

CONNS INC
Form DEF 14A
April 20, 2006

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934**

Filed by the Registrant:

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement Confidential, for use of the Commission only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Rule 14a-12

Conn s, Inc.

(Name of Registrant as Specified in Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

- 4) Proposed maximum aggregate value of transaction:
 - 5) Total fee paid:
 - o Fee paid previously with preliminary materials.
 - o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.
 - 1) Amount Previously Paid:
 - 2) Form, Schedule or Registration Statement No.:
 - 3) Filing Party:
 - 4) Date Filed:
-

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**CONN S, INC.
3295 College Street
Beaumont, Texas 77701
(409) 832-1696**

**NOTICE OF 2006 ANNUAL MEETING OF STOCKHOLDERS
To Be Held May 31, 2006**

To the Stockholders of Conn s, Inc.:

NOTICE IS HEREBY GIVEN that the 2006 annual meeting of stockholders of Conn s, Inc. will be held on Wednesday, May 31, 2006, at 3295 College Street, Beaumont, Texas 77701, commencing at 10:00 a.m. local time, for the following purposes:

1. to elect nine (9) directors;
2. to consider a proposal to approve an amendment to the Conn s, Inc. Amended and Restated 2003 Incentive Stock Option Plan to provide for an increase in maximum number of shares with respect to which options may be granted to employees of the Company;
3. to consider a proposal to approve an amendment to the Conn s, Inc. 2003 Non-Employee Director Stock Option Plan to provide for (i) an increase in the maximum number of shares of Company stock with respect to which options may be granted to non-employee directors under and pursuant to the 2003 Non-Employee Director Stock Option Plan, and (ii) to provide for vesting of the annual grant of options to non-employee directors one year after the date of the grant ; and
4. to transact such other business as may properly come before the meeting.

A copy of the proxy statement relating to the 2006 annual meeting of stockholders, in which the foregoing matters are described in more detail, and our Annual Report on Form 10-K outlining our operations for the fiscal year ended January 31, 2006, accompanies this notice of 2006 annual meeting of stockholders. For your additional convenience, the Company is posting a copy of this Proxy Statement and the Annual Report on Form 10-K for the fiscal year ended January 31, 2006 on the Company s website at www.conns.com, under annual meeting information .

Only stockholders of record at the close of business on April 14, 2006 are entitled to notice of and to vote at the 2006 annual meeting of stockholders or any adjournment thereof. A list of such stockholders, arranged in alphabetical order and showing the address of and the number of shares registered in the name of each such stockholder, will be available for examination by any stockholder for any purpose relating to the meeting during ordinary business hours for a period of at least ten days prior to the meeting at the principal offices of the Company located at 3295 College Street, Beaumont, Texas 77701.

Your vote is important. Whether or not you expect to be present at the meeting, please complete, sign, date and return promptly the enclosed form of proxy in the enclosed pre-addressed, postage-paid return envelope.

By Order of the Board of
Directors,

/s/ Sydney K. Boone, Jr.

SYDNEY K. BOONE, JR.
Secretary

April 25, 2006
Beaumont, Texas

This proxy statement is first being mailed to our stockholders on or about April 28, 2006.

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**PROXY STATEMENT
2006 ANNUAL MEETING OF STOCKHOLDERS**

Date: May 31, 2006

Time: 10:00 a.m. local time

Location: Conn s, Inc., 3295 College Street, Beaumont, Texas 77701

Record Date and Number of Votes: April 14, 2006. Holders of our common stock are entitled to one vote for each share of common stock they owned as of the close of business on April 14, 2006. You may not cumulate votes.

- Agenda:**
1. to elect nine directors;
 2. to consider a proposal to approve an amendment to the Conn s, Inc. Amended and Restated 2003 Incentive Stock Option Plan to provide for an increase in maximum number of shares with respect to which options may be granted to employees of the Company;
 3. to consider a proposal to approve an amendment to Conn s, Inc. 2003 Non-Employee Director Stock Option Plan to provide for (i) an increase in the maximum number of shares of Company stock with respect to which options may be granted to non-employee directors under and pursuant to the 2003 Non-Employee Director Stock Option Plan, and (ii) to provide for vesting of the annual grant of options to non-employee directors one year after the date of the grant; and
 4. to transact such other business as may properly come before the meeting.

Proxies: Unless you tell us on the enclosed form of proxy to vote differently, we will vote signed returned proxies FOR the board nominees, FOR approval of the amendment to our incentive stock option plan, and FOR approval of the amendment to the non-employee director stock option plan. The proxy holders will use their discretion on other matters. If a nominee cannot or will not serve as a director, the proxy holders will vote for a person whom they believe will carry on our present policies.

Proxies

Solicited By: The Board of Directors

First Mailing Date: We are first mailing this Proxy Statement and the form of proxy on or about April 28, 2006.

Revoking Your Proxy: You may revoke your proxy before it is voted at the meeting. To revoke your proxy, follow the procedures listed on page 2 under General Information Regarding the 2006 Annual Meeting of Stockholders; Revocation of Proxies.

PLEASE VOTE BY RETURNING YOUR PROXY. YOUR VOTE IS IMPORTANT.
Prompt return of your proxy will help reduce the costs of re-solicitation.

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GENERAL INFORMATION REGARDING THE 2006 ANNUAL MEETING OF STOCKHOLDERS

Quorum

The holders of a majority of the outstanding shares of common stock entitled to vote at the 2006 annual meeting of stockholders, represented in person or by proxy, will constitute a quorum at the meeting. However, if a quorum is not present or represented at the meeting, the stockholders entitled to vote at the meeting, present in person or represented by proxy, have the power to adjourn the meeting, without notice, other than by announcement at the meeting, until a quorum is present or represented. At any such adjourned meeting at which a quorum is present or represented, any business may be transacted that might have been transacted at the original meeting.

Votes Required to Approve Proposals

To be elected, directors must receive a plurality of the shares voting in person or by proxy, provided a quorum exists. A plurality means receiving the largest number of votes, regardless of whether that is a majority. The amendment to our incentive stock option plan and our non-employee director stock plan requires the affirmative vote of a majority of the shares entitled to vote that are present in person or represented by proxy at the meeting.

Record Date, Shares Outstanding and Number of Votes

Only stockholders of record as of the close of business on April 14, 2006, the record date set for the meeting by our board, are entitled to notice of and to vote at the meeting or any adjournments of the meeting. On the record date, there were 23,634,662 shares of our common stock issued and outstanding and entitled to vote. Each share of common stock entitles the holder to one vote per share.

Method of Counting Votes, Abstentions and Broker Non-Votes

Votes cast by proxy or in person will be counted by the inspector of election appointed by the Company.

Those who fail to return a proxy or who do not attend the meeting will not count towards determining any required quorum, plurality or majority of votes cast. Stockholders and brokers returning proxies or attending the meeting who abstain from voting on the election of directors will count towards determining a quorum. Such abstentions will have no effect on the election of our directors and will have the effect of a no vote on the proposal to amend our incentive stock option plan and our non-employee director stock option plan, but will not impact how the shares in the Conn's Voting Trust are voted, which votes in the same proportion as the votes cast for and against a proposal by all other shareholders, not counting abstentions.

Brokers holding shares of record for customers generally are not entitled to vote on certain matters unless they receive voting instructions from their customers. Brokers are permitted to vote on routine, non-controversial proposals in instances where they have not received voting instructions from the beneficial owner of the stock but are not permitted to vote on non-routine matters. In the event that a broker does not receive voting instructions for non-routine matters, a broker may notify us that it lacks voting authority to vote those shares. These broker non-votes refer to votes that could have been cast on the matter in question by brokers with respect to uninstructed shares if the brokers had received their customers' instructions. The inspector of election will treat broker non-votes as shares that are present and entitled to vote for the purpose of determining the presence of a quorum. However, for the purpose of determining the outcome of any matter as to which the broker has indicated on the proxy that it does not have discretionary authority to vote, those shares will be treated as not present and not entitled to vote with respect to that matter (even though those shares are considered entitled to vote for quorum purposes and may be entitled to vote on other matters). Approval of or amendments to equity compensation plans like our incentive stock option plan and our non-employee director stock plan proposals are generally considered non-routine matters. These broker non-votes will have no effect on the outcome of the election of our directors or the proposals to amend our incentive stock option plan and non-employee director stock option plan.

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How the Proxies Will Be Voted

The enclosed proxies will be voted in accordance with the instructions you place on the form of proxy. Unless you tell us on the enclosed form of proxy to vote differently, we will vote signed returned proxies FOR the board nominees, FOR approval of the amendment to our incentive stock option plan, and FOR approval of the amendment to the non-employee director stock option plan. The proxy holders will use their discretion on other matters. If a nominee cannot or will not serve as a director, the proxy holders will vote for a person whom they believe will carry on our present policies.

Pursuant to the terms of a voting trust agreement entered into by Stephens Group, Inc., Stephens Inc. and certain affiliates of Stephens Inc., which collectively own approximately 47.9% of our common stock, unless the voting trust is revoked, the trustee of the voting trust must vote the shares of common stock held by the voting trust FOR or AGAINST any proposal or other matter submitted to the stockholders of the company for approval in the same proportion as the votes cast FOR and AGAINST such proposal or other matter by all other stockholders, not counting abstentions. Therefore, each proxy received voting FOR or AGAINST any proposal will result in a proportionate number of shares held in the voting trust to be voted FOR or AGAINST a proposal. Abstentions and broker non-votes will not impact how the shares in the voting trust are counted.

Revocation of Proxies

You may revoke your proxy before it is voted. Any stockholder returning the enclosed form of proxy may revoke such proxy at any time prior to its exercise by:

delivering a signed proxy, dated later than the original proxy, to our transfer agent, Computershare., at 250 Royall Street, Canton, Massachusetts 02021, Attention: Jay Volner (please make sure our transfer agent receives your proxy at least two business days prior to the date of the meeting);

delivering a signed, written revocation letter, dated later than the proxy, to our transfer agent, Computershare, at 250 Royall Street, Canton, Massachusetts 02021, Attention: Jay Volner (please make sure our transfer agent receives your revocation letter at least two business days prior to the date of the meeting); or

attending the meeting and voting in person (attending the meeting alone will not revoke your proxy).

Your last vote is the vote that will be counted.

Stockholder Proposals and Other Business

From time to time, stockholders seek to nominate directors or present proposals for inclusion in our proxy statement and form of proxy for consideration at an annual meeting of stockholders. To be included in our proxy statement and form of proxy or considered at our next annual meeting, you must timely submit nominations of directors or proposals, in addition to meeting other legal requirements. We must receive your nominations and/or proposals for the 2007 annual meeting no later than December 29, 2006 for possible inclusion in the proxy statement or for possible consideration at the meeting no earlier than December 29, 2006 or later than January 29, 2007. However, if the date of the 2006 annual meeting changes by more than 30 days from the date of this year's meeting, then we must receive your nominations and/or proposals within a reasonable time before we begin to print and mail our proxy materials.

We do not intend to bring any business before the 2006 annual stockholders meeting other than the matters described in this proxy statement nor have we been informed of any matters that may be presented at the meeting by others. If however, any other business should properly arise, the persons appointed in the enclosed proxy have discretionary authority to vote in accordance with their best judgment.

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Solicitation of Proxies

The cost of soliciting proxies will be borne by the Company. In addition to the solicitation of proxies by mail, solicitation may be made by our directors, officers and employees by other means, including telephone, email or in person. No special compensation will be paid to directors, officers or employees for the solicitation of proxies. To solicit proxies, we also will request the assistance of banks, brokerage houses and other custodians, nominees or fiduciaries, and, upon request, will reimburse such organizations or individuals for their reasonable expenses in forwarding soliciting materials to beneficial owners and in obtaining authorization for the execution of proxies.

Annual Report

The booklet containing this proxy statement also contains our annual report to stockholders and Form 10-K including audited consolidated financial statements for the year ended January 31, 2006. The booklet has been mailed to all stockholders of record as of the close of business on April 14, 2006. Any stockholder that has not received a copy of our annual report may obtain a copy, without charge, by writing to us at 3295 College Street, Beaumont, Texas 77701, Attention: Sydney K. Boone, Jr., Corporate General Counsel. You may also obtain a copy of this proxy statement and Form 10-K together with all of our SEC filings through the Company's website at www.conns.com and at the SEC's website at www.sec.gov.

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PROPOSALS FOR STOCKHOLDER ACTION

PROPOSAL ONE:

ELECTION OF DIRECTORS

Number of Directors To Be Elected

Our board is currently constituted with nine director positions, all of which positions are to be elected at the 2006 annual meeting of stockholders. The nine directors elected at the annual meeting will hold office until the 2007 annual meeting of stockholders or until their respective successors have been elected and qualified. You may not vote for a greater number of directors than those nominated.

Expansion of Board; Board Nominees

Our board of directors met in March 2006 and considered and did approve the expansion of the number of director positions from eight to nine positions, and additionally considered the candidates for election to the board at the 2006 annual meeting. A majority of our independent directors recommended that the board nominate:

Thomas J. Frank, Sr.
Marvin D. Brailsford
Jon E.M. Jacoby
Bob L. Martin
Douglas H. Martin
Dr. William C. Nylin, Jr.
Scott L. Thompson
William T. Trawick
Theodore M. Wright

for re-election to the Board at the 2006 annual meeting. In making these recommendations, the independent directors considered the requirements and qualifications discussed under Board of Directors; Nominating Policies on page 16 of this proxy statement. Based on this recommendation, our board has nominated:

Thomas J. Frank, Sr.
Marvin D. Brailsford
Jon E.M. Jacoby
Bob L. Martin
Douglas H. Martin
Dr. William C. Nylin, Jr.
Scott L. Thompson
William T. Trawick
Theodore M. Wright

to be elected by the stockholders at the 2006 annual meeting. All nominees have consented to serve as directors. The board has no reason to believe that any of the nominees will be unable or unwilling to act as a director. In the event any of these nominated directors is unable to stand for election, the board of directors may either reduce the size of the board or designate a substitute.

For biographical information regarding each of the board's nominees for director, please refer to Board of Directors; Board Nominees on page 14 of this proxy statement.

We Recommend That You Vote For Each Of The Board Nominees.

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**PROPOSAL TWO:
APPROVAL OF THE AMENDMENT TO THE AMENDED AND RESTATED 2003 INCENTIVE STOCK
OPTION PLAN**

Effective January 2003, our board of directors adopted the Conn's, Inc. Amended and Restated 2003 Incentive Stock Option Plan. The plan was approved by our stockholders at the January 17, 2003 special meeting of the stockholders of Conn Appliances, Inc., our predecessor corporation. At the annual meeting of stockholders held June 3, 2004, an amendment to the plan was approved by the stockholders of the Company requiring the plan to be administered by the Board or a committee appointed by the Board, which committee is to be constituted to comply with Applicable Laws and permitting the Chief Executive Officer of the Company the authority to grant options to non-executive officers of the Company under guidelines or formulae approved or adopted by the committee. The purpose of the plan is to secure for Conn's and our stockholders the benefits of the incentives inherent in the ownership of our common stock by our present and future employees. On March 28, 2006, our board of directors, subject to shareholder approval, amended our Amended and Restated 2003 Incentive Stock Option Plan to increase the number of shares of common stock that may be issued under the plan from 2,559,767 to 3,859,767.

General Description of the Plan

Under the plan, officers and employees are eligible to receive awards in the form of stock options. As of January 31, 2006, we had approximately 2,600 full-time employees and 200 part-time employees. Generally, the plan is for ten years subject to early termination. If this proposal to amend the plan is adopted, the term of the plan will be increased until March 29, 2016, 10 years from the date our board of directors adopted the amendment increasing the number of shares reserved for issuance under the plan. Copies of the full text of the plan are available for review at our principal offices and we will furnish copies to our stockholders without charge upon written request directed to Conn's, Inc., 3295 College Street, Beaumont, Texas 77701, Attention: Chief Financial Officer. Further, for your convenience, a copy of the plan is posted on the Company's website at www.conns.com, under annual meeting documents.

Options granted under the plan may be either incentive stock options or non-qualified stock options. Subject to early termination provisions, options may have a term of up to 10 years, provided, however, an option granted to an employee who owns stock representing more than 10% of the voting power of our stock on the date of the grant may not have a term greater than five years. Each option generally vests in twenty percent increments commencing on the first annual anniversary of the grant date unless otherwise provided in the option agreement. However, the vesting may accelerate under certain conditions. The exercise price for the incentive stock options is to be not less than the fair market value of the underlying stock on the date of the grant unless the option is being granted to an employee who, at the date of grant, owns more than 10% of our voting power, in which case, the exercise price is not to be less than 110% of the fair market value. The exercise price for non-qualified stock options is determined by our compensation committee, as the administrator of the plan. Options granted under the plan may not be sold, pledged, assigned, or otherwise disposed of other than by will or by the laws of descent or distribution. During the lifetime of the employee to whom the option was granted, the option may only be exercised by that employee.

The plan, prior to the amendment, provides for 2,559,767 shares of Company common stock available for issuance. At January 31, 2006, a total of 1,625,556 shares of common stock were subject to options issued and outstanding under the plan, 481,262 outstanding options had been exercised, and 452,949 shares remain available for issuance under the plan. If this proposal had been adopted on January 31, 2006, there would have been 1,754,949 shares available for issuance at January 31, 2006. All of the shares authorized for issuance under the plan that have been approved by the stockholders are registered on a Form S-8 filed with the SEC. If this proposal is adopted, we intend to file a new registration statement on Form S-8 to cover the registration of the additional shares.

Administration

The plan is administered by our board of directors and the compensation committee of our board. Except as provided in the NASD exemptions, the members of the compensation committee must be non-employee directors as defined in Rule 16b-3 under the Securities Exchange Act of 1934 and outside directors as required under Section 162(m) of the Internal Revenue Code of 1986, as amended. Our

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compensation committee currently consists of Jon E.M. Jacoby, Theodore M. Wright and William T. Trawick, who are independent directors.

The board or the compensation committee has discretion in determining the terms, restrictions and conditions of each award granted under the plan. The board or the compensation committee is permitted, in its discretion, to change and/or rescind the terms of any award granted under the plan as long as such change or rescission does not adversely affect the rights of the award recipient as stated in the applicable award agreement.

Amendment

The plan may be amended or terminated by the board or the compensation committee at any time. However, an amendment that would impair the rights of a recipient of any outstanding award will not be valid with respect to such award without the recipient's consent. In addition, our stockholders must approve any amendment to increase the number of authorized shares under the plan, to change employees eligible to participate in the plan, to change the manner in which options are issued or exercised, to extend the term of the plan or to adopt any amendment which requires stockholder approval under NASD rules.

Proposed Amendment to the Plan

We proposed to amend the plan as follows:

The first paragraph of Section 4 of the plan will be amended and restated to read as follows:

4. Shares Subject to this Plan. Subject to the provisions of Paragraph 13, the maximum aggregate number of Shares that may be subject to Options and sold under this Plan is 3,859,767. The Shares may be authorized but unissued or reacquired Common Stock.

Section 6(a) of the plan will be amended and restated to read as follows:

(a) Options may be granted only to Employees. The maximum number of Shares with respect to which Options may be granted during a specified period to any single Employee is 500,000.

The remaining provisions of the plan will remain the same and in full force and effect.

Purposes of the Amendment

One of the purposes of the proposed amendment to the plan is to (i) ensure that the plan has sufficient shares for issuance, and (ii) ensure that compensation related to stock options granted under the plan is considered performance-based compensation that is excluded from the \$1.0 million deduction limit of Section 162(m) of the Internal Revenue Code and therefore remains fully deductible. Section 162(m) requires that (i) the grant must be made by the compensation committee; (ii) the plan under which the option is granted states the maximum number of shares with respect to which options may be granted during a specified period (usually a fiscal year or a calendar year) to any employee; and (iii) under the terms of the option, the amount of compensation the employee could receive is based solely on an increase in the value of the stock after the date of grant.

The other purpose of the amendment to the plan is to further promote our ability to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to our employees and to promote the success of the Company's business. Accordingly, the board of directors unanimously determined to propose to the stockholders the increase in the number of shares available for issuance under the plan, and the increase of the maximum number of shares with respect to which options may be granted during a specified period to any single employee.

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The following is a brief summary of certain federal income tax consequences arising with respect to options granted under the plan. This summary is not intended to be exhaustive and the exact tax consequences to the participant will depend on various factors and his or her particular circumstances. The summary is based on present laws, regulations and interpretations and does not purport to be a complete description of federal tax consequences. This summary of federal tax consequences may change in the event of a change in the Internal Revenue Code or regulation thereunder or interpretations thereof. We urge participants to consult with a tax advisor with respect to any state, local or foreign tax considerations or particular federal tax implications of options granted under the plan prior to taking action with respect to an option. The plan is not intended to be a qualified plan under Section 401(a) of the Internal Revenue Code.

Withholding

We may deduct from all amounts paid by us to the participant in cash or other form, any federal, state, or local taxes required by law to be withheld with respect to such payments. The participant receiving shares of common stock issued under the plan upon the exercise of options will be required to pay us the amount of any taxes which we are required to withhold with respect to such shares of common stock.

Incentive Stock Options

The grant or exercise of an incentive stock option will not result in ordinary taxable income to the participant or a tax deduction for us. However, when the option is exercised, the difference between the exercise price and the fair market value of the stock on the date of exercise will be considered income for the purposes of the alternative minimum tax. Accordingly, the exercise of an incentive stock option may result in an alternative minimum tax liability.

Shares acquired pursuant to the exercise of an incentive stock option ordinarily receive capital gain or loss treatment on their sale or other disposition. However, if the holder disposes of the shares acquired upon the exercise of an incentive stock option within two years after the date of grant or one year after the date of exercise (a disqualifying disposition), the holder will generally recognize ordinary income in the amount of the excess of the fair market value of the shares on the date the option exercised over the exercise price, and we will be entitled to a corresponding tax deduction, provided we comply with applicable income tax reporting requirements. Any excess of the amount realized by the holder on the disqualifying disposition over the fair market value of the shares on the date of exercise of the option will generally be a capital gain.

If an option is exercised through the use of shares previously owned by the holder, such exercise generally will not be considered a taxable disposition of the previously owned shares and thus no gain or loss will be recognized with respect to those shares upon such exercise.

Non-qualified Stock Options

Some of the options granted under the plan may be non-qualified stock options, that is, options not intended to be incentive stock options within the meaning of Section 422 of the Internal Revenue Code.

There are no tax consequences to the participant or us by reason of the grant of a non-qualified stock option. Upon exercise of a non-qualified stock option, the participant normally will recognize taxable ordinary income equal to the excess, if any, of the stock's fair market value on the date the non-qualified stock option is exercised over the exercise price of the option. Upon disposition of the stock, the participant will recognize a gain or loss equal to the difference between the amount realized as a result of the sale and the sum of the exercise price plus any amount recognized as ordinary income when the non-qualified stock option was exercised or, if later, when the shares subject to the non-qualified stock option are no longer subject to a substantial risk of forfeiture. Such gain or loss will be long-term or short-term depending on whether the stock was held for more than the applicable capital gains holding period.

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If we comply with applicable income reporting requirements, we will be entitled to a federal income tax deduction in the same amount and at the same time as the participant recognizes ordinary income, subject to any deduction limitation under Section 162(m) of the Internal Revenue Code, which is discussed below.

Section 162(m)

Section 162(m) of the Internal Revenue Code generally disallows a public company's tax deduction for compensation paid in excess of \$1.0 million in any tax year to its chief executive officer, or the individual acting in that capacity, and the four most highly compensated executives. However, compensation that qualifies as performance-based compensation is excluded from this \$1.0 million deduction limit and therefore remains fully deductible by the company that pays it. We intend that options granted (i) with an exercise price at least equal to 100% of the fair market value of the underlying shares of common stock at the date of grant and (ii) to employees the compensation committee expects to be named executive officers at the time a deduction arises in connection with these options, qualify as performance-based compensation so these options will not be subject to the Section 162(m) deduction limitation.

Table of Contents**Options Granted Under the Amended and Restated 2003 Incentive Stock Option Plan**

As of January 31, 2006, the closing sale price of our common stock was \$43.48 per share, as reported by Nasdaq. The following table sets forth information with respect to options granted to the listed persons and groups under the plan through January 31, 2006.

Name and Principal Position	Number Of Shares Underlying Options	Grant Date	Exercise Price	Expiration Date
Thomas J. Frank, Sr., Chairman of the Board and Chief Executive Officer	25,000	11/30/2005	\$ 33.88	11/30/2015
	35,000	11/30/2004	\$ 17.73	11/30/2014
Dr. William C. Nylin, Jr., Executive Vice Chairman of the Board and Chief Operating Officer	56,500	11/25/2003	\$ 14.00	11/25/2003
	15,000	11/30/2005	\$ 33.88	11/30/2015
	35,000	11/30/2004	\$ 17.73	11/30/2014
	56,500	11/25/2003	\$ 14.00	11/25/2013
David W. Trahan, Senior Vice President-Retail	28,070	7/15/2001	\$ 8.21	7/15/2011
	15,000	11/30/2005	\$ 33.88	11/30/2015
	10,000	11/30/2004	\$ 17.73	11/30/2014
Reymundo de la Fuente, Jr. Senior Vice President-Credit	8,000	11/25/2003	\$ 14.00	11/24/2013
	15,000	11/30/2005	\$ 33.88	11/30/2015
	10,000	11/30/2004	\$ 17.73	11/30/2014
	8,000	11/25/2003	\$ 14.00	11/24/2013
	42,000	7/15/2001	\$ 8.21	7/15/2011
	28,000	1/25/2001	\$ 8.21	1/25/2011
Timothy L. Frank President	28,000	7/28/2000	\$ 8.21	7/28/2010
	15,000	11/30/2005	\$ 33.88	11/30/2015
	10,000	11/30/2004	\$ 17.73	11/30/2014
	8,000	11/25/2003	\$ 14.00	11/25/2013
Executive officers as a group	56,140	7/15/2001	\$ 8.21	7/15/2011
	155,000	11/30/2005	\$ 33.88	11/30/2015
	160,000	11/30/2004	\$ 17.73	11/30/2014
	184,500	11/25/2003	\$ 14.00	11/25/2013
	231,210	7/15/2001	\$ 8.21	7/15/2011
	94,500	1/25/2001	\$ 8.21	1/25/2011
All employees (excluding executive officer group)	49,000	7/28/2000	\$ 8.21	7/28/2010
	98,700	11/30/2005	\$ 33.88	11/30/2015
	131,300	11/30/2004	\$ 17.73	11/30/2014
	15,000	10/6/2004	\$ 14.48	10/6/2014
	37,900	5/26/2004	\$ 16.49	5/26/2014
	142,300	11/25/2003	\$ 14.00	11/25/2013
	56,000	6/28/2002	\$ 10.83	6/28/2012
	17,250	12/3/2001	\$ 9.91	12/3/2011
	28,000	8/1/2001	\$ 8.21	8/1/2011
	171,808	7/15/2001	\$ 8.21	7/15/2011
	171,500	1/25/2001	\$ 8.21	1/25/2011
	255,500	7/28/2000	\$ 8.21	7/28/2010
17,500	1/10/2000	\$ 4.29	1/10/2010	
35,000	12/1/1999	\$ 4.29	12/1/2009	

Table of Contents**Equity Compensation Plan Information Prior to Stockholder Approval of the Amendment to the Plan**

The following table provides information about our common stock that may be issued upon the exercise of options under all of our existing equity compensation plans as of January 31, 2006.

Plan Category	(A) Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	(B) Weighted- Average Exercise Price of Outstanding Options, Warrants and Rights	(C) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (A))
Equity Compensation Plans Approved by Stockholders	1,625,556	\$ 16.31	452,949
Equity Compensation Plans Not Approved by Stockholders			
Total	1,625,556	\$ 16.31	452,949

**We Recommend That You Vote For Approval Of
The Amendment To The Conn s, Inc. Amended and Restated 2003 Incentive Stock Option Plan.**

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**PROPOSAL THREE:
APPROVAL OF THE AMENDMENT TO THE 2003 NON-EMPLOYEE DIRECTOR STOCK OPTION
PLAN**

Effective January 2003, our board of directors adopted the Conn's, Inc. 2003 Non-Employee Directors Stock Option Plan. The plan was approved by our stockholders at the January 17, 2003 special meeting of the stockholders of Conn Appliances, Inc., our predecessor corporation. The purpose of the plan is to attract and retain persons of outstanding competence to serve on the board of directors who are not employed by the Company. On March 28, 2006, our board of directors, subject to shareholder approval, amended our 2003 Non-Employee Director Stock Option Plan to increase the number of shares of common stock that may be issued under the plan from 300,000 to 600,000, and to provide for the vesting of the annual option grants after the director's fourth anniversary as a director on the one year anniversary date of the issuance of such options.

General Description of the Plan

Under the plan, non-employee directors are awarded non-qualified stock options as specifically directed and required under the plan. We currently have seven non-employee directors. It is intended that there will be no tax consequences to the non-employee director or the Company by reason of the issuance of the options to the non-employee director. Upon election to the board, each non-employee director is awarded options to acquire 40,000 shares of Company common stock. Each non-employee director is also awarded options to purchase 10,000 shares of our common stock following each annual stockholder meeting after the fourth anniversary of each non-employee director's initial election or appointment to the board. Each option vests in twenty-five percent increments commencing on the first annual anniversary of the grant date, unless otherwise stated in the option agreement granting the options. Currently, each option agreement for all non-employee directors states that the options vest equally over a three year period. If a non-employee director resigns or is not reelected prior to the vesting of all of his/her options, the unvested portion of the options as well as all vested but unexercised within three years of the date of such resignation or non-election is returned to the shares available for issuance.

Options granted under the plan are non-qualified stock options. Subject to early termination provisions, options may have a term of up to 10 years. The exercise price for non-qualified stock options is determined by our board of directors, as the administrator of the plan. Options granted under the plan may not be sold, pledged, assigned, or otherwise disposed of other than by will or by the laws of descent or distribution. During the lifetime of the non-employee director to whom the option was granted, the option may only be exercised by that non-employee director.

The plan, prior to the amendment, provides and the Form S-8 filed with the SEC registered 300,000 shares of Company common stock for issuance under the plan. At January 31, 2006, each of the Company's seven non-employee directors have received the required, under the plan, options to 40,000 shares of company stock, for a total of 258,000 shares of common stock subject to options issued and outstanding under the plan, 22,000 outstanding options had been exercised, and 20,000 shares remain available for issuance subject to options under the plan. All of the shares authorized for issuance under the plan have been approved by the stockholders and are registered on a Form S-8 filed with the SEC. If this proposal had been adopted on January 31, 2006, there would have been 600,000 shares available for issuance at January 31, 2006. If this proposal is adopted, we intend to file a new registration statement on Form S-8 to cover the registration of the additional shares.

Administration

The plan is administered by our board of directors.

The board, as administrator of the plan, has discretion in determining the terms, restrictions and conditions of each award granted under the plan. The board is permitted, in its discretion, to change and/or rescind the terms of any award granted under the plan as long as such change or rescission does not adversely affect the rights of the award recipient as stated in the applicable award agreement.

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Amendment

The plan may be amended or terminated by the board at any time. However, an amendment that would impair the rights of a recipient of any outstanding award will not be valid with respect to such award without the recipient's consent. In addition, our stockholders must approve any amendment to increase the number of authorized shares under the plan, to change the manner in which options are issued or exercised, to extend the term of the plan or to adopt any amendment which requires stockholder approval under NASD rules.

Proposed Amendment to the Plan

We proposed to amend the plan as follows:

The first paragraph of Paragraph 4 of the plan will be amended and restated to read as follows:

4. **Shares Subject to this Plan.** Subject to the provisions of Paragraph 17, the maximum aggregate number of Shares that may be subject to Options and sold under this Plan is 600,000. The Shares may be authorized but unissued or reacquired Common Stock.

Paragraph 6(b) of the plan will be amended and restated, to read as follows:

Unless stated otherwise in the Option Agreement, Options granted under this Plan shall vest and become exercisable, subject to the other terms of this Plan, at the rate of 25% per annum on each anniversary of the Date of Grant, except that Options granted under this Plan pursuant to Paragraph 6(a)(ii) above shall vest on the first annual anniversary date of the Date of Grant.

The remaining provisions of the plan will remain the same and in full force and effect.

Purpose of the Amendment

One of the purposes of the proposed amendment to the plan is to ensure that the plan has sufficient shares for its required issuance, plus discretionary issuance. Currently, as described above, the plan has 20,000 shares remaining for issuance subject to options. Six of the current directors, if they do not resign, are re-nominated and are reelected through the annual meeting in 2007, shall receive additional grants of 10,000 options each and an additional grant of 10,000 shares on each anniversary thereafter, as prescribed by the plan. A seventh director will be entitled to such additional 10,000 shares commencing in 2008, if he does not resign, is re-nominated and is reelected through the annual meeting in 2008. The number of shares available for issuance under the plan is not sufficient to support these requirements.

The other purpose of the amendment to the plan is to further promote our ability to attract and retain the best available persons for our board, to provide for discretionary granting rights by the board, at the instance of the compensation committee to issue non-employee director options for such purpose, and to provide for convenience in utilizing such discretion to bring before the full board the granting of such discretionary options.

Tax Effects of Participation in the Plan

The following is a brief summary of certain federal income tax consequences arising with respect to options granted under the plan. This summary is not intended to be exhaustive and the exact tax consequences to the participant will depend on various factors and his or her particular circumstances. The summary is based on present laws, regulations and interpretations and does not purport to be a complete description of federal tax consequences. This summary of federal tax consequences may change in the event of a change in the Internal Revenue Code or regulation thereunder or interpretations thereof. We urge participants to consult with a tax advisor with respect to any state, local or foreign tax considerations or particular federal tax implications of options granted under the plan prior to taking action with respect to an option. The plan is not intended to be a qualified plan under Section 401(a) of the Internal Revenue Code.

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Withholding

Optionees may satisfy withholding tax obligations by electing to have the Company withhold from the shares to be issued upon exercise of an option that number of shares having a fair market value equal to the minimum amount required to be withheld. We may deduct from all amounts paid by us to the participant in cash or other form, any federal, state, or local taxes required by law to be withheld with respect to such payments. The participant receiving shares of common stock issued under the plan upon the exercise of options will be required t