and the resulting restatement, management has concluded that a material weakness in its internal controls over financial reporting existed prior to the completion of the consolidated financial statement for quarter ended July 31, 2006. Specifically, controls were not operating effectively to ensure that the proper accounting and corresponding consolidated financial statement presentation of securitization income and the fair value of interests in securitized assets was consistent with SFAS No. 140.

As of the date of this filing, we believe we have taken the appropriate action to remediate the material weakness in our internal control over financial reporting with respect to accounting for securitization transactions, based on the following actions taken:

- improved education and enhanced accounting analysis and reviews designed to ensure that all relevant personnel involved in the securitization accounting understand and account for securitization transactions in compliance with SFAS No. 140; and

- a review of our internal financial controls with respect to accounting for securitization transactions to ensure compliance with SFAS No. 140.

While we believe we have taken the steps necessary to remediate this material weakness relating to our accounting under SFAS No. 140 and related processes, procedures, and controls, we cannot confirm the effectiveness of our enhanced internal controls with respect to our accounting under SFAS No. 140 until we and our independent auditors have conducted sufficient tests. Accordingly, we will continue to monitor the effectiveness of the processes, procedures, and controls we have implemented and will make any further changes management determines appropriate.

As described above, we made changes in internal controls over financial reporting during the quarter ended October 31, 2006, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in routine litigation incidental to our business from time to time. Currently, we do not expect the outcome of any of this routine litigation to have a material affect on our financial condition or results of operation. 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

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended January 31, 2006, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

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

On August 25, 2006, we announced that our Board of Directors had authorized a common stock repurchase program, permitting us to purchase, from time to time, in the open market and in privately negotiated transactions, up to an aggregate of $50.0 million of our common stock, dependent on market conditions and the price of the stock. During the quarter ended October 31, 2006, we effected the following repurchases of our common stock.

Period	Total # of shares purchased	Average Price Paid per share	Total # of Shares Purchased as Part of Publicly Announced Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Programs
August 1 - August 31, 2006	-	$ -	-	$50,000,000
September 1 - September 30, 2006	33,800	$20.24	33,800	$49,316,778
October 1 - October 31, 2006	-	$ -	-	$49,316,778
Total	33,800		33,800	

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/ David L. Rogers

David L. Rogers
Chief Financial Officer
(Principal Financial Officer and duly authorized to sign this report on behalf of the registrant)

Date: November 30, 2006

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	Bylaws of Conn's, Inc. (incorporated herein by reference to Exhibit 3.2 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).
3.2.1	Amendment to the Bylaws of Conn's, Inc. (incorporated herein by reference to Exhibit 3.2.1 to Conn's Form 10-Q for the quarterly period ended April 30, 2004 (File No. 000-50421) as filed with the Securities and Exchange Commission on June 7, 2004).
4.1	Specimen of certificate for shares of Conn's, Inc.'s common stock (incorporated herein by reference to Exhibit 4.1 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on October 29, 2003).
10.1	Amended and Restated 2003 Incentive Stock Option Plan (incorporated herein by reference to Exhibit 10.1 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).(t)
10.1.1	Amendment to the Conn's, Inc. Amended and Restated 2003 Incentive Stock Option Plan (incorporated herein by reference to Exhibit 10.1.1 to Conn's Form 10-Q for the quarterly period ended April 30, 2004 (File No. 000-50421) as filed with the 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)

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

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

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

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

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

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

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

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

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

10.9.2 First Amendment to Credit Agreement dated August 28, 2006 by and between Conn Appliances, Inc. and CAI Credit Insurance Agency, Inc., the financial institutions listed on the signature pages thereto, and JPMorgan Chase Bank, as Administrative Agent (incorporated herein by reference to Exhibit 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 August 28, 2006).

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 July 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).

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

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

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

10.12.3 Amendment No. 3 to Series 2002-A Supplement. 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 10.12.3 to Conn's, Inc. Form 10-Q for the quarterly period ended July 31, 2006 (File No. 000-50421) as filed with the Securities and Exchange Commission on September 15, 2006).

10.13	Series 2002-B Supplement to Base Indenture dated September 1, 2002, by and between Conn Funding II, L.P., as Issuer, and Wells Fargo Bank Minnesota, National Association, as Trustee (incorporated herein by reference to Exhibit 10.13 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).
10.13.1	Amendment to Series 2002-B Supplement dated March 28, 2003, by and between Conn Funding II, L.P., as Issuer, and Wells Fargo Bank Minnesota, National Association, as Trustee (incorporated herein by reference to Exhibit 10.13.1 to Conn's, Inc. Form 10-K for the annual period ended January 31, 2005 (File No. 000-50421) as filed with the Securities and Exchange Commission on April 5, 2005).
10.14	Servicing Agreement dated September 1, 2002, by and among Conn Funding II, L.P., as Issuer, CAI, L.P., as Servicer, and Wells Fargo Bank Minnesota, National Association, as Trustee (incorporated herein by reference to Exhibit 10.14 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).
10.14.1	First Amendment to Servicing Agreement dated June 24, 2005, by and among Conn Funding II, L.P., as Issuer, CAI, L.P., as Servicer, and Wells Fargo Bank, National Association, as Trustee (incorporated herein by reference to Exhibit 10.14.1 to Conn's, Inc. Form 10-Q for the quarterly period ended July 31, 2005 (File No. 000-50421) as filed with the Securities and Exchange Commission on August 30, 2005).
10.14.2	Second Amendment to Servicing Agreement dated November 28, 2005, by and among Conn Funding II, L.P., as 10.14.2 Issuer, CAI, L.P., as Servicer, and Wells Fargo Bank, National Association, as Trustee (incorporated herein by reference to Exhibit 10.14.2 to Conn's, Inc. Form 10-Q for the quarterly period ended October 31, 2005 (File No. 000-50421) as filed with the Securities and Exchange Commission on December 1, 2005).
10.14.3	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 July 31, 2006 (File No. 000-50421) as filed with the Securities and Exchange Commission on September 15, 2006).
10.14.4	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 July 31, 2006 (File No. 000-50421) as filed with the Securities and Exchange Commission on September 15, 2006).
10.15	Form of Executive Employment Agreement (incorporated herein by reference to Exhibit 10.15 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on October 29, 2003).(t)
10.15.1	First Amendment to Executive Employment Agreement between Conn's, Inc. and Thomas J. Frank, Sr., Approved by the stockholders May 26, 2005 (incorporated herein by reference to Exhibit 10.15.1 to Conn's, Inc. Form 10-Q for the quarterly period ended July 31, 2005 (file No. 000-50421) as filed with the Securities and Exchange Commission on August 30, 2005).(t)
10.16	Form of Indemnification Agreement (incorporated herein by reference to Exhibit 10.16 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).(t)
10.17	2007 Bonus Program (incorporated herein by reference to Form 8-K (file no. 000-50421) filed with the Securities and Exchange Commission on March 30, 2006).(t)

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

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

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

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

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

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

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

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

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

10.21.1	First Amendment to Service Expense Reimbursement Agreement by and among CAI Credit Insurance Agency, Inc., American Bankers Life Assurance Company of Florida, Voyager Property & Casualty Insurance Company, American Bankers Life Assurance Company of Florida, American Bankers Insurance Company of Florida, American Reliable Insurance Company, and American Bankers General Agency, Inc. effective July 1, 2005 (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).
10.22	Consolidated Addendum and Amendment to Service Expense Reimbursement Agreements by and among Certain Member Companies of Assurant Solutions, CAI Credit Insurance Agency, Inc. and Affiliates Insurance Agency, Inc. effective April 1, 2004 (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).
10.23	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 July 31, 2006 (File No. 000-50421) as filed with the Securities and Exchange Commission on September 15, 2006).
10.24	Fourth Amended and Restated Subordination and Priority Agreement, dated August 31, 2006, by and among Bank of America, N.A. and JPMorgan Chase Bank, as Agent, and Conn Appliances, Inc. and/or its subsidiary CAI, L.P. (filed herewith).
10.24.1	Fourth Amended and Restated Security Agreement, dated August 31, 2006, by and among Conn Appliances, Inc. and CAI, L.P. and Bank of America, N.A. (filed herewith).
10.25	Letter of Credit and Reimbursement Agreement, dated September 1, 2002, by and among CAI, L.P., Conn Funding II, L.P. and SunTrust Bank (filed herewith).
10.25.1	Amendment to Standby Letter of Credit dated August 23, 2006, by and among CAI, L.P., Conn Funding II, L.P. and SunTrust Bank (filed herewith).
10.25.2	Amendment to Standby Letter of Credit dated September 20, 2006, by and among CAI, L.P., Conn Funding II, L.P. and SunTrust Bank (filed herewith).
11.1	Statement re: computation of earnings per share is included under Note 1 to the financial statements.
21	Subsidiaries of Conn's, Inc. (incorporated herein by reference to Exhibit 21 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).
31.1	Rule 13a-14(a)/15d-14(a) Certification (Chief Executive Officer) (filed herewith).
31.2	Rule 13a-14(a)/15d-14(a) Certification (Chief Financial Officer) (filed herewith).
32.1	Section 1350 Certification (Chief Executive Officer and Chief Financial Officer) (furnished herewith).
99.1	Subcertification by Chief Operating Officer in support of Rule 13a-14(a)/15d-14(a) Certification (Chief Executive Officer) (filed herewith).
99.2	Subcertification by Treasurer in support of Rule 13a-14(a)/15d-14(a) Certification (Chief Financial Officer) (filed herewith).
99.3	Subcertification by Secretary in support of Rule 13a-14(a)/15d-14(a) Certification (Chief Financial Officer) (filed herewith).
99.4	Subcertification of Chief Operating Officer, Treasurer and Secretary in support of Section 1350 Certifications (Chief Executive Officer and Chief Financial Officer) (furnished herewith).

(t) Management contract or compensatory plan or arrangement.

EXHIBIT 10.24

FOURTH AMENDED AND RESTATED SUBORDINATION AND PRIORITY AGREEMENT

WHEREAS, BANK OF AMERICA, N.A. ("BOA") and JPMORGAN CHASE BANK, as Agent ("CB") (BOA, CB, and the other Lenders (as defined in the Loan Agreement) now or hereinafter a party to that certain Credit Agreement dated as of October 31, 2005, as amended or restated, the "Loan Agreement"), have filed or intend to file Uniform Commercial Code financing statements perfecting, and giving notice of, a security interest in all or some of the property, including but not limited to, inventory and equipment, chattel paper, contract rights, accounts or general intangibles of Conn Appliances, Inc., and/or its subsidiary CAI, L.P. (collectively, "Debtor"), and the proceeds thereof to the extent allowed;

WHEREAS, BOA has agreed to provide Debtor with a secured and uncommitted import letter of credit line of up to $10,000,000 in the aggregate to accommodate Debtor's importation of inventory purchases into North America (the "Import Letter of Credit Line"), and pursuant to such credit facility, Debtor will execute and deliver from time to time, BOA's form letter of credit agreement and such other related documents as from time to time in effect in connection therewith;

WHEREAS, as security for the indebtedness and obligations under the Import Letter of Credit Line and all renewals and extensions thereof, Debtor has agreed to execute and deliver to BOA a Third Amended and Restated Security Agreement covering the inventory purchased by Debtor from the parties listed on attached Schedule 1 (as Schedule 1 may be amended from time to time as set out in paragraph number 1 below) with credit support provided by the Import Letter of Credit Line, together with all products and proceeds thereof (collectively, the "Prime Collateral"); and

WHEREAS, the parties hereto desire to avoid possible conflicting security interests, and the priority thereof, arising from the filing of their respective financing statements under each of the Loan Agreement and the Import Letter of Credit Line.

NOW, THEREFORE, the parties hereto agree as follows:

1. The Banks hereby (a) consent to Debtor's indebtedness incurred, and the liens granted on the Prime Collateral granted in favor of BOA, in connection with the Import Letter of Credit Line, and (b) subordinate their security interests and liens under the Loan Agreement to the security interests and liens of BOA under the Import Letter of Credit Line in (i) the Prime Collateral, whether now owned or acquired in the future by Debtor, (ii) all proceeds of insurance thereon, and (iii) all identifiable cash proceeds in the form of money and checks received by any Debtor with respect thereto which are not commingled with other property of any Debtor; provided, however, that under no circumstances shall the Prime Collateral include (x) Purchased Receivables, Related Security, Receivable Files, or Originator Notes as each is defined in the Receivables Purchase Agreement dated as of September 1, 2002, between Conn Appliances, Inc., CAI, L.P., and Conn Funding I, L.P., as sellers, and Conn Funding II, L.P., as purchaser, or any products or proceeds thereof; or (y) Transferred Assets as defined in the Agreement of Sale dated as of January 24, 2001, by and between Conn Appliances, Inc. and CAI, L.P., as sellers, and Aaron Rents, as purchaser. All terms used and not otherwise defined herein, which are defined in Article 9 of the Texas Uniform Commercial Code, shall have the meanings assigned to them in Article 9 of the Texas Uniform Commercial Code, as in effect on the date of the filing of any financing statement. Notwithstanding anything to the contrary herein, Debtor, BOA, CB and the Banks hereby agree that Debtor may from time to time update the list of counterparties on Schedule 1 attached hereto by delivering a revised Schedule 1 to BOA and CB, and, upon the execution of such revised Schedule 1 by BOA and CB, the then current Schedule 1 shall automatically be replaced in its entirety by such revised Schedule 1.

2. BOA hereby agrees that it shall not at any time during the terms of this Agreement have a security interest, lien, claim or any type of encumbrance whatsoever, at law, in equity or by contract, on any property or assets of any Debtor other than a security interest in the Prime Collateral. To the extent BOA shall now or hereafter have any security interest, lien, claim or other encumbrance prohibited by the foregoing sentence, the same is hereby released and discharged.

3. No party, including without limitation the Debtor, is intended to be a third party beneficiary of this Agreement. This Agreement shall not constitute a purchase money security interest notice.

4. Whenever either party hereto shall be required or shall have the right to give notice to the other party, such notice shall be deemed to have been given five (5) days after mailing, postage prepaid, by registered or certified mail, return receipt requested, or upon personal delivery to the other party at the following address, or such other address as is furnished in writing by one party to another party:

To:

JPMorgan Chase Bank 712 Main Street, 5th Floor Houston, Texas 77002 Attn: Manager Houston Commercial	Bank of America, N.A. 700 Louisiana, 7th Floor Houston, Texas 77002 Attn: Gary Mingle

5. This agreement is irrevocable by the parties hereto and shall remain in full force and effect until the earlier of (a) the repayment in full of all the obligations of the Debtor to the Banks under the Loan Agreement and (b) the repayment in full of all of the obligations of the Debtor to BOA under the Import Letter of Credit Line.

6. CB, the Banks and BOA agree this Agreement shall be binding upon and inure to the benefit of their respective successors and assigns, and shall be governed by and construed in accordance with the laws of the State of Texas.

7. This Agreement amends and restates that certain Third Amended and Restated Subordination and Priority Agreement dated as of June 14, 2006, among BOA, CB, and Debtor (the "Third Amended and Restated Subordination Agreement"), as such Third Amended and Restated Subordination and Priority Agreement amended and restated that certain Second Amended and Restated Subordination and Priority Agreement dated as of July 11, 2005, among BOA, CB, and Debtor (the "Second Amended and Restated Subordination Agreement"), as such Second Amended and Restated Subordination Agreement amended and restated that certain First Amended and Restated Subordination and Priority Agreement dated as of June 17, 2004, among BOA, CB, and Debtor (the "First Amended and Restated Subordination Agreement"), as such First Amended and Restated Subordination Agreement amended and restated that certain Subordination and Priority Agreement dated as of March 20, 2003, among BOA, CB, and Debtor (the "Initial Subordination Agreement"), and shall not be construed to be a novation of the Third Amended and Restated Subordination Agreement, the Second Amended and Restated Subordination Agreement, the First Amended and Restated Subordination Agreement, or the Initial Subordination Agreement.

IN WITNESS WHEREOF the parties hereto have this 31st day of August 2006, hereunto have set their hands.

BANK OF AMERICA, N.A.

By: /s/ Gary L. Mingle

Gary L. Mingle, Senior Vice President

JPMORGAN CHASE BANK, NATIONAL
ASSOCIATION, AS AGENT FOR THE LENDERS

By: /s/ R. Michael Arnett

R. Michael Arnett, Vice President

Acknowledged and Consented to:

CONN APPLIANCES, INC.

By: /s/ David R. Atnip

David R. Atnip, Treasurer

CAI, L.P.

By: Conn Appliances, Inc., its sole
general partner

By: /s/ David R. Atnip

David R. Atnip, Treasurer

EXHIBIT 10.24.1

FOURTH AMENDED AND RESTATED SECURITY AGREEMENT

THIS FOURTH AMENDED AND RESTATED SECURITY AGREEMENT (this "Agreement"), dated as of August 31, 2006, is by CONN APPLIANCES, INC., a Texas corporation, and CAI, L.P., a Texas limited partnership (collectively, "Debtor"), for the benefit of BANK OF AMERICA, N.A., a national banking association ("Secured Party").

RECITALS

A. Secured Party agreed to provide Debtor with a secured and uncommitted import letter of credit line of up to $1,200,000 in the aggregate to accommodate Debtor's importation of inventory purchases into North America, which import letter of credit line was extended, renewed and increased up to $1,500,000 in June, 2004, and further extended, renewed and increased up to $3,000,000 in July, 2005 (the "Existing Import Letter of Credit Line").

B. In connection with the Existing Import Letter of Credit Line, Debtor executed a Security Agreement dated as of March 20, 2003 (as amended and restated by the First Amended and Restated Security Agreement dated as of June 17, 2004, as amended and restated by the Second Amended and Restated Security Agreement dated as of July 11, 2005, and as amended and restated by the Third Amended and Restated Security Agreement dated as of June 14, 2006) in favor of Secured Party, granting to Secured Party a first priority security interest in, and lien upon, the "Collateral" as described therein (collectively, the "Existing Security Agreement").

C. Debtor and Secured Party have agreed to increase the Existing Import Letter of Credit Line to provide for a secured and uncommitted import letter of credit line of up to $10,000,000 in the aggregate (the "Import Letter of Credit Line").

D. Accordingly, Secured Party and Debtor hereby amend and restate the Existing Security Agreement in its entirety as follows:

AGREEMENTS

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Debtor covenants and agrees with Secured Party as follows:

1. Certain Definitions. Capitalized terms used but not defined in this Agreement have the meaning given them in the UCC (defined below). If the definition given a term in Chapter 9 of the UCC conflicts with the definition given that term in any other chapter of the UCC, the Chapter 9 definition shall control. As used in this Agreement:

Agreement means this Agreement, together with all schedules attached hereto, and all amendments and modifications to this Agreement or such schedules.

Collateral is defined in Section 5 of this Agreement.

Credit Agreement Event of Default means an "Event of Default" as defined in that certain Credit Agreement dated as October 31, 2005, among Conn Appliances, Inc. and the other Borrowers (as defined therein), JPMorgan Chase Bank, National Association, as Administrative Agent, Bank of America, as Syndication Agent, SunTrust Bank, as Documentation Agent, J.P. Morgan Securities, Inc., as Arranger, and the Lenders (as defined therein) party thereto, as amended, restated or otherwise modified from time to time; provided that, the defined term "Credit Agreement Event of Default" includes without limitation, an event of default under any and all credit agreements or loan agreements that replace or refinance such Credit Agreement.

Debtor is defined in the preamble to this Agreement.

Event of Default is defined in Section 11.

Governmental Authority means any (a) (domestic or foreign) judicial, executive, legislative, or administrative instrumentality, or any agency, court, department, commission, board, bureau, or other instrumentality, under any federal, state, county, parish, commonwealth, city, municipal or other political subdivision, and (b) private mediation or arbitration board or panel.

Import Letter of Credit Line is defined in Recital A above.

Inventory means any and all inventory purchased from every counterparty of Debtor with credit support provided by the Import Letter of Credit Line, including without limitation, the parties listed on attached Schedule 1 (as such Schedule 1 may be amended from time to time as set out in Section 3 below), whether now owned or acquired in the future by Debtor, all proceeds of insurance thereon, and all identifiable cash proceeds in the form of money and checks received by any Debtor with respect thereto.

Law means all applicable statutes, laws, treaties, ordinances, rules, regulations, orders, writs, injunctions, decrees, judgments, opinions and interpretations of any Governmental Authority.

Lien means any lien, mortgage, security interest, pledge, assignment, charge, title retention agreement or encumbrance of any kind and any other arrangement for a creditor's claim to be satisfied from assets or proceeds prior to the claims of other creditors or the owners.

Obligation means all of Debtor's payment and performance obligations under this Agreement and all other documents and agreements executed in connection with the Import Letter of Credit Line, including without limitation, all applications and agreements for the issuance of commercial letters of credit, and reasonable attorney's fees and expenses incurred by Secured Party in connection therewith and herewith.

Obligor means "obligor" as such term is defined in the UCC, including without limitation, any person or entity obligated with respect to any of the Collateral, whether as a party to a contract, an account debtor or otherwise.

Rights means rights, remedies, powers, privileges and benefits.

Secured Party is defined in the preamble to this Agreement.

Security Interest means the security interests granted and the transfers, pledges, and assignments made under Section 3 of this Agreement.

UCC means the Uniform Commercial Code, as adopted and in effect in the State of Texas from time to time.

2. Security For Import Letter of Credit Line. This Agreement is being executed and delivered to secure the prompt, unconditional, and complete payment and performance of the Obligation.

3. Security Interest. Subject to the terms and conditions of this Agreement, Debtor grants to Secured Party a security interest in, and Lien upon, all of Debtor's right, title, and interest in and to the Collateral and Debtor transfers, pledges, and assigns as security to Secured Party all Debtor's right, title, and interest in the Collateral. If the transfer, pledge, or assignment of any specific item of the Collateral is expressly prohibited by any contract, the Security Interest shall be effective to the extent allowed by UCC ss.9.406 or other applicable Law. Notwithstanding anything to the contrary herein, Debtor and Secured Party hereby agree that Debtor may from time to time update the list of counterparties on Schedule 1 attached hereto by delivering a revised Schedule 1 to Secured Party, and, upon the execution of such revised Schedule 1 by Secured Party, the then current Schedule 1 shall automatically be replaced in its entirety by such revised Schedule 1.

4. No Assumption or Modification. The Security Interest is given as collateral security only. Secured Party does not assume, and shall not be liable for, any of Debtor's liabilities, duties, or obligations under or in connection with the Collateral. Secured Party's acceptance of this Agreement, or its taking any action in carrying out this Agreement, does not constitute Secured Party's approval of the Collateral or Secured Party's assumption of any obligation under, or in connection with, the Collateral. This Agreement does not affect or modify Debtor's obligations with respect to the Collateral.

5. Collateral. As used in this Agreement, the term "Collateral" means all of Debtor's right, title and interest in and to Inventory, wherever located, whether now owned or hereafter acquired by Debtor, together with any and all proceeds, products, additions to, substitutions for and accessions thereto; provided, however, that under no circumstances shall the Collateral include (x) Purchased Receivables, Related Security, Receivable Files, or Originator Notes as each is defined in the Receivables Purchase Agreement dated as of September 1, 2002, between Conn Appliances, Inc., CAI, L.P., and Conn Funding I, L.P., as sellers, and Conn Funding II, L.P., as purchaser, or any products or proceeds thereof; or (y) Transferred Assets as defined in the Agreement of Sale dated as of January 24, 2001, by and between Conn Appliances, Inc. and CAI, L.P., as sellers, and Aaron Rents, as purchaser. Subject to the proviso in the preceding sentence, the description of Collateral contained in this Section 5 includes after acquired Collateral and proceeds of the Collateral.

6. Fraudulent Conveyance. Notwithstanding any provision of this Agreement to the contrary, Debtor agrees that if, but for the application of this Section 6, the Obligations or any Security Interest would constitute a preferential transfer under 11 U.S.C. ss. 547, a fraudulent conveyance under 11 U.S.C. ss. 548 (or any successor section of that Code) or a fraudulent conveyance or transfer under any state fraudulent conveyance or fraudulent transfer law or similar Law in effect from time to time (each a "Fraudulent Conveyance"), then the Obligations and each affected Security Interest will be enforceable to the maximum extent possible without causing the Obligations or any Security Interest to be a Fraudulent Conveyance, and shall be deemed to have been automatically amended to carry out the intent of this Section 6.

7. Representations and Warranties. Debtor represents and warrants to Secured Party that:

(a) Binding Obligation. This Agreement creates a legal, valid, and binding security interest in, and Lien upon, the Collateral in favor of Secured Party and enforceable against Debtor. The Security Interest created under this Agreement will be duly perfected once the action required for perfection under applicable Law has been taken. Once perfected, the Security Interest will constitute a first priority Lien on the Collateral. The creation of the Security Interest does not require the consent of any third party.

(b) Place of Business; Location of Records. The location of Debtor's chief executive office or principal place of business is set out on Schedule 2. Debtor's state of organization and its organizational identification number is set out on Schedule 2. Debtor's books and records concerning the Collateral are located at its chief executive office or principal place of business. All Inventory (other than on consignment or in transit) are located until disposed of in the ordinary course of business) at one or more of the locations set out on Schedule 2.

(c) No Prior Lien. Debtor has not executed any prior transfer, assignment, pledge, security interest, Lien or hypothecation covering the Collateral or any interest in the Collateral other than a subordinated Lien on the Inventory granted to the lenders under Debtor's senior credit facility with JP Morgan Chase, as agent for such lenders.

(d) No Defenses. No portion of the Collateral is subject to any setoff, counterclaim, defense, allowance, or adjustment.

8. Additional Collateral. The delivery at any time by Debtor to Secured Party of Collateral or of additional specific descriptions of certain Collateral will constitute a representation and warranty by Debtor to Secured Party under this Agreement that the representations and warranties in Section 7 are true and correct with respect to each item of such Collateral.

9. Affirmative Covenants. Debtor further covenants and agrees with Secured Party that until the Obligation is irrevocably paid and performed in full, Debtor shall:

(a) Relocation of Office or Books and Records; Change of Name or Address; and Organizational Structure. Give Secured Party thirty (30) days prior written notice of (i) any proposed relocation of its principal place of business or chief executive office, (ii) any proposed relocation of the place where its books and records relating to the Collateral are kept, and (iii) a change of its name, organizational structure or taxpayer identification number.

(b) Change in Collateral. Promptly notify Secured Party of any material change in the Collateral or in any fact or circumstance represented or warranted by Debtor with respect to any of the Collateral.

(c) Insurance. Debtor shall obtain and maintain insurance upon and relating to the Inventory insuring against general liability, personal injury and death, loss by fire and such other hazards, casualties, and contingencies (including but not limited to fire, lightning, hail, windstorm, explosion, malicious mischief, and vandalism) as are covered by extended coverage policies in effect where the such property is located and such other risks as may be reasonably specified by Secured Party from time to time, all in such amounts and with such insurers of recognized responsibility as are reasonably acceptable to Secured Party. Upon request, Debtor shall provide Secured Party with certificates of insurance in amounts and with deductibles reasonably required by Secured Party. Secured Party shall have the right, but not the obligation, to make premium payments, at Debtor's expense, to prevent any cancellation, endorsement, alteration or reissuance, and such payments shall be accepted by the insurer to prevent same, provided that, to the extent Secured Party makes any premium payments or pays any other amount in respect of such insurance policies, such amount shall become part of the Obligations and shall accrue interest at the maximum rate permitted by applicable law.

(d) Taxes and Assessments. Debtor shall pay all taxes and assessments on all of the Collateral when due and upon Secured Party's request, provide Secured Party with evidence of payment of such taxes. Secured Party shall have the right, but not the obligation, to pay such taxes or assessments, at Debtor's expense, to prevent any lien or other legal process from attaching or arising, provided that, to the extent Secured Party pays any such tax or assessment or any other amount in respect of such tax or assessment, such amount shall become part of the Obligation and shall accrue interest at the maximum rate permitted by applicable law.

(e) Record of Collateral. Maintain at its chief executive office or principal place of business a current record of all of the Collateral and permit Secured Party or its representatives to inspect and make copies from such records, and upon Secured Party's request, furnish to Secured Party such documents, lists, descriptions, certificates, and other information with respect to the identity, status, condition, terms of, parties to, and value of the Collateral.

(f) Adverse Claim. Immediately notify Secured Party in writing of any claim, action, or proceeding challenging the Security Interest or affecting title to or any loss or casualty, with respect to all or any portion of the Collateral or the Security Interest and, at Secured Party's request, appear in and defend any such appropriate action or proceeding at Debtor's sole cost and expense.

(g) Hold Collateral In Trust. While an Event of Default exists, hold in trust (and not commingle with its other assets) for Secured Party all Collateral at any time received by it and promptly deliver same to Secured Party upon Secured Party's request unless Secured Party at its option gives Debtor written permission to retain that Collateral. While an Event of Default exists, at Secured Party's request, the Collateral so retained shall be marked to state that it is assigned to Secured Party and each instrument shall be endorsed to the order of Secured Party (but failure to so mark or endorse shall not impair the Security Interest).

(h) Perform Obligations. Perform all of its obligations under or in connection with the Collateral in accordance with customary business practices and applicable Law.

(i) Amendment. Not amend, alter, or modify, or permit the amendment, alteration or modification of, all or any portion (individually or collectively) of the Collateral in any adverse manner without Secured Party's prior written consent.

(j) Impairment of Collateral. Not do or permit any act which would adversely impair all or any portion of the Collateral.

(k) Default Under Collateral. Immediately notify Secured Party in writing of any default or event of default by Debtor or, to the best of Debtor's knowledge, by any other party under or in connection with all or any portion (individually or collectively) of the Collateral and immediately use its commercial efforts to remedy the same or immediately demand that the same be remedied.

(l) Further Assurances. From time to time Debtor shall promptly execute, authorize, authenticate and deliver to Secured Party all other assignments, certificates, supplemental documents, and financing statements, and all other acts Secured Party requests in order to create, evidence, perfect, continue or maintain the existence and priority of the Security Interest and in order to perfect the Lien on, and Security Interest in, all future Collateral including, without limitation, (i) amendments to Schedule 1 and/or Schedule 2, and (ii) the authentication and filing of such financing statements as Secured Party may require. A carbon, photographic, or other reproduction of this Agreement or of any financing statement covering the Collateral or any part thereof shall be sufficient as a financing statement and may be filed as a financing statement.

10. Negative Covenants. Debtor further covenants and agrees with Secured Party that until the Obligation is paid and performed in full, Debtor shall not:

(a) Use Violations. Debtor will not use, maintain, operate, or occupy, or allow the use, maintenance, operation, or occupancy of the Collateral in any manner which violates any Law.

(b) Alterations. Debtor will not commit or permit any waste of the Collateral that would diminish its value in any material respect.

(c) Prohibition on Transfer of Property. Debtor will not sell, trade, transfer, assign, exchange, or otherwise dispose of any of the Collateral except in the ordinary course of Debtor's business.

(d) No Further Encumbrances. Debtor will not create, place, suffer, or permit to be created or placed or, through any act or failure to act, acquiesce in the placing of or allow to remain, any mortgage, pledge, Lien (statutory, constitutional, or contractual), security interest, encumbrance, or charge on, or conditional sale or other title retention agreement, regardless of whether same are expressly subordinate to the Liens of this Agreement with respect to the Collateral other than Liens incurred under Debtor's senior credit facility.

11. Event of Default; Remedies. Upon the occurrence and during the continuance of any default under any application and agreement for the issuance of commercial letter of credit or similar agreement executed and delivered in connection with the Import Letter of Credit Line, or any breach of this Agreement, or a Credit Agreement Event of Default (each an "Event of Default"), Secured Party has the following cumulative rights and remedies under this Agreement:

(a) Debtor's Agent. Secured Party shall be deemed to be irrevocably appointed as Debtor's agent and attorney-in-fact with all right and power to enforce all of Debtor's rights and remedies under or in connection with the Collateral. All costs, expenses and liabilities incurred and payments made by Secured Party as Debtor's agent and attorney-in-fact, including, without limitation, attorney's fees and expenses, shall be considered a loan by Secured Party to Debtor which shall be repayable on demand and shall accrue interest at the maximum rate of interest allowed by Law and shall be part of the indebtedness secured hereby.

(b) Obligors. Secured Party may notify or require each Obligor to make payment directly to Secured Party and Secured Party may take control of the proceeds paid to Debtor. Until Secured Party elects to exercise these Rights, Debtor is authorized to collect and enforce the Collateral and to retain and expend all payments made on the Collateral. After Secured Party elects to exercise these rights, Secured Party shall have the Right in its own name or in the name of Debtor to (i) compromise or extend time of payment with respect to all or any portion of the Collateral for such amounts and upon such terms as Secured Party may reasonably determine, (ii) demand, collect, receive, receipt for, sue for, compound, and give acquittance for any and all amounts due or to become due with respect to Collateral, (iii) take control of cash and other proceeds of any Collateral, (iv) endorse Debtor's name on any notes, acceptances, checks, drafts, money orders, or other evidences of payment on Collateral that may come into Secured Party's possession, (v) sign Debtor's name on any invoice or bill of lading relating to any Collateral, on any drafts against Obligors or other Persons making payment with respect to Collateral, on assignments and verifications of accounts or other Collateral and on notices to Obligors making payment with respect to Collateral, (vi) send requests for verification of obligations to any Obligor, and (vii) do all other acts and things reasonably necessary to carry out the intent of this Agreement. If any Obligor fails to make payment on any Collateral when due, Secured Party is authorized, in its sole discretion, either in its own name or in Debtor's name, to take such action as Secured Party shall deem appropriate for the collection of any amounts owed with respect to Collateral or upon which a delinquency exists. Regardless of any other provision of this Agreement, Secured Party shall not be liable for its failure to collect, or for its failure to exercise diligence in the collection of, any amounts owed with respect to Collateral, nor shall he be under any duty whatsoever to anyone except Debtor to account for funds that it shall actually receive under this Agreement. A receipt if given by Secured Party to any Obligor shall be a full and complete release, discharge, and acquittance to such Obligor, to the extent of any amount so paid to Secured Party. Secured Party may apply or set off amounts paid on Collateral and the deposits against any liability of Debtor to Secured Party.

(c) UCC Rights. Secured Party may exercise any and all Rights available to a secured party under the UCC, in addition to any and all other Rights afforded by this Agreement, at law, in equity, or otherwise, including, without limitation, (i) requiring Debtor to assemble all or part of the Collateral and make it available to Secured Party at a place to be designated by Secured Party which is reasonably convenient to Debtor and Secured Party, (ii) applying by appropriate judicial proceedings for appointment of a receiver for all or part of the Collateral, (iii) applying to the Obligation then due and payable any cash held by Secured Party, (iv) reducing any claim to judgment, (v) exercising the rights of offset against the interest of Debtor in and to every account and other property of Debtor in Secured Party's possession to the extent of the full amount of the Obligation then due and payable, (vi) foreclosing the Security Interest and any other liens Secured Party may have or otherwise realize upon any and all of the rights Secured Party may have in and to the Collateral, or any part thereof, and (vii) bringing suit or other proceedings before any Governmental Authority either for specific performance of any covenant or condition contained herein or in aid of the exercise of any right granted to Secured Party hereunder.

(d) Notice. Reasonable notification of the time and place of any public sale of the Collateral, or reasonable notification of the time after which any private sale or other intended disposition of the Collateral is to be made, shall be sent to Debtor and to any other Person entitled to notice under the UCC, provided that, if any of the Collateral threatens to decline speedily in value or is of the type customarily sold on a recognized market, Secured Party may sell or otherwise dispose of the Collateral without notification, advertisement, or other notice of any kind. It is agreed that notice sent or given not fewer than ten (10) calendar days prior to the taking of the action to which the notice relates is reasonable notification and notice for the purposes of this subsection. It shall not be necessary that the Collateral be at the location of the sale.

(e) Application of Proceeds. Secured Party shall apply the proceeds of any sale, casualty, condemnation or other disposition of the Collateral as follows: first, to the payment of all its expenses incurred in retaking, holding, and preparing any of the Collateral for sale(s) or other disposition, in arranging for such sale(s) or other disposition, and in actually selling or disposing of the same (all of which is part of the Obligation); second, toward repayment of amounts expended by Secured Party under Section 12 of this Agreement; and third, toward payment of the balance of the Obligations in the order and manner as Secured Party elects.

(f) Sale. Secured Party's sale of less than all the Collateral shall not exhaust Secured Party's Rights under this Agreement and Secured Party is specifically empowered to make successive sales until all the Collateral is sold. If the proceeds of a sale of less than all the Collateral shall be less than the Obligations, this Agreement and the Security Interest shall remain in full force and effect as to the unsold portion of the Collateral just as though no sale had been made. In the event any sale under this Agreement is not completed or is, in Secured Party's reasonable opinion, defective, such sale shall not exhaust Secured Party's rights under this Agreement and Secured Party shall have the right to cause a subsequent sale or sales to be made. Any and all statements of fact or other recitals made in any bill of sale or assignment or other instrument evidencing any foreclosure sale under this Agreement as to nonpayment of the Obligations, or as to the occurrence of any Event of Default, or as to Secured Party's having declared all of such Obligation to be due and payable, or as to notice of time, place and terms of sale and the properties to be sold having been duly given, or as to any other act or thing having been duly done by Secured Party, shall be taken as prima facie evidence of the truth of the facts so stated and recited. Secured Party may appoint or delegate any one or more Persons as agent to perform any act or acts necessary or incident to any sale held by Secured Party, including the sending of notices and the conduct of sale, but such acts must be done in the name and on behalf of Secured Party.

(g) Existence of Event of Default. Regarding the existence of any Event of Default for purposes of this Agreement, Debtor agrees that the Obligors on any Collateral may rely upon written certification from Secured Party that such an Event of Default exists. Debtor expressly agrees that Secured Party shall not be liable to Debtor for any claims, damages, costs, expenses or causes of action of any nature whatsoever in connection with, arising out of, or related to Secured Party's exercise of any rights, powers or remedies under this Agreement.

12. Other Rights of Secured Party.

(a) Performance. In the event Debtor fails to preserve the priority of the Security Interest in any of the Collateral, or, upon the occurrence and during the continuance of an Event of Default, otherwise fails to perform any of its obligations hereunder with respect to the Collateral, then Secured Party may (but is not required to) prosecute or defend any suits in relation to the Collateral or take any other action which Debtor is required to take under this Agreement or applicable Law, but has failed to take. Any sum which may be reasonably expended or paid by Secured Party under this subparagraph (including, without limitation, court costs and attorneys' fees and expenses) shall bear interest from the date of expenditure or payment at the maximum rate permitted by applicable law until paid and, together with such interest, shall be payable by Debtor to Secured Party upon demand and shall be part of the indebtedness secured hereby.

(b) Collateral in Secured Party's Possession. If, while an Event of Default exists, any Collateral comes into Secured Party's possession, Secured Party may use such Collateral for the purpose of preserving it or its value pursuant to the order of a court of appropriate jurisdiction or in accordance with any other Rights held by Secured Party in respect of such Collateral. Debtor covenants to promptly reimburse and pay to Secured Party, at Secured Party's request, the amount of all expenses incurred by Secured Party in connection with its custody and preservation of such Collateral, and all such expenses, costs, taxes, and other charges shall bear interest at the maximum rate permitted by applicable Law until repaid and, together with such interest, shall be payable by Debtor to Secured Party upon demand and shall be part of the indebtedness secured hereby. However, the risk of accidental loss or damage to, or diminution in value of, Collateral is on Debtor. Provided that Secured Party acts in accordance with all applicable Law, Secured Party shall have no liability for failure to obtain or maintain insurance, nor to determine whether any insurance ever in force is adequate as to amount or as to the risks insured. With respect to Collateral that is in the possession of Secured Party, Secured Party shall have no duty to fix or preserve Rights against prior parties to such Collateral and shall never be liable for any failure to use diligence to collect any amount payable in respect of such Collateral, but shall be liable only to account to Debtor for what it may actually collect or receive thereon.

13. Miscellaneous.

(a) Term. Upon full and final payment of the indebtedness secured hereby (other than as a result of Secured Party having exercised his rights under this Agreement), this Agreement shall terminate, provided that no Obligor on any of the Collateral shall be obligated to inquire as to the termination of this Agreement, but shall be fully protected in making payment directly to Secured Party, which payment shall be promptly paid over to Debtor after termination of this Agreement.

(b) Actions Not Releases. The Security Interest and Debtor's obligation and Secured Party's Rights under this Agreement shall not be released, diminished, impaired, or adversely affected by the occurrence of any one or more of the following events: (i) the taking or accepting of any other security or assurance for any or all of the Obligations, (ii) any release, surrender, exchange, subordination, or loss of any security or assurance at any time existing in connection with any or all of the Obligations, (iii) the modification of, amendment to, or waiver of compliance with any terms of any application or agreement for the issuance of commercial letter of credit or similar agreement executed and delivered in connection with the Import Letter of Credit Line, (iv) the insolvency, bankruptcy, or lack of corporate or trust power of any party at any time liable for the payment of any or all of the Obligation, whether now existing or hereafter occurring, (v) any renewal, increase, extension, or rearrangement of the payment of any or all of the Obligations, either with or without notice to or consent of Debtor, or any adjustment, indulgence, forbearance, or compromise that may be granted or given by Secured Party to Debtor, (vi) any neglect, delay, omission, failure, or refusal of Secured Party to take or prosecute any action in connection with any other agreement, document, guaranty, or instrument evidencing, securing, or assuring the payment of all or any of the Obligation, (vii) any failure of Secured Party to notify Debtor of any renewal, extension, or assignment of the Obligation or any part thereof, or the release of any security under any other document or instrument, or of any other action taken or refrained from being taken by Secured Party against Debtor or any new agreement between Secured Party and Debtor, it being understood that Secured Party shall not be required to give Debtor any notice of any kind under any circumstances whatsoever with respect to or in connection with the Obligation, including, without limitation, notice of acceptance of this Agreement or any Collateral ever delivered to or for the account of Secured Party under this Agreement, (viii) the illegality, invalidity, or unenforceability of all or any part of the Obligation against any third party obligated with respect thereto by reason of the fact that the Obligation, or the interest paid or payable with respect thereto, exceeds the amount permitted by Law, the act of creating the Obligation, or any part thereof, is ultra vires, or the officers, partners, or trustees creating same acted in excess of their authority, or for any other reason, or (ix) if any payment by any party obligated with respect thereto is held to constitute a preference under applicable Laws or for any other reason Secured Party is required to refund such payment or pay the amount thereof to someone else.

(c) Waivers. Except to the extent expressly otherwise provided in this Agreement, Debtor waives (i) any Right to require Secured Party to proceed against any other Person, to exhaust its Rights in the Collateral, or to pursue any other Right which Secured Party may have, (ii) with respect to the Obligation, presentment and demand for payment, protest, notice of protest and nonpayment, notice of acceleration, and notice of the intention to accelerate, and (iii) all Rights of marshalling in respect of any and all of the Collateral.

(d) Financing Statement. Secured Party shall be entitled at any time to file this Agreement or a carbon, photographic, or other reproduction of this Agreement, as a financing statement, but the failure of Secured Party to do so shall not impair the validity or enforceability of this Agreement.

(e) Amendments. This Agreement may only be amended by a writing executed by Debtor and Secured Party.

(f) Multiple Counterparts. This Agreement may be executed in any number of counterparts with the same effect as if all signatories had signed the same document. All counterparts must be construed together to constitute one and the same Agreement.

(g) Parties Bound. This Agreement shall be binding on Debtor and its successors and assigns and shall inure to the benefit of Secured Party and its successors and assigns.

(h) Assignment. Debtor may not, without Secured Party's prior written consent, assign any Rights, duties, or obligations under this Agreement. In the event of an assignment of all or part of the Obligation, the Security Interest and other Rights and benefits under this Agreement, to the extent applicable to the part of the Obligations so assigned, may be transferred with the Obligations.

(i) Notices. Any notice or communication required or permitted under this Agreement must be given to the address specified under each party's signature below. Any notice or demand given hereunder shall be deemed to have been given and received (a) when actually received by the recipient, if delivered in person, or (b) if mailed to the address below (whether ever received or not), two business days after deposit in the U.S. Mail, postage prepaid.

(j) Amendment and Restatement. This Agreement amends and restates in its entirety the Existing Security Agreement and shall not be construed to be a novation of the Existing Security Agreement.

(k) Governing Law. THIS AGREEMENT MUST BE CONSTRUED, AND ITS PERFORMANCE ENFORCED, UNDER TEXAS LAW.

[Signatures appear on following page.]

EXECUTED as of the date set forth in the preamble.

DEBTOR:

CONN APPLIANCES, INC., a Texas corporation

By: /s/ David R. Atnip

David R. Atnip, Secretary/Treasurer

Address:

P.O. Box 2358
Beaumont, TX 77704-2358
Facsimile No.: (409) 832-4967
Attention: Thomas J. Frank, CEO

CAI, L.P., a Texas limited partnership

By: Conn Appliances, Inc., its sole general partner

By: /s/ David R. Atnip

David R. Atnip, Secretary/Treasurer

Address:

P.O. Box 2358
Beaumont, TX 77704-2358
Facsimile No.: (409) 832-4967
Attention: David R. Atnip

SECURED PARTY:

BANK OF AMERICA, N.A., a Texas corporation

By: /s/ Gary L. Mingle

Gary L. Mingle, Senior Vice President

EXHIBIT 10.25

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LETTER OF CREDIT REIMBURSEMENT AGREEMENT

Dated as of September 1, 2002

among

CAI, L.P.,
CONN FUNDING II, L.P.

and

SUNTRUST BANK,
as Letter of Credit Provider

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LETTER OF CREDIT REIMBURSEMENT AGREEMENT

THIS LETTER OF CREDIT REIMBURSEMENT AGREEMENT, dated as of September 1, 2002 (as amended, supplemented or otherwise modified from time to time, this "Agreement") is entered into by and among CAI, L.P. ("CAILP"), a Texas limited partnership, CONN FUNDING II, L.P. (the "Issuer"), a Texas limited partnership and SUNTRUST BANK, a Georgia banking corporation (the "LC Provider").

W I T N E S S E T H:

WHEREAS, pursuant to the terms and conditions of the Base Indenture, dated as of September 1, 2002 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Base Indenture"), between the Issuer and Wells Fargo Bank Minnesota, National Association (the "Trustee"), CAILP and the Issuer are required to obtain a letter of credit to provide credit support for the Servicer's obligations to deposit Collections pursuant to Article 5 of the Base Indenture; and

WHEREAS, CAILP and the Issuer (collectively, the "Applicant") desire to obtain, and, subject to and in accordance with the terms of this Agreement, the LC Provider has agreed to provide, an irrevocable letter of credit, in substantially the form of Exhibit A attached hereto (such letter of credit and any successor letter of credit as provided in such letter of credit, herein, the "LC"), to provide credit support for the Servicer's obligations to deposit Collections pursuant to Article 5 of the Base Indenture;

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. As used in this Agreement and unless the context requires a different meaning, capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in Section 1.1 of the Base Indenture, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms of the Indenture.

ARTICLE II

ISSUANCE OF LC; REIMBURSEMENT OBLIGATION

Section 2.1 Issuance of LC. (a) The LC Provider hereby agrees, on the terms and subject to the conditions hereinafter set forth, to issue to the Trustee, for the benefit of the Lender, the LC in an initial amount equal to $10,000,000 (the "LC Commitment") for a term expiring on the earlier of (i) August 31, 2003, or (ii) the date on which there are no amounts outstanding under the Indenture (the "LC Expiration Date").

(b) If a successor Trustee is appointed under the Indenture, promptly following the appointment of such successor Trustee and upon receipt of an Instruction to Transfer substantially in the form of Annex B to the LC, the LC Provider shall deliver to such successor Trustee, in exchange for, and contemporaneously with the surrender of, the outstanding LC held by the predecessor Trustee, a substitute letter of credit substantially in the form of Exhibit A hereto, having terms identical to the then outstanding LC but in favor of such successor Trustee.

(c) If the Applicant wishes to extend the LC Expiration Date for purposes of this Agreement and the LC, the Applicant shall give the LC Provider written notice to such effect not later than the date 90 days prior to the LC Expiration Date as then in effect. If the Applicant shall make such request, the LC Provider shall notify the Applicant and the Trustee in writing of its decision whether or not to so extend the LC Expiration Date, which decision shall be in its sole and absolute discretion, not later than 30 days after the notice from the Applicant referred to above, stating that the LC Provider has or has not agreed to extend such LC Expiration Date for an additional period as specified by the LC Provider and, if the LC Provider does so consent, the conditions of such consent (including conditions relating to legal documentation). If the LC Provider shall not so notify the Applicant and the Trustee, it shall be deemed not to have consented to such request. If the LC Provider decides to extend the LC Expiration Date, the LC Provider shall either (i) issue to the Trustee, in exchange for, and upon receipt of, the then outstanding LC, a substitute letter of credit having terms substantially the same as the then outstanding LC and with a face amount equal to the LC Amount but expiring on the LC Expiration Date, as so extended or (ii) deliver to the Trustee an amendment to the then outstanding LC to reflect such extension of the LC Expiration Date.

Section 2.2 Disbursements. Upon presentation by the Trustee to the LC Provider of a Certificate of Credit Demand (the "Credit Demand") in the form of Annex A to the LC, and subject to the terms and conditions set forth herein and in the LC, the LC Provider shall make a disbursement (such disbursement being referred to herein as an "LOC Credit Disbursement") at the time, in the manner and to the account specified in the Credit Demand, up to the lesser of (i) the full amount of such Credit demand but in an aggregate amount not exceeding the LC Amount (as defined in the LC) and (ii) the LC Available Amount (the "LC Available Amount").

Section 2.3 Reimbursement. The Applicant, jointly and severally, shall pay to the LC Provider on demand on and after each date on which the LC Provider shall pay any LOC Credit Disbursement (i) an amount equal to such LOC Credit Disbursement plus (ii) interest on any amount remaining unpaid by the Applicant to the LC Provider under clause (i) of this Section 2.3, from the date of such LOC Credit Disbursement until payment in full thereof, at a rate equal to the Alternate Reference Rate plus 2.0%.

"Alternate Reference Rate" means, on any date, a fluctuating rate of interest per annum equal to the higher of:

(i) the rate of interest most recently announced by LC Provider at its principal office in Atlanta, Georgia as its prime rate (it being understood that at any one time there shall exist only one such prime rate so announced), which rate is not necessarily intended to be the lowest rate of interest determined by LC Provider in connection with extensions of credit; or

(ii) the Federal Funds Rate most recently determined by LC Provider plus 0.50% per annum.

"Federal Funds Rate" means, for any period, the per annum rate set forth in the weekly statistical release designated as H.15(519), or any successor publication, published by the Federal Reserve Board (including any such successor, "H.15(519)") for such day opposite the caption "Federal Funds (Effective)." If on any relevant day such rate is not yet published in H.15(519), the rate for such day will be the rate set forth in the daily statistical release designated as the Composite 3:30 p.m. Quotations for U.S. Government Securities, or any successor publications, published by the Federal Reserve Bank of New York (including any such successor, the "Composite 3:30 p.m. Quotations") for such day under the caption "Federal Funds Effective Rate." If on any relevant day the appropriate rate for such previous day is not yet published in either H.15(519) or the Composite 3:30 p.m. Quotations, the rate for such day will be the arithmetic mean as determined by LC Provider of the rates for the last transaction in overnight Federal funds arranged prior to 9:00 a.m. (New York time) on that day by each of three leading brokers of Federal funds transactions in New York City selected by LC Provider.

Section 2.4 Facility Fee. CAILP shall pay to the LC Provider a letter of credit fee (the "Facility Fee"), which Facility Fee shall be due and payable in quarterly installments in arrears (or, if an LC Event of Default has occurred, six months in advance) on the Payment Date following the end of each calendar quarter, with each such installment being in an amount equal to 1.85% (plus, if an LC Event of Default has occurred, 1.0%) per annum of the weighted average LC Amount (as defined in the LC) during such calendar quarter (computed on the basis of a 360-day year and the actual number of days during such calendar quarter). In addition, CAILP shall pay to the LC Provider any amounts necessary to reimburse the LC Provider for amendment, transfer or drawing costs and miscellaneous expenses and documentary and processing charges in accordance with the LC Provider's standard schedule of such charges in effect at the time of amendment, transfer or drawing, as the case may be, of the LC.

Section 2.5 No Liability of LC Provider. The Applicant assumes all risks of acts or omissions of the Trustee and any other beneficiary or transferee of the LC with respect to its use of the LC. Neither the LC Provider nor any of its respective employees, officers or directors shall be liable or responsible for: (a) the use which may be made of the LC or any acts or omissions of the Trustee and any transferee of the LC; (b) the validity or genuineness of documents, or of any endorsement thereon, even if such documents should prove to be in any or all respects invalid, fraudulent or forged; (c) payment by the LC Provider against presentation of documents which do not comply with the terms of the LC, including failure of any document to bear any reference or adequate reference to the LC, provided the LC Provider has received a Credit Demand from the Trustee which appears regular on its face; or (d) any other circumstances whatsoever in making or failing to make payment under the LC; provided, however, that the LC Provider shall be liable to the Applicant, to the extent of any direct, as opposed to consequential, damages suffered by the Applicant which were caused by (i) the LC Provider's willful misconduct, bad faith or gross negligence in determining whether documents presented under the LC comply with the terms of the LC or (ii) the LC Provider's bad faith or gross negligence in failing to make or willful failure to make lawful payment under the LC after the presentation to the LC Provider by the Trustee of a certificate strictly complying with the terms and conditions of the LC (it being understood that if the Applicant requests the LC Provider to take any action, or fail to take any action, described in clause (i) or (ii) of this Section 2.5, the LC Provider shall not be liable to the Applicant therefor). In furtherance and not in limitation of the foregoing, the LC Provider may accept documents that appear on their face, absent manifest error, to be in order, without responsibility for further investigation.

Section 2.6 Surrender of LC. Provided that the LC Provider is not then in default under the LC by reason of its having wrongfully failed to honor a demand for payment previously made by the Trustee under the LC, the LC Provider or the Applicant shall instruct the Trustee to surrender the LC to the LC Provider on the earliest of (i) the LC Expiration Date, (ii) the date on which the LC Provider honors a Credit Demand equal to the then available LC Amount, and (iii) the date on which the LC Provider receives written notice from the Trustee that an alternate letter of credit or other credit facility has been substituted for the LC.

Section 2.7 Conditions Precedent to Issuance. The following constitute conditions precedent to the effectiveness of this Agreement and the obligation of the LC Provider to execute and to deliver to the Trustee the LC:

(a) On the date of execution and delivery of this Agreement and the LC, all representations and warranties of the Applicant contained in this Agreement shall be true and correct in all material respects.

(b) On the date of the execution and delivery of this Agreement and the LC, and after giving effect to the transactions contemplated by this Agreement and the Indenture, there shall not have occurred a Pay Out Event, a Potential Payout Event, an Event of Default, a Default or a Servicer Default.

(c) The LC Provider shall have received the favorable written opinions of counsel to the Applicant covering such matters as the LC Provider may reasonably request.

(d) The LC Provider shall have received (i) copies of each of the organizational documents of the Applicant, each certified by the Secretary of State of the State of the Applicant's jurisdiction, (ii) resolutions of the Applicant's general partners' Board of Directors authorizing the execution, delivery and performance of this Agreement and the other Transaction Documents to which the Applicant is a party (and the procurement of the LC), certified as of the Closing Date by an officer of the Applicant, (iii) incumbency certificates of the Applicant's general partners with respect to its officers, agents or other representatives authorized to execute this Agreement and (iv) executed copies of the Transaction Documents, together with evidence reasonably satisfactory to the LC Provider that all conditions precedent to the obligations of the parties thereunder have been satisfied.

(e) The LC Provider shall be satisfied with the final terms and conditions of the transactions contemplated hereby and by the Transaction Documents, including, without limitation, all legal aspects thereof; and all documentation relating to the transactions shall be in form and substance reasonably satisfactory to the LC Provider.

(f) The LC Provider shall be satisfied with the organizational structure and capitalization of the Applicant.

(g) On the date of the execution and delivery of this Agreement and the LC, there shall be no action, suit, investigation, litigation or proceeding pending against or, to the knowledge of the Applicant, threatened against or affecting the Applicant before any court or arbitrator or any governmental authority that (A) would be reasonably likely to have a Material Adverse Effect with respect to the Applicant, or (B) which in any manner draws into question the legality, validity or enforceability of this Agreement or any other Transaction Document, the consummation of the transactions contemplated hereby or thereby, or the ability of any Person to comply with any of the respective terms hereunder or thereunder.

(h) All governmental and third party consents, actions, authorizations and approvals necessary in connection with this Agreement, the LC, the Transaction Documents or the transactions contemplated hereby or thereby shall have been obtained (without the imposition of any conditions that are not, in its reasonable judgment, acceptable to the LC Provider) and shall remain in effect; all applicable waiting periods shall have expired without any action being taken by any competent authority; and no law or regulation shall be applicable that restrains, prevents or imposes materially adverse conditions upon this Agreement or the LC or the transactions contemplated hereby or thereby.

(i) The LC Provider shall have received such other documents (including, without limitation, an executed copy (or duplicate thereof) of each other Transaction Document) certificates, instruments, approvals or opinions as the LC Provider may reasonably request.

(j) The Applicant shall have paid the first installment of the Facility Fee.

Section 2.8 Increased Capital Costs. (a) In the event that the LC Provider shall have determined that the adoption of any law, treaty, governmental (or quasi-governmental) rule, regulation, guideline or order regarding capital adequacy, or any change therein or in the interpretation or application thereof, or compliance by the LC Provider with any request or directive regarding capital adequacy (whether or not having the force of law and whether or not failure to comply therewith would be unlawful) from any central bank or governmental agency or body having jurisdiction, does or shall have the effect of increasing the amount of capital required to be maintained by the LC Provider with respect to the issuance or maintenance of the LC, then the Applicant, jointly and severally, shall from time to time, within ten days of written notice and demand from the LC Provider, pay to the LC Provider additional amounts sufficient to compensate the LC Provider for the cost of such additional required capital.

(b) If by reason of (i) any change in applicable law, regulation, rule, decree or regulatory requirement or any change in the interpretation or application by any judicial or regulatory authority of any law, regulation, rule, or (ii) compliance by the LC Provider with any direction, request or requirement (whether or not having the force of law) of any Governmental Authority or monetary authority including, without limitation, Regulation D of the Federal Reserve Board as from time to time in effect and any successor to all or a portion thereof establishing reserve requirements:

(A) the LC Provider shall be subject to any tax, levy, charge or withholding of any nature or to any variation thereof or to any penalty with respect to the maintenance or fulfillment of its obligations under this Agreement, whether directly or by such being imposed on or suffered by the LC Provider (except for changes in the rate of tax on the overall net income of the LC Provider);

(B) any reserve, deposit or similar requirement is or shall be applicable, imposed or modified in respect of the LC; or

(C) there shall be imposed on the LC Provider any other condition regarding the LC;

and the result of the foregoing is to directly or indirectly increase the cost to the LC Provider of issuing or maintaining the LC, or to reduce the amount receivable in respect thereof by the LC Provider, then and in any such case the LC Provider may, at any time within a reasonable period after the additional cost is incurred or the amount received is reduced, notify the Applicant and the Applicant shall, jointly and severally, pay, within ten Business Days of demand, such amounts as the LC Provider may reasonably deem to be necessary to compensate the LC Provider for such additional cost or reduced receipt, together with interest on such amount from the date demanded until payment in full thereof at a rate equal at all times to the Alternate Reference Rate.

(c) The determination by the LC Provider of any amount due pursuant to this Section 2.8 shall be contained in a certificate setting forth the calculation thereof in reasonable detail, which certificate shall be delivered by the LC Provider to the Applicant and shall, in the absence of manifest error, be final and conclusive and binding on all of the parties hereto.

Section 2.9 Taxes. (a) All payments by the Applicant of principal of, and interest on, LOC Credit Disbursements and all other amounts payable hereunder by the Applicant shall be made free and clear of and without deduction for any present or future income, excise, stamp or franchise taxes and other taxes, fees, duties, withholdings or other charges of any nature whatsoever imposed by any taxing authority, but excluding franchise taxes and taxes imposed on or measured by the LC Provider's net income or receipts (such non-excluded items being called "Taxes"). In the event that any withholding or deduction from any payment to be made by the Applicant hereunder is required in respect of any Taxes pursuant to any applicable law, rule or regulation, then the Applicant will:

(i) pay directly to the relevant authority the full amount required to be so withheld or deducted;

(ii) promptly forward to the LC Provider an official receipt or other documentation reasonably satisfactory to the LC Provider evidencing such payment to such authority; and

(iii) pay to the LC Provider such additional amount or amounts as is necessary to ensure that the net amount actually received by the LC Provider will equal the full amount the LC Provider would have received had no such withholding or deduction been required.

Moreover, if any Taxes are directly asserted against the LC Provider with respect to any payment received by the LC Provider hereunder, the LC Provider may pay such Taxes and the Applicant shall promptly pay such additional amounts (including any interest or expenses) as is necessary in order that the net amount received by the LC Provider after the payment of such Taxes (including any Taxes on such additional amount) shall equal the amount the LC Provider would have received had not such Taxes been asserted.

(b) If the Applicant fails to pay any Taxes of which the Applicant has received notice when due to the appropriate taxing authority or fails to remit to the LC Provider the required receipts or other required documentary evidence, the Applicant shall, jointly and severally, indemnify the LC Provider for any incremental Taxes, interest or penalties that may become payable by the LC Provider as a result of any such failure.

Section 2.10 Obligation Absolute. The obligations of the Applicant under this Agreement and any other agreement or instrument relating to the LC shall be irrevocable, and shall be paid strictly in accordance with the terms of this Agreement and the Indenture and such other agreement or instrument under all circumstances, including, without limitation, the following circumstances:

(a) any lack of validity or enforceability of this Agreement, the LC or any other Transaction Document;

(b) any change in the time, manner or place of payment of, or in any other terms of, all or any of the obligations of the Applicant in respect of the LC or of the Applicant under any other amendment or waiver of or any consent to departure from all or any of the Transaction Documents;

(c) the existence of any claim, set-off, defense or other right which the Applicant may have at any time against the Trustee or any other beneficiary or any transferee of the LC (or any persons or entities for whom the Trustee, any such beneficiary or any such transferee may be acting), or any other person or entity, whether in connection with this Agreement, the transactions contemplated hereby or by any other Transaction Document or any unrelated transaction;

(d) any statement or any other document presented under the LC proven to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(e) payment by the LC Provider under the LC against presentation of a draft or certificate which does not comply with the terms of the LC, provided that the LC Provider has received a Credit Demand from the Trustee which appears regular on its face;

(f) any exchange, release or non-perfection of any collateral, or any release or amendment or waiver of or consent to departure from any guarantee, for all or any of the obligations of the Applicant in respect of the LC; or

(g) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including, without limitation, any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Applicant or a guarantor, but excluding in any event, the bad faith, gross negligence or willful misconduct of the LC Provider and the defense of payment by the Applicant.

Section 2.11 Events of Default. Upon the occurrence and continuance of any of the following events (herein referred to as a "LC Event of Default"):

(a) the Applicant shall fail to pay to the LC Provider any unpaid principal amount due and payable by the Applicant under this Agreement in respect of any LOC Credit Disbursement within five Business Days of the date when such amount is due;

(b) the Applicant shall fail to pay any unpaid interest, fees or other amounts due and payable by the Applicant under this Agreement, within five Business Days of the date when such interest, fees or other amounts are due;

(c) the Applicant shall fail to observe or perform any of the covenants contained in Section 3.2 and, in the case of covenants set forth in Section 3.2(a), such failure shall continue unremedied for the grace period, if any, set forth in the applicable Transaction Documents, and in the case of any other covenant set forth in Section 3.2 such failure shall continue unremedied for thirty (30) days;

(d) any representation, warranty or certification made by the Applicant in this Agreement or any other Transaction Document or in any certificate delivered pursuant to this Agreement or any other Transaction Document shall prove to have been incorrect when made which continues unremedied for a period of 30 days after the date on which the Applicant has knowledge or notice thereof;

(e) a final judgment or judgments for the payment of money in excess of $250,000 in the aggregate shall have been rendered against the Issuer, the Applicant, any Originator or Parent and the same shall have remained unsatisfied and in effect, without stay of execution, for a period of 30 consecutive days after the period for appellate review shall have elapsed;

(f) any event of default (not cured or waived within ten (10) Business Days) under (A) the Retailer Credit Agreement, (B) any inventory financing agreement between any lender and the Applicant, the Parent or any Seller, or (C) any indenture, credit or loan agreement or other agreement or instrument of any kind pursuant to which Indebtedness of the Applicant, the Parent or Seller in an aggregate principal amount in excess of $1,000,000 is outstanding or by which the same is evidenced, shall have occurred and be continuing;

(g) a Pay Out Event, Servicer Default or Event of Default under the Transaction Documents shall have occurred and be continuing;

then, the LC Provider, may (a) to the extent demand is not otherwise made, by notice to the Applicant and the Trustee declare the principal amounts of all outstanding LOC Credit Disbursements to be due and payable, together with accrued interest thereon and all other sums, payable by the Applicant hereunder whereupon the same shall become due and payable without presentment, demand, protest, or further notice of any kind, all of which are hereby expressly waived by the Applicant and (b) take any other action permitted to be taken by it hereunder, under any other Transaction Document or under applicable law or otherwise.

ARTICLE III

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 3.1 Representations and Warranties of the Applicant. In order to induce LC Provider to enter into this Agreement and to issue the LC, the Applicant hereby represents and warrants to the LC Provider as follows:

(a) Organization and Good Standing, etc. The Applicant has been duly organized and is existing as a limited partnership in good standing under the laws of the State of Texas, with power and authority to own its properties and to conduct its business as such properties are presently owned and such business is presently conducted. The Applicant is duly licensed or qualified to do business as a foreign limited partnership and the Applicant is in good standing in the jurisdiction where its principal place of business and chief executive office are located and in each other jurisdiction in which the failure to be so licensed or qualified would be reasonably likely to have a Material Adverse Effect.

(b) Power and Authority; Due Authorization. The Applicant has (a) all necessary power, authority and legal right to (i) execute, deliver and perform its obligations under this Agreement, and (ii) to borrow on the terms and subject to the conditions herein provided, and (b) duly authorized, by all necessary corporate or partnership action (as applicable), the execution, delivery and performance of this Agreement.

(c) No Violation. The consummation of the transactions contemplated by this Agreement and the fulfillment of the terms hereof will not (a) conflict with, result in any breach of any of the terms and provisions of, or constitute (with or without notice or lapse of time or both) a default under, (i) the certificate of limited partnership or partnership agreement of the Applicant or the certificate or articles of incorporation or organization or by-laws of the Applicant's general partner, or (ii) any indenture, loan agreement, pooling and servicing agreement, receivables purchase agreement, mortgage, deed of trust, or other agreement or instrument to which the Applicant is a party or by which it or any of its properties is bound, (b) result in or require the creation or imposition of any Adverse Claim upon any of its properties pursuant to the terms of any such indenture, loan agreement, pooling and servicing agreement, receivables purchase agreement, mortgage, deed of trust, or other agreement or instrument, or (c) violate any law or any order, rule, or regulation applicable to the Applicant or of any court or of any federal, state or foreign regulatory body, administrative agency, or other governmental instrumentality having jurisdiction over the Applicant or any of its properties.

(d) Validity and Binding Nature. This Agreement is the legal, valid and binding obligation of the Applicant enforceable against the Applicant in accordance with its respective terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally and by general principles of equity.

(e) Government Approvals. No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body required for the due execution, delivery or performance by the Applicant of this Agreement remains unobtained or unfiled.

(f) Financial Condition. Since January 31, 2002, no event has occurred that has had, or is reasonably likely to have, a Material Adverse Effect.

(g) Accuracy of Information. All factual written information heretofore or contemporaneously furnished by the Applicant to LC Provider for purposes of or in connection with this Agreement is, and all other such factual, written information hereafter furnished by the Applicant to LC Provider pursuant to or in connection with this Agreement will be, true and accurate in every material respect on the date as of which such information is dated or certified. No information contained in any report or certificate delivered pursuant to this Agreement shall be incomplete by omitting to state a material fact or any fact necessary to make the statements contained therein not misleading on the date as of which such information is dated or certified.

(h) No Actions, Suits. There are no actions, suits or other proceedings (including matters relating to environmental liability) pending or, to its knowledge, threatened against or affecting the Applicant or any of its respective properties, by or before any governmental authority which, if adversely determined (individually or in the aggregate), may have a material adverse effect on the financial condition of the Applicant.

Section 3.2 Covenants of the Applicant. So long as the LC has not expired or any amount is owing to the LC Provider hereunder, the Applicant agrees that, unless at any time the LC Provider shall otherwise expressly consent in writing, it will:

(a) Transaction Documents. Comply with all covenants of the Applicant set forth in the other Transaction Documents to which it is a party.

(b) Reporting Requirements. Furnish, or cause to be furnished, to the LC Provider:

(i) Audit Report. As soon as available and in any event within ninety (90) days after the end of each Fiscal Year of Parent, a balance sheet of Parent as of the end of such year and statements of income and retained earnings and of source and application of funds of Parent, along with consolidating statements, for the period commencing at the end of the previous Fiscal Year and ending with the end of such year, in each case setting forth comparative figures for the previous Fiscal Year, certified without material qualification in a manner satisfactory to the Trustee by Ernst & Young or other nationally recognized independent public accountants acceptable to the Trustee, together with a certificate of such accounting firm stating that in the course of the regular audit of the business of Parent, which audit was conducted in accordance with GAAP, such accounting firm has obtained no knowledge that an Event of Default, Default, Pay Out Event or Potential Pay Out Event has occurred and is continuing, or if, in the opinion of such accounting firm, such an Event of Default, Default, Pay Out Event or Potential Pay Out Event has occurred and is continuing, a statement as to the nature thereof;

(ii) Quarterly Statements. As soon as available and in any event within forty five (45) days after the end of each fiscal quarter, quarterly balance sheets and quarterly statements of source and application of funds and quarterly statements of income and retained earnings of Parent, certified by the Responsible Officer of Parent (which certification shall state that such balance sheets and statements fairly present the financial condition and results of operations for such fiscal quarter, subject to year-end audit adjustments), delivery of which balance sheets and statements shall be accompanied by a Conn Officer's Certificate to the effect that no Event of Default, Default, Pay Out Event or Potential Pay Out Event has occurred and is continuing

(iii) Notice of Default. Immediately, and in any event within one (1) Business Day after the Applicant obtains knowledge of any Pay Out Event, Potential Pay Out Event, Servicer Default, Event of Default, Default or LC Event of Default, the Applicant shall give the LC Provider notice thereof, together with a written statement of the principal financial officer of the Applicant setting forth the details thereof and any action with respect thereto taken or contemplated to be taken by the Applicant; and

(iv) Other. Promptly, from time to time, such other information, documents, or reports respecting the condition or operations, financial or otherwise, of the Applicant as the LC Provider may from time to time reasonably request in order to protect the interests of the LC Provider or the Trustee under or as contemplated by this Agreement or any other Transaction Document.

(c) Financial Covenants. Parent shall maintain a consolidated net worth of at least $30,000,000.

ARTICLE IV

MISCELLANEOUS

Section 4.1 Payments. (a) Unless otherwise specified herein, all payments to the LC Provider hereunder shall be made in lawful currency of the United States and in immediately available funds prior to 1:00 p.m. (Atlanta, Georgia time) on the date such payment is due by wire transfer to SunTrust Capital Markets, Inc. (on behalf of the LC Provider), ABA No. 061000104, Account No. 8801898605, Reference: Conn Funding II, L.P., Attn.: STCM Accounting Department, or to such other office or account maintained by the LC Provider as the LC Provider may direct.

(b) Whenever any payment under this Agreement shall be stated to be due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in computing interest, commissions or fees, if any, in connection with such payment.

Section 4.2 Expenses. The Applicant agrees to pay all costs and expenses incurred by the LC Provider (including, without limitation, reasonable attorneys' fees and expenses), if any, in connection with the preparation, execution and delivery, enforcement, amendment or waiver of the obligations of the Applicant under this Agreement or any other Transaction Document or any other agreement furnished pursuant hereto or in connection herewith or in connection with any negotiations arising out of any LC Event of Default or any events or circumstances that may give rise to an LC Event of Default and with respect to presenting claims in or otherwise participating in any bankruptcy, insolvency or other similar proceeding involving creditors' rights generally and any ancillary proceedings. In addition, the Applicant shall pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing and recording of this Agreement or the LC and any such other documents, and agrees to hold the LC Provider harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees.

Section 4.3 Indemnity. The Applicant agrees to indemnify and hold harmless the LC Provider and, in their capacities as such, officers, directors, shareholders, affiliates, controlling persons, employees, agents and servants of the LC Provider, from and against any and all claims, damages, losses, liabilities, costs or expenses whatsoever which the LC Provider may incur or which may be claimed against the LC Provider by any person whatsoever (including fees and expenses of counsel) in each case arising out of or by reason of or in connection with, or in connection with the preparation of a defense of, any investigation, litigation or proceeding arising out of, relating to or in connection with the execution and delivery of, or payment of any amount payable by the Applicant under, the LC or this Agreement or any other Transaction Document or any acts or omissions of the Applicant in connection herewith or therewith, or any transactions contemplated hereby or thereby (whether or not consummated), or any inaccuracies or alleged inaccuracies in any material respect or any untrue statement or alleged untrue statement of the Applicant contained or incorporated by reference in each Transaction Document, except to the extent that such claim, damage, loss, liability, cost or expense is caused by the willful misconduct, bad faith or gross negligence of the LC Provider.

Section 4.4 Notices. All notices, requests and other communications to any party hereunder shall be in writing (including bank wire, facsimile transmission or similar writing) and addressed, delivered or transmitted to such party at its address or facsimile number set forth on the signature page hereof, or at such other address or facsimile number, as the case may be, as such party may hereafter specify for the purpose by notice to the other party. Any notice, if mailed and properly addressed with postage prepaid or if properly addressed and sent by prepaid courier service shall be deemed given when received; any notice, if transmitted by telecopier, shall be deemed given when transmitted upon receipt of electronic confirmation of transmission. Each such notice, request or communication shall be effective when received at the address or facsimile number specified on the signature page hereof (or such other address or facsimile number specified pursuant to this Section 4.4).

Section 4.5 Governing Law; Waiver of Jury Trial. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER MAY NOT BE CHANGED ORALLY BUT ONLY BY AN INSTRUMENT IN WRITING SIGNED BY EACH PARTY HERETO AND SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARDS TO THE CONFLICT OF LAWS PRINCIPLES THEREOF (OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW).

EACH PARTY HERETO HEREBY KNOWINGLY, VOLUNTARILY, ABSOLUTELY AND INTENTIONALLY WAIVES ANY RIGHTS IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN) OR ACTIONS OF THE LC PROVIDER OR THE APPLICANT IN CONNECTION HEREWITH OR THEREWITH. THE APPLICANT ACKNOWLEDGES AND AGREES THAT IT HAS RECEIVED FULL AND SUFFICIENT CONSIDERATION FOR THIS PROVISION (AND EACH OTHER PROVISION OF EACH OTHER TRANSACTION DOCUMENT TO WHICH IT IS A PARTY) AND THAT THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE LC PROVIDER ENTERING INTO THIS AGREEMENT AND EACH SUCH TRANSACTION DOCUMENT TO WHICH IT IS A PARTY.

Section 4.6 Waivers. Neither any failure nor any delay on the part of the LC Provider in exercising any right, power or privilege hereunder or under the LC or any other Transaction Document shall operate as a waiver thereof, nor shall a single or partial exercise thereof preclude any other or further exercise or the exercise of any other right, power or privilege. No provision of this Agreement shall be waived, amended or supplemented except by a written instrument executed by the parties hereto. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Section 4.7 Severability. Any provisions of this Agreement which are prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 4.8 Term. This Agreement shall remain in full force and effect until the reimbursement of all LOC Credit Disbursements by the Applicant and the payment by the Applicant of all other amounts payable hereunder, notwithstanding the earlier termination of the LC.

Section 4.9 Successors and Assigns. This Agreement shall be binding upon the LC Provider and its successors and assigns and the Applicant and its successors and assigns; provided, however, that the Applicant may not transfer or assign any of its obligations, rights, or interests hereunder without the prior written consent of the LC Provider; provided, further, that the LC Provider may at any time grant participations to any other Person, in all or part of its obligations under the LC and its rights under this Agreement. The LC Provider hereby acknowledges and agrees that any such disposition will not alter or affect the LC Provider's direct obligations to the Trustee, and that the Applicant shall not have any obligations to have any communication or relationship with any participant in order to enforce such obligations of the LC Provider hereunder and under the LC.

Section 4.10 Counterparts. This Agreement may be executed in any number of counterparts, and by the different parties hereto on the same or separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original and all of which counterparts, taken together, shall constitute one and the same agreement.

Section 4.11 Further Assurances. The Applicant agrees to do such further acts and things and to execute and deliver to the LC Provider such additional assignments, agreements, powers and instruments as are reasonably required by the LC Provider to carry into effect the purposes of this Agreement or to better assure and confirm unto the LC Provider its rights, powers and remedies hereunder.

Section 4.12 Survival of Representations and Warranties. All representations and warranties contained herein or made in writing by the Applicant in connection herewith shall survive the execution and delivery of this Agreement, regardless of any investigation made by the LC Provider or on its behalf and shall continue so long as and until such time as all obligations hereunder and under the other Transaction Documents shall have been paid in full. The obligations of the Applicant under Sections 4.1, 4.2 and 4.3 shall in each case survive any termination of this Agreement, the payment in full of all obligations hereunder or under any other Transaction Document and the termination of the LC.

Section 4.13 Obligation. The LC Provider and the Applicant each understands and agrees that the LC is irrevocable and the obligations of the LC Provider as issuer thereof shall be unaffected by any default hereunder, including, without limitation any failure to pay the Facility Fee. Neither the failure of the Applicant (or any person or organization acting on its behalf) or the Trustee to take any action (whether required hereunder or otherwise), nor any action taken by the Applicant shall be asserted by the LC Provider as a defense to payment under the LC (except for the failure of any documents presented thereunder to comply with the terms of the LC) or as the basis of a right of setoff by the LC Provider against its obligations to make any such payment.

Section 4.14 Headings. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

Section 4.15 No Bankruptcy Petition Against the Issuer. The LC Provider by entering into this Agreement hereby covenants and agrees that, prior to the date which is one year and one day after the payment in full of the latest maturing Note and the termination of the Indenture, it will not institute against, or join with any other Person in instituting against, the Issuer any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings, under any United States Federal or state bankruptcy or similar law in connection with any obligation relating to the Notes, the Indenture or any of the Transaction Documents. In the event that the LC Provider takes action in violation of this Section 4.15, the Issuer shall file an answer with the bankruptcy court contesting the filing of such a petition by the LC Provider against the Issuer or the commencement of such action and raising the defense that the LC Provider has agreed in writing not to take such action and should be estopped and precluded therefrom and such other defenses, if any, as its counsel advises that it may assert. The provisions of this Section 4.15 shall survive the termination of this Agreement. Nothing contained herein shall preclude participation by the LC Provider in the assertion or defense of its claims in any such proceeding involving the Issuer.

IN WITNESS WHEREOF, the Applicant and the LC Provider have caused this Agreement to be duly executed by their duly authorized officers, as of the day and year first above written.

CAI, L.P.

By: Conn Appliances, Inc., its general partner

By: /s/ Thomas J. Frank

Name: Thomas J. Frank

Title: CEO and Chairman of the Board

CAI, L.P.
3295 College Street
Beaumont, Texas 77701
Attention: David Atnip
Facsimile: (409) 839-4609

CONN FUNDING II, L.P.

By: Conn Funding II GP, L.L.C., its general partner

By: /s/ David R. Atnip

Name: David R. Atnip

Title: Secretary / Treasurer

Conn Funding II, L.P.
3295 College Street
Beaumont, Texas 77701
Attention: David Atnip
Facsimile: (409) 839-4609

SUNTRUST BANK

By: /s/ R. Lee McCrary, Jr.

Name: R. Lee McCrary, Jr.

Title: Vice-President

SunTrust Bank
25 Park Place
Atlanta, GA 30303-3706
Attention: Lee McCrary
Facsimile: (404) 588-8129

EXHIBIT 10.25.1

LETTER OF CREDIT NUMBER F842227

AMENDMENT DATE: AUGUST 23, 2006

APPLICANT:
CAI, L.P.
3295 COLLEGE STREET
BEAUMONT, TX 77701
CONN FUNDING II, LP
3295 COLLEGE STREET
BEAUMONT, TX 77701

BENEFICIARY:
WELLS FARGO BANK MINNESOTA,
NATIONAL ASSOCIATION, AS TRUSTEE
MAC N9311-161, SIXTH STREET AND
MARQUETTE AVENUE
MINNEAPOLIS, MN 55479

THIS AMENDMENT IS TO BE CONSIDERED AS PART OF THE ABOVE MENTIONED CREDIT AND MUST BE ATTACHED THERETO.

AMENDMENT NO. 005

EXPIRATION DATE NOW READS AUGUST 31, 2007.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.
PLEASE DIRECT ALL INQUIRIES TO:

SUNTRUST BANK
ATTN: STANDBY LETTER OF CREDIT DEPARTMENT
25 PARK PLACE, 16TH FLOOR, MC 3706
ATLANTA, GEORGIA 30303
PHONE: 800-951-7847 OPTION 3.

SINCERELY,

SUNTRUST BANK
\

EXHIBIT 10.25.2

LETTER OF CREDIT NUMBER F842227

AMENDMENT DATE: SEPTEMBER 20, 2006

APPLICANT:
CAI, L.P.
3295 COLLEGE STREET
BEAUMONT, TX 77701
CONN FUNDING II, LP
3295 COLLEGE STREET
BEAUMONT, TX 77701

BENEFICIARY:
WELLS FARGO BANK MINNESOTA,
NATIONAL ASSOCIATION, AS TRUSTEE
MAC N9311-161, SIXTH STREET AND
MARQUETTE AVENUE
MINNEAPOLIS, MN 55479

THIS AMENDMENT IS TO BE CONSIDERED AS PART OF THE ABOVE MENTIONED CREDIT AND MUST BE ATTACHED THERETO.

AMENDMENT NO. 006

THERE IS AN INCREASE IN LETTER OF CREDIT AMOUNT OF 10,000,000.00 U.S. DOLLARS FOR A NEW TOTAL OF 20,000,000.00 U.S. DOLLARS.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

PLEASE DIRECT ALL INQUIRIES TO:

SUNTRUST BANK
ATTN: STANDBY LETTER OF CREDIT DEPARTMENT
25 PARK PLACE, 16TH FLOOR, MC 3706
ATLANTA, GEORGIA 30303
PHONE: 800-951-7847 OPTION 3.

SINCERELY,

SUNTRUST BANK
\

EXHIBIT 31.1

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

I, Thomas J. Frank, Sr., certify that:

1. I have reviewed this 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/ Thomas J. Frank, Sr.

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

Date: November 30, 2006

EXHIBIT 31.2

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

I, David L. Rogers, certify that:

1. I have reviewed this 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 L. Rogers

David L. Rogers
Chief Financial Officer

Date: November 30, 2006

EXHIBIT 32.1

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

In connection with the Quarterly Report of Conn's, Inc. (the "Company") on Form 10-Q for the period ended October 31, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Thomas J. Frank, Sr., Chairman of the Board and Chief Executive Officer of the Company and David L. Rogers, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge:

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

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

/s/ Thomas J. Frank Sr.

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

/s/ David L. Rogers

David L. Rogers
Chief Financial Officer

Dated: November 30, 2006

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

EXHIBIT 99.1

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

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

1. I have reviewed this 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.
Executive Vice-Chairman of the Board and
Chief Operating Officer

Date: November 30, 2006

EXHIBIT 99.2

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

I, David R. Atnip, certify that:

1. I have reviewed this 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: November 30, 2006

EXHIBIT 99.3

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

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

1. I have reviewed this 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: November 30, 2006

SUBCERTIFICATION OF CHIEF OPERATING OFFICER,
TREASURER AND SECRETARY IN SUPPORT OF
18 U.S.C. SECTION 1350 CERTIFICATION,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Conn's, Inc. (the "Company") on Form 10-Q for the period ended October 31, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, William C. Nylin, Jr., President and Chief Operating Officer of the Company, David R. Atnip, Senior Vice President and Treasurer of the Company, and Sydney K. Boone, Jr., Corporate General Counsel and Secretary of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge:

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

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

/s/ William C. Nylin, Jr.

William C. Nylin, Jr.
Executive Vice-Chairman of the Board and
Chief Operating Officer

/s/ David R. Atnip

David R. Atnip
Senior Vice President and Treasurer

/s/ Sydney K. Boone, Jr.

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

Dated: November 30, 2006

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