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

FORM 10-Q

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

For the quarterly period ended October 31, 2015

OR

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

For the transition period from _____ to _____

Commission File Number: 1-34956

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 No.)

4055 Technology Forest Blvd, Suite 210, The Woodlands, Texas, 77381
(address of principal executive offices)

(936) 230-5899
(Registrants telephone number, including area code)

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

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

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

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

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of December 3, 2015:

Class	Outstanding
Common stock, $0.01 par value per share	32,244,955

CONN'S, INC. AND SUBSIDIARIES

FORM 10-Q
FOR THE FISCAL QUARTER ENDED OCTOBER 31, 2015

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This Quarterly Report on Form 10-Q may include our trademarks such as "Conn’s," "Conn’s HomePlus," "YES Money," "YE$ Money," and our logos, which are protected under applicable intellectual property laws and are the property of Conn’s, Inc. This report also contains trademarks, service marks, trade names and copyrights of other companies, which are the property of their respective owners. Solely for convenience, trademarks and trade names referred to in this Annual Report may appear without the ® or TM symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensor to these trademarks and trade names.

Unless the context otherwise indicates, references to "Conn’s," the "Company," "we," "us," and "our" refer to the consolidated business operations of Conn’s, Inc., its consolidated VIE, and its wholly-owned subsidiaries.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONN'S, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited and in thousands, except per share data)

	October 31, 2015	January 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 109,071	$ 12,223
Restricted cash (all held by the VIE)	97,924	—
Customer accounts receivable, net of allowances (includes VIE balance of $523,662 as of October 31, 2015)	706,934	643,094
Other accounts receivable	84,145	67,703
Inventories	238,153	159,068
Deferred income taxes	23,445	20,040
Income taxes recoverable	—	11,058
Prepaid expenses and other current assets	17,958	12,529
Total current assets	**1,277,630**	**925,715**
Long-term portion of customer accounts receivable, net of allowances (includes VIE balance of $440,840 as of October 31, 2015)	595,127	558,257
Property and equipment, net	139,163	120,218
Deferred income taxes	43,043	33,505
Deferred debt issuance costs and other assets	33,880	9,627
Total assets	**$ 2,088,843**	**$ 1,647,322**
Liabilities and Stockholders’ Equity		
Current liabilities:		
Current portion of debt	$ 830	$ 395
Accounts payable	139,429	85,355
Accrued compensation and related expenses	8,275	12,151
Accrued expenses	34,465	27,479
Income taxes payable	4,004	3,450
Deferred revenues and other credits	16,636	16,179
Total current liabilities	**203,639**	**145,009**
Deferred rent	69,412	52,792
Long-term debt (includes VIE balance of $933,651 as of October 31, 2015)	1,158,746	774,015
Other long-term liabilities	21,838	21,836
Total liabilities	**1,453,635**	**993,652**
Commitments and contingencies		
Stockholders’ equity:		
Preferred stock ($0.01 par value, 1,000 shares authorized; none issued or outstanding)	—	—
Common stock ($0.01 par value, 100,000 shares authorized; 34,618 and 36,352 shares issued, respectively)	346	364
Additional paid-in capital	183,157	231,395
Retained earnings	451,705	421,911
Total stockholders’ equity	**635,208**	**653,670**
Total liabilities and stockholders' equity	**$ 2,088,843**	**$ 1,647,322**

See notes to condensed consolidated financial statements.

CONN'S, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited and in thousands, except per share amounts)

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2015	2014	2015	2014
Revenues:				
Product sales	$ 293,122	$ 278,139	$ 858,487	$ 796,525
Repair service agreement commissions	26,038	23,056	77,590	64,042
Service revenues	3,474	3,414	9,982	9,952
Total net sales	322,634	304,609	946,059	870,519
Finance charges and other revenues	72,599	65,449	210,300	187,951
Total revenues	**395,233**	**370,058**	**1,156,359**	**1,058,470**
Costs and expenses:				
Cost of goods sold, including warehousing and occupancy costs	186,807	178,976	547,403	508,475
Cost of service parts sold, including warehousing and occupancy costs	1,463	1,525	4,325	4,815
Delivery, transportation and handling costs	14,631	13,216	40,767	38,543
Selling, general and administrative expenses	113,668	99,346	314,175	281,526
Provision for bad debts	58,208	72,019	157,397	133,862
Charges and credits	2,540	355	4,172	3,601
Total costs and expenses	**377,317**	**365,437**	**1,068,239**	**970,822**
Operating income	**17,916**	**4,621**	**88,120**	**87,648**
Interest expense	19,702	8,950	39,185	19,921
Loss on extinguishment of debt	1,367	—	1,367	—
Income (loss) before income taxes	**(3,153)**	**(4,329)**	**47,568**	**67,727**
Provision (benefit) for income taxes	(732)	(1,265)	17,774	24,672
Net income (loss)	**$ (2,421)**	**$ (3,064)**	**$ 29,794**	**$ 43,055**
Earnings (loss) per share:				
Basic	$ (0.07)	$ (0.08)	$ 0.82	$ 1.19
Diluted	$ (0.07)	$ (0.08)	$ 0.81	$ 1.17
Weighted average common shares outstanding:				
Basic	35,704	36,265	36,175	36,203
Diluted	35,704	36,265	36,694	36,928

See notes to condensed consolidated financial statements.

CONN'S, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(unaudited and in thousands)

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2015	**2014**	**2015**	**2014**
Net income (loss)	$ (2,421)	$ (3,064)	$ 29,794	$ 43,055
Change in fair value of hedges	—	39	—	155
Impact of provision for income taxes on comprehensive income	—	(14)	—	(55)
Comprehensive income (loss)	**$ (2,421)**	**$ (3,039)**	**$ 29,794**	**$ 43,155**

See notes to condensed consolidated financial statements.

CONN'S, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited and in thousands)

	Nine Months Ended October 31, 2015	2014
Cash flows from operating activities:		
Net income	$ 29,794	$ 43,055
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	16,400	13,294
Amortization of debt issuance costs	7,048	2,287
Loss from extinguishment of debt	1,367	—
Provision for bad debts and uncollectible interest	184,297	153,709
Stock-based compensation expense	2,961	3,258
Excess tax benefits from stock-based compensation	(479)	(961)
Charges, net of credits, for store and facility closures and relocations	637	3,105
Deferred income taxes	(12,944)	(23,681)
Gain on sale of property and equipment	(1,303)	(345)
Tenant improvement allowances received from landlords	12,866	14,621
Change in operating assets and liabilities:		
Customer accounts receivable	(285,007)	(274,669)
Other accounts receivable	(10,260)	(9,622)
Inventories	(79,085)	(48,073)
Other assets	(551)	(1,347)
Accounts payable	58,790	9,239
Accrued expenses	687	(4,854)
Income taxes	11,612	(10,798)
Deferred revenues and other credits	(1,656)	2,376
Deferred rent	(468)	2,612
Net cash used in operating activities	**(65,294)**	**(126,794)**
Cash flows from investing activities:		
Purchase of property and equipment	(46,667)	(53,116)
Proceeds from sale of property	5,609	19,402
Net cash used in investing activities	**(41,058)**	**(33,714)**
Cash flows from financing activities:		
Proceeds from issuance of asset-backed notes	1,118,000	—
Payments on asset-backed notes	(184,349)	—
Changes in restricted cash balances	(97,924)	—
Borrowings from revolving credit facility	277,081	357,456
Payments on revolving credit facility	(805,193)	(441,950)
Proceeds from issuance of senior notes, net of issuance costs	—	243,400
Repurchase of senior notes	(22,965)	—
Payment of debt issuance costs and amendment fees	(31,871)	—
Repurchase of common stock	(51,680)	—
Proceeds from stock issued under employee benefit plans	2,034	975
Excess tax benefits from stock-based compensation	479	961
Other	(412)	(301)
Net cash provided by financing activities	**203,200**	**160,541**
Net change in cash and cash equivalents	**96,848**	**33**
Cash and cash equivalents, beginning of period	12,223	5,727
Cash and cash equivalents, end of period	**$ 109,071**	**$ 5,760**

See notes to condensed consolidated financial statements.

CONN'S, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Business. Conn’s is a leading specialty retailer that offers a broad selection of quality, branded durable consumer goods and related services in addition to a proprietary credit solution for its core credit constrained consumers. We operate an integrated and scalable business through our retail stores and website. Our complementary product offerings include furniture and mattresses, home appliances, consumer electronics and home office products from leading global brands across a wide range of price points. Our credit offering provides financing solutions to a large, under-served population of credit constrained consumers who typically have limited banking options.

We operate two reportable segments: retail and credit. Our retail stores bear the "Conn’s" or "Conn’s HomePlus" name and deliver the same products and services to a common customer group. All of the retail stores follow the same procedures and methods in managing their operations. Our retail business and credit business are operated independently from each other. The credit segment is dedicated to providing short- and medium-term financing for our retail customers. The retail segment is not involved in credit approval decisions. Our management evaluates performance and allocates resources based on the operating results of the retail and credit segments.

Basis of Presentation. The accompanying unaudited, condensed consolidated financial statements of Conn’s, Inc. and its wholly-owned subsidiaries have been prepared by management 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, we 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 presentation of the results for the interim periods presented. All such adjustments are of a normal recurring nature, except as otherwise described herein. The condensed consolidated financial position, results of operations and cash flows for these interim periods are not necessarily indicative of the results that may be expected in future periods. The balance sheet at January 31, 2015 has been derived from the audited financial statements at that date. The financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K for the fiscal year ended January 31, 2015, filed with the United States Securities and Exchange Commission (the "SEC") on April 1, 2015.

Variable Interest Entity. In September 2015, we securitized $1.4 billion of customer accounts receivables by transferring the receivables to a bankruptcy-remote variable-interest entity (the "VIE"). The VIE issued asset-backed notes at a face amount of $1.12 billion secured by the transferred portfolio balance, which resulted in net proceeds to us of approximately $1.08 billion, net of transaction costs and restricted cash held by the VIE. The net proceeds were used to pay down the entire balance on our revolving credit facility, to repurchase shares of the Company's common stock and Senior Notes, and for other general corporate purposes. We currently hold the residual equity of the VIE, which we are in the process of marketing. We may elect to retain all or a portion of the residual equity of the VIE if that is determined to be in our best economic interest. We also plan to execute periodic securitizations of future originated customer loans.

We retain the servicing of the securitized portfolio and have a variable interest in the VIE by holding the residual equity. We determined that we are the primary beneficiary of the VIE because (i) our servicing responsibilities for the securitized portfolio give us the power to direct the activities that most significantly impact the performance of the VIE and (ii) our variable interest in the VIE gives us the obligation to absorb losses and the right to receive residual returns that could potentially be significant. As a result, while holding all or a significant portion of the residual equity of the VIE, we will consolidate the VIE within our financial statements. If we sell all or a significant portion of the residual equity, we will assess if the transaction achieves sale treatment for accounting purposes, which may result in deconsolidation of the VIE. There is no assurance that we will complete a sale of all or a portion of the residual equity of the VIE, and there is no assurance we will achieve sale treatment. No timetable has been set for completion of this process. As a result, we have determined that the securitized portfolio does not meet the criteria for treatment as an asset held for sale, which would require recording at the lower of cost, net of allowances, or fair value. We have not made an adjustment to the customer accounts receivable balance as a result of the transaction or in anticipation of any gain or loss that may occur should a sale of the residual portion of the VIE be completed.

Refer to Note 6, *Debt*, and Note 8, *Variable Interest Entity*, for additional information.

Principles of Consolidation. The consolidated financial statements include the accounts of Conn’s, Inc. and its wholly-owned subsidiaries, including the VIE. Conn’s, Inc., a Delaware corporation, is a holding company with no independent assets or operations other than its investments in its subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

Fiscal Year. Our fiscal year ends on January 31. References to a fiscal year refer to the calendar year in which the fiscal year ends.

Accounting Policies. The complete summary of significant accounting policies is included in the notes to the consolidated financial statements as presented in our Annual Report on Form 10-K for the fiscal year ended January 31, 2015.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

Supplemental Cash Flow Information. The following table provides additional cash flow information:

	Nine Months Ended October 31,	
(in thousands)	**2015**	**2014**
Non-cash investing and financing activities:		
Capital lease asset additions and related obligations	$ 2,187	$ 304
Property and equipment purchases not yet paid	$ 2,391	$ —
Supplemental cash flow data:		
Cash interest paid	$ 29,200	$ 11,913
Cash income taxes paid, net	$ 21,393	$ 58,363

Restricted Cash. The restricted cash balance as of October 31, 2015 includes $83.5 million of cash we collected as servicer on the securitized receivables that was remitted to the VIE and $14.4 million of cash held by the VIE as additional collateral for the asset-backed notes.

Earnings per Share. Basic earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share include the potential dilutive effects of any stock options and restricted stock units granted, which is calculated using the treasury-stock method. The following table sets forth the shares outstanding used for the earnings per share calculations:

	Three Months Ended October 31,		**Nine Months Ended October 31,**	
(in thousands)	**2015**	**2014**	**2015**	**2014**
Weighted average common shares outstanding - Basic	35,704	36,265	36,175	36,203
Dilutive effect of stock options and restricted stock units	—	—	519	725
Weighted average common shares outstanding - Diluted	35,704	36,265	36,694	36,928

For the three months ended October 31, 2015 and 2014, the weighted average number of stock options and restricted stock units not included in the calculation due to their anti-dilutive effect was 867,000 and 744,000, respectively. For the nine months ended October 31, 2015 and 2014, the weighted average number of stock options and restricted stock units not included in the calculation due to their anti-dilutive effect was 173,000 and 92,000, respectively.

Customer accounts receivable and related allowance for doubtful accounts. Customer accounts receivable reported in the consolidated balance sheet includes total receivables managed, including those transferred to the VIE and those receivables not transferred to the VIE. Customer accounts receivable are originated at the time of sale and delivery of the various products and services. Based on contractual terms, we record the amount of principal and accrued interest on customer receivables that is expected to be collected within the next twelve months in current assets with the remaining balance in long-term assets on the consolidated balance sheet. Customer receivables are considered delinquent if a payment has not been received on the scheduled due date. Accounts that are delinquent more than 209 days as of the end of a month are charged-off against the allowance for doubtful accounts and interest accrued subsequent to the last payment is reversed and charged against the allowance for uncollectible interest.

In an effort to mitigate losses on our accounts receivable, we may make loan modifications to a borrower experiencing financial difficulty. In our role as servicer, we may also make modifications to loans held by the VIE. The loan modifications are intended to maximize net cash flow after expenses and avoid the need to repossess collateral or exercise legal remedies available to us. We may extend the loan term, refinance or otherwise re-age an account. We consider accounts that have been re-aged in excess of three months or refinanced as Troubled Debt Restructurings ("TDR" or "Restructured Accounts").

We record an allowance for doubtful accounts, including estimated uncollectible interest, for our non-TDR customer accounts receivable that we expect to charge-off over the next twelve months based on our historical cash collection and net loss experience using a projection of monthly delinquency performance, cash collections and losses. In addition to pre-charge-off cash collections and charge-off information, estimates of post-charge-off recoveries, including cash payments, amounts realized from the repossession of the products financed and payments received under credit insurance policies are also considered. We determine allowances for those accounts that are TDR based on the discounted present value of cash flows expected to be collected over the life of those accounts. The excess of the carrying amount over the discounted cash flow amount is recorded as an allowance for loss on those accounts.

Interest income on customer accounts receivable. Interest income is accrued using the interest method for installment contracts and is reflected in finance charges and other revenues. Typically, interest income is accrued until the contract or account is paid off or charged-off. We provide an allowance for estimated uncollectible interest. Interest income on installment contracts with our customers is calculated using the rule of 78s. In order to convert the interest income recognized to the interest method, we have recorded the excess earnings of rule of 78s over the interest method as deferred revenue on our balance sheets. This deferred interest will ultimately be brought into income as the accounts pay off or accounts amortize to the point that interest income under the interest method exceeds that which is being earned under rule of 78s. At October 31, 2015 and January 31, 2015, there was $10.1 million and $11.2 million, respectively, of deferred interest included in deferred revenues and other credits and other long-term liabilities.

We offer 12-month no-interest finance programs. If the customer is delinquent in making a scheduled monthly payment or does not repay the principal in full by the end of the no-interest program period (grace periods are provided), the account does not qualify for the no-interest provision and the terms of the account revert back to those of the executed installment contract resulting in interest over the entire term. Interest income is recognized based on our historical experience related to customers that fail to satisfy the requirements of the programs. We also offer 18- and 24-month equal-payment, no-interest finance programs to certain higher credit quality borrowers, which are discounted to their present value at origination, resulting in a reduction in sales and customer receivables, and the discount amount is amortized into finance charges and other revenues over the term of the contract. If a customer is delinquent in making a scheduled monthly payment (grace periods are provided), the account begins accruing interest based on the contract rate from the date of the last payment made, which is a higher rate than the discount rate.

We recognize interest income on TDR accounts using the interest income method, which requires reporting interest income equal to the increase in the net carrying amount of the loan attributable to the passage of time. Cash proceeds and other adjustments are applied to the net carrying amount such that it always equals the present value of expected future cash flows.

We typically only place accounts in non-accrual status when legally required. Payments received on non-accrual loans will be applied to principal and reduce the amount of the loan. Interest accrual is resumed on those accounts once a legally-mandated settlement arrangement is reached or other payment arrangements are made with the customer. At October 31, 2015 and January 31, 2015, customer receivables carried in non-accrual status were $23.6 million and $13.7 million, respectively. At October 31, 2015 and January 31, 2015, customer receivables that were past due 90 days or more and still accruing interest totaled $107.9 million and $97.1 million, respectively.

Fair Value of Financial Instruments. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities recorded at fair value are categorized using defined hierarchical levels related to subjectivity associated with the inputs to fair value measurements as follows:

- Level 1 – Quoted prices available in active markets for identical assets or liabilities
- Level 2 – Pricing inputs not quoted in active markets but either directly or indirectly observable
- Level 3 – Significant inputs to pricing that have little or no transparency with inputs requiring significant management judgment or estimation.

The fair value of cash and cash equivalents, restricted cash, and accounts payable approximate their carrying amounts because of the short maturity of these instruments. The fair value of customer accounts receivables, determined using a Level 3 discounted cash flow analysis using data from the recent securitization transaction, approximates their carrying amount. At October 31, 2015, the fair value of our Senior Notes, which was determined using Level 1 inputs, was $218.6 million as compared to the carrying value of $227.0 million, excluding the impact of the related discount. At October 31, 2015, the fair value of the VIE's Class A Notes and Class B Notes, which were determined using Level 2 inputs based on inactive trading activity, approximates their carrying value.

Repurchase Program. On September 9, 2015, we announced that the Board of Directors of the Company ("Board of Directors") authorized a repurchase program of up to an aggregate of $75.0 million of (i) shares of the Company's outstanding common stock; (ii) 7.250% Senior Notes Due 2022 (the "Senior Notes"); or (iii) a combination thereof. During the three months ended October 31, 2015, we purchased 1.9 million shares of common stock, using $51.6 million of the $75.0 million repurchase authorization. Additionally, we utilized $22.9 million of the repurchase authorization to acquire $23.0 million of face of value of our senior notes. As a result of the bond repurchases, we had a loss on extinguishment of approximately $0.5 million, primarily due to the write-off of related deferred costs.

On November 2, 2015, we announced that the the Board of Directors authorized an additional $100.0 million towards the repurchase program for purchase of shares of the Company's outstanding common stock, Senior Notes, or a combination thereof. Subsequent to October 31, 2015, we purchased 3.3 million additional shares of common stock, using $80.6 million of the $100.0 million repurchase authorization. Common stock repurchases may be made from time to time on the open market or through privately negotiated transactions, at management’s discretion, based on market and business conditions. We have no obligation to repurchase shares under the authorization, and the timing and value of the shares that are repurchased will be at the discretion of management and will depend on a number of factors, including the price of the Company's common stock. We may suspend or discontinue repurchases at any time without notice.

Stockholders' Rights Plan. On October 6, 2014, we adopted a stockholders' rights plan whereby the Board of Directors declared a dividend of one right for each outstanding share of the Company's common stock to stockholders of record on October 16, 2014. On September 2, 2015, the Board of Directors approved the termination of the Company’s stockholder rights plan, and the rights plan was terminated, effective September 10, 2015.

Related Party Transactions. From time to time, we have engaged Stephens Inc. to act as our financial advisor. Stephens Inc. and its affiliates beneficially own shares of our common stock and one of our Board of Directors, Douglas H. Martin, is a Senior Managing Director of Stephens Inc. On March 31, 2015, we announced that we had engaged Stephens Inc., as a financial advisor to assist us with the process of pursuing a sale of all or a portion of the loan portfolio, or other refinancing of our loan portfolio. The disinterested members of our Board of Directors determined that it was in the Company’s best interest to engage Stephens Inc. in such capacity to assist us in analyzing and advising us with respect to the opportunity. The engagement of Stephens Inc. as financial advisor was approved by the independent members of our Board of Directors after full disclosure of the conflicts of interests of the related parties in the transaction. Douglas H. Martin did not participate in the approval process. During the three months ended October 31, 2015, we paid Stephens Inc. a success fee of $1.1 million as a result of the close of the securitization transaction.

Recent Accounting Pronouncements. In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, which provides a single comprehensive accounting standard for revenue recognition for contracts with customers and supersedes current guidance. Upon adoption of ASU 2014-09, entities are required to recognize revenue using the following comprehensive model: (1) identify contracts with customers, (2) identify the performance obligations in contracts, (3) determine transaction price, (4) allocate the transaction price to the performance obligations, and (5) recognize revenue as each performance obligation is satisfied. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers: Deferral of Effective Date*, which defers the effective date of ASU 2015-14 by one year and allows early adoption on a limited basis. ASU 2014-09 is now effective for us beginning in the first quarter of fiscal year 2019 and will result in retrospective application, either in the form of recasting all prior periods presented or a cumulative adjustment to equity in the period of adoption. We are currently assessing the impact the new standard will have on our financial statements.

In February 2015, the FASB issued ASU 2015-02, *Consolidation: Amendments to the Consolidation Analysis*, which focuses on a reporting company’s consolidation evaluation to determine whether they should consolidate certain legal entities. ASU 2015-02 is effective for us beginning in the first quarter of fiscal year 2017 and allows early adoption, including adoption in an interim period. We early adopted ASU 2015-02 beginning with the quarter ended July 31, 2015, which did not have an impact to our financial statements.

Reclassifications. Certain reclassifications have been made to prior year fiscal year amounts to conform to the presentation in the current fiscal year. On the consolidated statement of operations, delivery, transportation and handling costs is shown separately and was reclassified out of selling, general and administrative expenses. On the consolidated statements of cash flows, tenant improvement allowances received from landlords, changes in other accounts receivables and changes in deferred rents is shown separately and was reclassified out of changes in other assets and accrued expenses. These reclassifications did not impact consolidated operating income, net income, or net cash used in operating activities.

2. Charges and Credits

Charges and credits consisted of the following:

	Three Months Ended October 31,		**Nine Months Ended October 31,**	
(in thousands)	**2015**	**2014**	**2015**	**2014**
Store and facility closure and relocation costs (credits)	$ 212	$ (141)	$ 637	$ 3,105
Legal and professional fees related to the exploration of strategic alternatives and securities-related litigation	999	496	2,206	496
Executive management transition costs	1,329	—	1,329	—
	$ 2,540	$ 355	$ 4,172	$ 3,601

During the three months ended October 31, 2015, we had costs associated with legal and professional fees related to our exploration of strategic alternatives (including our securitization transaction), our securities-related litigation, and transition costs due to changes in the executive management team. During the three months ended October 31, 2014, we recorded a net credit related to store closures and relocations due to the revision of estimated lease termination and other costs, and had costs associated with legal and professional fees related to our exploration of strategic alternatives and our class action litigation.

3. Finance Charges and Other Revenues

Finance charges and other revenues consisted of the following:

	Three Months Ended October 31,		**Nine Months Ended October 31,**	
(in thousands)	**2015**	**2014**	**2015**	**2014**
Interest income and fees	$ 58,961	$ 52,142	$ 171,763	$ 150,858
Insurance commissions	13,222	12,777	37,313	35,753
Other revenues	416	530	1,224	1,340
	$ 72,599	$ 65,449	$ 210,300	$ 187,951

Interest income and fees and insurance commissions are derived from the credit segment operations, whereas other revenues is derived from the retail segment operations. For the three months ended October 31, 2015 and 2014, interest income and fees was reduced by provisions for uncollectible interest of $10.0 million and $7.8 million, respectively. For the nine months ended October 31, 2015 and 2014, interest income and fees was reduced by provisions for uncollectible interest of $27.4 million and $19.8 million, respectively. For the three months ended October 31, 2015 and 2014, the amount included in interest income and fees related to TDR accounts was $3.5 million and $1.8 million, respectively. For the nine months ended October 31, 2015 and 2014, the amount included in interest income and fees related to TDR accounts was $10.0 million and $4.9 million, respectively.

4. Customer Accounts Receivable

Customer accounts receivable consisted of the following:

	Total Outstanding Balance					
	Customer Accounts Receivable		60 Days Past Due (1)		Re-aged (1)	
(in thousands)	October 31, 2015	January 31, 2015	October 31, 2015	January 31, 2015	October 31, 2015	January 31, 2015
Customer accounts receivable	$ 1,391,795	$ 1,277,135	$ 122,040	$ 112,365	$ 100,937	$ 94,304
Restructured accounts	109,879	88,672	30,882	20,722	109,879	88,672
Total customer portfolio balance	1,501,674	1,365,807	$ 152,922	$ 133,087	$ 210,816	$ 182,976
Allowance for uncollectible accounts	(180,533)	(146,982)				
Allowance for short-term, no-interest programs	(19,080)	(17,474)				
Total customer accounts receivable, net	1,302,061	1,201,351				
Short-term portion of customer accounts receivable, net	(706,934)	(643,094)				
Long-term portion of customer accounts receivable, net	$ 595,127	$ 558,257				
Securitized receivables held by the VIE	$ 1,142,259	$ —	$ 152,136	$ —	$ 204,670	$ —
Receivables not held by the VIE	359,415	1,365,807	786	133,087	6,146	182,976
Total customer portfolio balance	$ 1,501,674	$ 1,365,807	$ 152,922	$ 133,087	$ 210,816	$ 182,976

(1) Due to the fact that an account can become past due after having been re-aged, accounts could be represented as both past due and re-aged. As of October 31, 2015 and January 31, 2015, the amounts included within both past due and re-aged was $55.6 million and $44.9 million, respectively. As of October 31, 2015 and January 31, 2015, the total customer portfolio balance past due one day or greater was $357.8 million and $316.0 million, respectively. These amounts include the 60 days past due balances shown.

The following presents the activity in the allowance for doubtful accounts and uncollectible interest for customer receivables:

	Nine Months Ended October 31, 2015			Nine Months Ended October 31, 2014		
(in thousands)	Customer Accounts Receivable	Restructured Accounts	Total	Customer Accounts Receivable	Restructured Accounts	Total
Allowance at beginning of period	$ 118,786	$ 28,196	$ 146,982	$ 54,448	$ 17,353	$ 71,801
Provision (1)	146,587	37,710	184,297	131,806	21,903	153,709
Principal charge-offs (2)	(107,590)	(22,779)	(130,369)	(77,058)	(12,404)	(89,462)
Interest charge-offs	(19,613)	(4,153)	(23,766)	(13,807)	(2,223)	(16,030)
Recoveries (2)	2,797	592	3,389	10,896	1,754	12,650
Allowance at end of period	$ 140,967	$ 39,566	$ 180,533	$ 106,285	$ 26,383	$ 132,668
Average total customer portfolio balance	$ 1,325,324	$ 98,993	$ 1,424,317	$ 1,090,078	$ 57,715	$ 1,147,793

(1) Includes provision for uncollectible interest, which is included in finance charges and other revenues.

(2) Charge-offs include the principal amount of losses (excluding accrued and unpaid interest). Recoveries include principal collections of previously charged-off balances for both periods shown and proceeds received from selling charged off accounts to third parties during the nine months ended October 31, 2014 (we did not sell charged off accounts during the current fiscal year). Net charge-offs are calculated as the net of principal charge-offs and recoveries.

5. Accrual for Store Closures

We have closed or relocated retail locations that did not perform at a level we expect for mature store locations. Certain of the closed or relocated stores had noncancelable lease agreements, resulting in the accrual of the present value of the remaining lease payments and estimated related occupancy obligations, net of estimated sublease income. Adjustments to these projections for changes in estimated marketing times and sublease rates, as well as other revisions, are made to the obligation as further information related to the actual terms and costs become available.

The following table presents detail of the activity in the accrual for store closures:

	Nine Months Ended October 31,	
(in thousands)	**2015**	**2014**
Balance at beginning of period	$ 2,556	$ 4,316
Accrual for additional closures	318	2,595
Adjustments	(21)	(216)
Cash payments, net of sublease income	(876)	(3,880)
Balance at end of period	1,977	2,815
Current portion, included in accrued expenses	(473)	(954)
Long-term portion, included in other long-term liabilities	$ 1,504	$ 1,861

6. Debt

Debt consisted of the following:

(in thousands)	**October 31, 2015**	**January 31, 2015**
Revolving credit facility	$ —	$ 528,112
Senior Notes	227,000	250,000
Class A Notes	767,751	—
Class B Notes	165,900	—
Other debt	2,708	933
Total debt	1,163,359	779,045
Less:		
Discount on debt	(3,783)	(4,635)
Current portion of debt	(830)	(395)
Long-term debt	$ 1,158,746	$ 774,015

Senior Notes. On July 1, 2014, we issued $250.0 million of unsecured Senior Notes bearing interest at 7.250%, pursuant to an indenture dated July 1, 2014 (the "Indenture") among Conn’s, Inc., its subsidiary guarantors (the "Guarantors") and U.S. Bank National Association, as trustee. The effective interest rate of the Senior Notes after giving effect to offering fees and debt discount is 7.8%.

The Indenture restricts the Company's and certain of its subsidiaries' ability to: (i) incur indebtedness; (ii) pay dividends or make other distributions in respect of, or repurchase or redeem, our capital stock; (iii) prepay, redeem or repurchase debt that is junior in right of payment to the notes; (iv) make loans and certain investments; (v) sell assets; (vi) incur liens; (vii) enter into transactions with affiliates; and (viii) consolidate, merge or sell all or substantially all of our assets. These covenants are subject to a number of important exceptions and qualifications. During any time when the Senior Notes are rated investment grade by either of Moody's Investors Service, Inc. or Standard & Poor's Ratings Services and no Default (as defined in the Indenture) has occurred and is continuing, many of such covenants will be suspended, and we will cease to be subject to such covenants during such period.

Events of default under the Indenture include customary events, such as a cross-acceleration provision in the event that we default in the payment of other debt due at maturity or upon acceleration for default in an amount exceeding $25.0 million, as well as in the event a judgment is entered against us in excess of $25.0 million that is not discharged, bonded or insured.

The Senior Notes are fully and unconditionally guaranteed on a senior unsecured basis by the Guarantors. The only direct or indirect subsidiaries of Conn’s, Inc. that are not Guarantors are minor subsidiaries. There are no restrictions on the ability of any of the Guarantors to transfer funds to Conn’s, Inc. in the form of loans, advances or dividends, except as provided by applicable law.

On April 24, 2015, the SEC declared effective the Company’s registration statement on Form S-4 pursuant to which we exchanged the Senior Notes for an equivalent amount of 7.250% Senior Notes due July 2022 that are registered under the Securities Act of 1933, as amended (the "Exchange Notes"). The exchange offer was completed on June 1, 2015, and all of the outstanding Senior Notes were tendered in exchange for the Exchange Notes. The terms of the Exchange Notes are substantially identical to the Senior Notes.

During the three months ended October 31, 2015, we repurchased $23.0 million of face of value of the Senior Notes for $22.9 million. As a result of the bond repurchases, we had a loss on extinguishment of $0.5 million, primarily due to the write-off of related deferred costs.

In October 2015, the Company, the Guarantors and U.S. Bank National Association, as trustee, adopted, with the consent of the holders of a majority in the outstanding principal amount of the Senior Notes, the Second Supplemental Indenture (the "Supplemental Indenture"). Pursuant to the Supplemental Indenture, the Indenture was amended to extend, from May 1, 2014 to November 1, 2015, the beginning of the accounting period from which consolidated net income is calculated for purposes of determining the size of the "restricted payment basket" exception to the restricted payments limitation and to increase, from $75.0 million to $375.0 million, the dollar threshold exception to the restricted payments limitation. In November 2015, we paid approximately $3.8 million as an aggregate consent fee to the consenting holders of the Senior Notes. Such fee will be amortized over the remaining life of the Senior Notes.

Asset-backed Notes. In September 2015, the VIE issued asset-backed notes at a face amount of $1.12 billion secured by the transferred customer accounts receivables and restricted cash held by the VIE, which resulted in net proceeds to us of approximately $1.08 billion, net of transaction costs and restricted cash held by the VIE. The net proceeds were used to pay down the entire balance on our previous revolving credit facility, to repurchase shares of the Company's common stock and Senior Notes, and for other general corporate purposes. The asset-backed notes consist of the following securities:

- Asset-backed Fixed Rate Notes, Class A, Series 2015-A ("Class A Notes") in aggregate principal amount of $952.1 million that bear interest at a fixed annual rate of 4.565% and mature on September 15, 2020. The effective interest rate of the Class A Notes after giving effect to offering fees is 7.5%.
- Asset-backed Fixed Rate Notes, Class B, Series 2015-A ("Class B Notes") in aggregate principal amount of $165.9 million that bear interest at a fixed annual rate of 8.500% and mature on September 15, 2020. The effective interest rate of the Class B Notes after giving effect to offering fees is 13.3%.

The Class A Notes and Class B Notes were offered and sold to qualified institutional buyers pursuant to the exemptions from registration provided by Rule 144A under the Securities Act. If an event of default were to occur under the indenture that governs the Class A Notes and Class B Notes, the payment of the outstanding amounts will be accelerated, in which event the cash proceeds of the receivables that otherwise might be released to the residual equity holder would instead be directed entirely toward repayment of the Class A Notes and Class B Notes. The holders of the Class A Notes and Class B Notes have no recourse to assets outside of the VIE. Events of default include, but are not limited to, failure to make required payments on the notes or specified bankruptcy-related events.

Revolving Credit Facility. On October 30, 2015, Conn's, Inc. and certain of its subsidiaries (the "Borrowers") entered into the Third Amended and Restated Loan and Security Agreement with certain lenders, that provides for an $810.0 million asset-based revolving credit facility (the "revolving credit facility") under which availability is subject to a borrowing base. The amended revolving credit facility resulted in various changes, including:

- Extended the maturity date from November 25, 2017 to October 30, 2018;
- Increased the maximum total leverage ratio covenant (ratio of total liabilities less the sum of qualified cash and ABS qualified cash to tangible net worth) from 2.0x to 4.0x;
- Added a new maximum "ABS excluded" leverage ratio covenant (ratio of total liabilities (excluding liabilities of the consolidated VIE and other permitted securitization transactions) less qualified cash to tangible net worth) of 2.0x;

- Replaced the fixed charge coverage ratio covenant with a minimum interest coverage ratio covenant of 2.0x beginning with our fourth quarter of fiscal 2016;
- Reduced the maximum accounts receivable advance rate from 80% to 75%;
- Included a fourth quarter seasonal step-down in the cash recovery covenant from 4.5% to 4.25%;
- Increased the maximum inventory component of the borrowing base from $100.0 million to $175.0 million;
- Modified the conditions for repurchases of the Company’s common stock, including changes in the liquidity test and the elimination of the fixed charge coverage ratio test;
- Included a new liquidity test for repurchases and redemptions of our debt; and
- Modified our ability to effect future securitizations of our customer receivables portfolio, including removing the consent rights of the lenders and establishing set criteria for permitted securitizations.

In connection with entering into the amended revolving credit facility, we wrote-off $0.9 million of debt issuance costs related to the previous revolving credit facility for lenders that did not continue to participate. Also, we deferred $3.0 million of debt issuance costs, which will be amortized over the remaining term of the amended revolving credit facility along with the debt issuance costs remaining from the previous revolving credit facility.

Loans under the amended revolving credit facility bear interest, at our option, at a rate of LIBOR plus a margin ranging from 2.50% to 3.00% per annum (depending on quarterly average net availability under the borrowing base) or the alternate base rate plus a margin ranging from 1.50% to 2.00% per annum (depending on quarterly average net availability under the borrowing base). The alternate base rate is the greater of the prime rate announced by Bank of America, N.A., the federal funds rate plus 0.5%, or LIBOR for a 30-day interest period plus 1.0%. We also pay an unused fee on the portion of the commitments that are available for future borrowings or letters of credit at a rate ranging from 0.25% to 0.75% per annum, depending on the outstanding balance and letters of credit of the revolving credit facility.

The amended revolving credit facility provides funding based on a borrowing base calculation that includes customer accounts receivable and inventory, and provides for a $40.0 million sub-facility for letters of credit to support obligations incurred in the ordinary course of business. The obligations under the revolving credit facility are secured by substantially all assets of the Company, excluding the assets of the VIE. As of October 31, 2015, we had immediately available borrowing capacity of $269.5 million under our revolving credit facility, net of standby letters of credit issued of $1.1 million.

The revolving credit facility places restrictions on our ability to incur additional indebtedness, grant liens on assets, make distributions on equity interests, dispose of assets, make loans, pay other indebtedness, engage in mergers, and other matters. The revolving credit facility contains customary default provisions, which, if triggered, could result in acceleration of all amounts outstanding under the revolving credit facility.

Debt covenants. We were in compliance with our debt covenants at October 31, 2015. A summary of the significant financial covenants that govern our revolving credit facility compared to our actual compliance status at October 31, 2015 is presented below:

	Actual	Required Minimum/ Maximum
Leverage Ratio must not exceed maximum	1.96 to 1.00	4.00:1.00
ABS Excluded Leverage Ratio must not exceed maximum	0.65 to 1.00	2.00:1.00
Cash Recovery Percent must exceed stated amount	4.73%	4.50%
Capital Expenditures, net, must not exceed maximum	$27.7 million	$75.0 million

All capitalized terms in the above table are defined by the revolving credit facility, as amended, and may or may not agree directly to the financial statement captions in this document. The covenants are calculated quarterly, except for the Cash Recovery Percent, which is calculated monthly on a trailing three-month basis, and Capital Expenditures, which is calculated for a period of four consecutive fiscal quarters, as of the end of each fiscal quarter. The revolving credit facility is a significant factor relative to our ongoing liquidity and our ability to meet the cash needs associated with the growth of our business. Our inability to use this facility because of a failure to comply with its covenants would adversely affect our business operations.

7. Contingencies

Securities Class Action Litigation. We and two of our current executive officers are defendants in a consolidated securities class action lawsuit pending in the Southern District of Texas (the "Court"), In re Conn’s Inc. Securities Litigation, Cause No. 14-CV-00548 (the "Consolidated Securities Action"). The plaintiffs in the Consolidated Securities Action allege that the defendants made false and misleading statements and/or failed to disclose material adverse facts about our business, operations, and prospects. They allege violations of sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder and seek to certify a class of all persons and entities that purchased or otherwise acquired Conn’s common stock and/or call options, or sold/wrote Conn’s put options between April 3, 2013 and December 9, 2014. The complaint does not specify the amount of damages sought.

On June 30, 2015, the Court held a hearing on the defendants’ motion to dismiss plaintiffs’ complaint. At the hearing, the Court dismissed Brian Taylor, a former executive officer, and certain other aspects of the complaint. The Court ordered the plaintiffs to further amend their complaint in accordance with its ruling, and the plaintiffs filed their Fourth Consolidated Amended Complaint on July 21, 2015. The remaining defendants filed a motion to dismiss on August 28, 2015. The briefing on the defendant’s motion to dismiss is fully briefed and pending with the Court.

The defendants intend to vigorously defend against all of these claims. It is not possible at this time to predict the timing or outcome of any of this litigation.

Derivative Litigation. On December 1, 2014, an alleged shareholder filed, purportedly on behalf of the Company, a derivative shareholder lawsuit against us and certain of our current and former directors and executive officers in the United States District Court for the Southern District of Texas captioned Robert Hack, derivatively on behalf of Conn’s, Inc., v. Theodore M. Wright, Bob L. Martin, Jon E.M. Jacoby, Kelly M. Malson, Douglas H. Martin, David Schofman, Scott L. Thompson, Brian Taylor, a former executive officer, and Michael J. Poppe and Conn’s, Inc., Case No. 4:14-cv-03442 (the "Original Derivative Action"). The complaint asserts claims for breach of fiduciary duty, unjust enrichment, gross mismanagement, and insider trading based on substantially similar factual allegations as those asserted in the Consolidated Securities Action. The plaintiff seeks unspecified damages against these persons and does not request any damages from us. The court approved a stipulation among the parties to stay the action pending resolution of the motion to dismiss in the Consolidated Securities Action, and the parties have requested that the Court extend the stay pending resolution of the anticipated motion to dismiss.

Another derivative action was filed on January 27, 2015, captioned, Richard A. Dohn v. Wright, et al., Cause No. 2015-04405, filed in the 281st District Court, Harris County, Texas. This action makes substantially similar allegations to the Original Derivative Action against the same defendants. The parties have entered into an agreed stay pending resolution of the motion to dismiss in the Consolidated Securities Action.

On February 25, 2015, a third derivative action was filed in the United States District Court for the Southern District of Texas, captioned 95250 Canada LTEE, derivatively on Behalf of Conn’s, Inc. v. Wright et al., Cause No. 4:15-cv-00521. This action makes substantially similar allegations to the Original Derivative Action. On March 30, 2015, the plaintiffs in this action and the Original Derivative Action filed a joint motion to consolidate these two derivative actions, which is still pending.

None of the plaintiffs in any of the derivative actions made a demand on our Board of Directors prior to filing their respective lawsuits. The defendants in the derivative actions intend to vigorously defend against these claims.

Regulatory Matters. We are continuing to cooperate with the SEC’s investigation which generally relates to our underwriting policies and bad debt provisions. The investigation is a non-public, fact-finding inquiry, and the SEC has stated that the investigation does not mean that any violations of law have occurred.

In addition, we are involved in other routine litigation and claims incidental to our business from time to time which, individually or in the aggregate are not expected to have a material adverse effect on our financial position, results of operations or cash flows. As required, we accrue estimates of the probable costs for the resolution of these matters. These estimates have been developed in consultation with counsel and are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. 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.

8. Variable Interest Entity

In September 2015, we securitized $1.4 billion of customer accounts receivables by transferring the receivables to the VIE. The VIE issued asset-backed notes at a face amount of $1.12 billion secured by the transferred portfolio balance. Under the terms of the securitization transaction, the customer receivable principal and interest payment cash flows will go first to the servicer and the holders of the Class A Notes and Class B Notes, and then to the residual equity holder. We retain the servicing of the securitized portfolio and are receiving a monthly fee of 4.75% (annualized) based on the outstanding balance of the securitized receivables, and we currently hold all of the residual equity. In addition, we will retain, rather than the VIE, all credit insurance income together with certain recoveries related to credit insurance and repair service agreements on charge-offs of the securitized receivables, which will continue to be reflected as a reduction of net charge-offs on a consolidated basis for as long as we consolidate the VIE.

The following presents the assets and liabilities held by the VIE and that are included in our consolidated balance sheet:

(in thousands)	**October 31, 2015**	**January 31, 2015**
Assets:		
Customer accounts receivable:		
Customer accounts receivable	$ 1,037,645	$ —
Restructured accounts	104,614	—
Allowance for uncollectible accounts	(161,343)	—
Allowance for short-term, no-interest programs	(16,414)	—
Total customer accounts receivable, net	964,502	—
Restricted cash	97,924	—
Deferred debt issuance costs	23,109	—
Total assets	**$ 1,085,535**	**$ —**
Liabilities:		
Accrued interest	$ 2,048	$ —
Due to Conn's, Inc., net	2,434	—
Deferred interest income	6,461	—
Long-term debt:		
Class A Notes	767,751	—
Class B Notes	165,900	—
Total long-term debt	933,651	—
Total liabilities	**$ 944,594**	**$ —**

The assets of the VIE serve as collateral for the obligations of the VIE. The holders of the Class A Notes and Class B Notes have no recourse to assets outside of the VIE.

9. Segment Reporting

Financial information by segment is presented in the following tables:

	Three Months Ended October 31, 2015			Three Months Ended October 31, 2014		
(in thousands)	Retail	Credit	Total	Retail	Credit	Total
Revenues:						
Furniture and mattress	$ 105,735	$ —	$ 105,735	$ 86,820	$ —	$ 86,820
Home appliance	86,434	—	86,434	82,811	—	82,811
Consumer electronic	70,263	—	70,263	73,722	—	73,722
Home office	26,108	—	26,108	28,380	—	28,380
Other	4,582	—	4,582	6,406	—	6,406
Product sales	293,122	—	293,122	278,139	—	278,139
Repair service agreement commissions	26,038	—	26,038	23,056	—	23,056
Service revenues	3,474	—	3,474	3,414	—	3,414
Total net sales	322,634	—	322,634	304,609	—	304,609
Finance charges and other revenues	416	72,183	72,599	531	64,918	65,449
Total revenues	**323,050**	**72,183**	**395,233**	**305,140**	**64,918**	**370,058**
Costs and expenses:						
Cost of goods sold, including warehousing and occupancy costs	186,807	—	186,807	178,976	—	178,976
Cost of service parts sold, including warehousing and occupancy costs	1,463	—	1,463	1,525	—	1,525
Delivery, transportation and handling costs	14,631	—	14,631	13,216	—	13,216
Selling, general and administrative expenses (1)	81,484	32,184	113,668	73,220	26,126	99,346
Provision for bad debts	120	58,088	58,208	54	71,965	72,019
Charges and credits	2,540	—	2,540	355	—	355
Total costs and expense	**287,045**	**90,272**	**377,317**	**267,346**	**98,091**	**365,437**
Operating income (loss)	**36,005**	**(18,089)**	**17,916**	**37,794**	**(33,173)**	**4,621**
Interest expense	—	19,702	19,702	—	8,950	8,950
Loss on extinguishment of debt	—	1,367	1,367	—	—	—
Income (loss) before income taxes	**$ 36,005**	**$ (39,158)**	**$ (3,153)**	**$ 37,794**	**$ (42,123)**	**$ (4,329)**

	Nine Months Ended October 31, 2015			Nine Months Ended October 31, 2014		
(in thousands)	**Retail**	**Credit**	**Total**	**Retail**	**Credit**	**Total**
Revenues:						
Furniture and mattress	$ 294,119	$ —	$ 294,119	$ 249,085	$ —	$ 249,085
Home appliance	267,796	—	267,796	244,281	—	244,281
Consumer electronic	211,375	—	211,375	209,110	—	209,110
Home office	71,033	—	71,033	76,377	—	76,377
Other	14,164	—	14,164	17,672	—	17,672
Product sales	858,487	—	858,487	796,525	—	796,525
Repair service agreement commissions	77,590	—	77,590	64,042	—	64,042
Service revenues	9,982	—	9,982	9,952	—	9,952
Total net sales	946,059	—	946,059	870,519	—	870,519
Finance charges and other revenues	1,224	209,076	210,300	1,340	186,611	187,951
Total revenues	**947,283**	**209,076**	**1,156,359**	**871,859**	**186,611**	**1,058,470**
Costs and expenses:						
Cost of goods sold, including warehousing and occupancy costs	547,403	—	547,403	508,475	—	508,475
Cost of service parts sold, including warehousing and occupancy costs	4,325	—	4,325	4,815	—	4,815
Delivery, transportation and handling costs	40,767	—	40,767	38,543	—	38,543
Selling, general and administrative expenses (1)	226,394	87,781	314,175	206,559	74,967	281,526
Provision for bad debts	513	156,884	157,397	98	133,764	133,862
Charges and credits	4,172	—	4,172	3,601	—	3,601
Total costs and expense	**823,574**	**244,665**	**1,068,239**	**762,091**	**208,731**	**970,822**
Operating income (loss)	**123,709**	**(35,589)**	**88,120**	**109,768**	**(22,120)**	**87,648**
Interest expense	—	39,185	39,185	—	19,921	19,921
Loss on extinguishment of debt	—	1,367	1,367	—	—	—
Income (loss) before income taxes	**$ 123,709**	**$ (76,141)**	**$ 47,568**	**$ 109,768**	**$ (42,041)**	**$ 67,727**

(1) Selling, general and administrative expenses include the direct expenses of the retail and credit operations, allocated overhead expenses and a charge to the credit segment to reimburse the retail segment for expenses it incurs related to occupancy, personnel, advertising and other direct costs of the retail segment that benefit the credit operations by sourcing credit customers and collecting payments. The reimbursement received by the retail segment from the credit segment is estimated using an annual rate of 2.5% times the average portfolio balance for each applicable period. The amount of overhead allocated to each segment was $3.7 million and $2.8 million for the three months ended October 31, 2015 and 2014, respectively, and $10.6 million and $8.7 million for the nine months ended October 31, 2015 and 2014, respectively. The amount of reimbursement made to the retail segment by the credit segment was $9.3 million and $7.7 million for the three months ended October 31, 2015 and 2014, respectively, and $26.7 million and $21.5 million for the nine months ended October 31, 2015 and 2014, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. Such forward-looking statements include information concerning our future financial performance, business strategy, plans, goals and objectives. Statements containing the words "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "project," "should," or the negative of such terms or other similar expressions are generally forward-looking in nature and not historical facts. We can give no assurance that such statements will prove to be correct, and actual results may differ materially. A wide variety of potential risks, uncertainties, and other factors could materially affect the Company's ability to achieve the results either expressed or implied by the Company's forward-looking statements including, but not limited to: general economic conditions impacting the Company's customers or potential customers; the Company's ability to execute periodic securitizations of future originated customer loans including the sale of any remaining residual equity on favorable terms; the Company's ability to continue existing customer financing programs or to offer new customer financing programs; changes in the delinquency status of the Company's credit portfolio; unfavorable developments in ongoing litigation; increased regulatory oversight; higher than anticipated net charge-offs in the credit portfolio; the success of the Company's planned opening of new stores; technological and market developments and sales trends for the Company's major product offerings; the Company's ability to protect against cyber-attacks or data security breaches and to protect the integrity and security of individually identifiable data of the Company's customers and employees; the Company's ability to fund its operations, capital expenditures, debt repayment and expansion from cash flows from operations, borrowings from the Company's revolving credit facility, and proceeds from accessing debt or equity markets; the ability to continue the repurchase program; and other risks detailed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended January 31, 2015 and Part II, "Item 1A. Risk Factors" in this Quarterly Report. If one or more of these or other risks or uncertainties materialize (or the consequences of such a development changes), or should our underlying assumptions prove incorrect, actual outcomes may vary materially from those reflected in our forward-looking statements. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. We disclaim any intention or obligation to update publicly or revise such statements, whether as a result of new information, future events or otherwise. All forward-looking statements attributable to us, or to persons acting on our behalf, are expressly qualified in their entirety by these cautionary statements.

The Company makes available in the investor relations section of its website at ir.conns.com updated monthly reports to the holders of its asset-backed notes. This information reflects the performance of the securitized portfolio only, in contrast to the financial statements contained herein, which reflect the performance of all of the Company's outstanding receivables, including those originated subsequent to those included in the securitized portfolio. The website and the information contained on our website is not incorporated in this Quarterly Report on Form 10-Q or any other document filed with the SEC.

Overview

We encourage you to read this Management's Discussion and Analysis of Financial Condition and Results of Operations in conjunction with the accompanying consolidated financial statements and related notes. Our fiscal year ends on January 31. References to a fiscal year refer to the calendar year in which the fiscal year ends.

Executive Summary

Total revenues increased to $395.2 million for the three months ended October 31, 2015, compared to $370.1 million for the three months ended October 31, 2014. The increase in total revenue was primarily driven by new store openings, partially offset by store closures, as well as an increase in credit revenue as a result of growth in the average balance of the customer receivable portfolio partially offset by a 110 basis point decrease in portfolio yield. Retail same store sales were flat for the third quarter of fiscal 2016. Excluding the impact of our strategic decision to exit video game products, digital cameras, and certain tablets, same store sales for the quarter increased 3.8%.

Retail gross margin for the three months ended October 31, 2015 was 41.5%, an increase of 90 basis points over the 40.6% reported in the comparable quarter last year. The increase in retail margin was driven by favorable shift in product mix and higher retrospective commissions on repair service agreements.

Delivery, transportation and handling costs as a percentage of product sales and repair service agreement commissions (the same basis used for calculating retail margins) was 4.6%, an increase of 20 basis points over 4.4% in the previous year. The increase was primarily driven by higher costs as a result of the shift in product sales mix.

Selling, general and administrative expenses ("SG&A") for the three months ended October 31, 2015 was $113.7 million, an increase of $14.3 million, or 14.4%, over the same prior year period. The SG&A increase in the retail segment was primarily due to the opening of new stores resulting in higher sales-driven compensation and facility-related costs. The SG&A increase in the credit segment is the result of the addition of collections personnel to service the 19.8% increase in the customer receivable portfolio balance and anticipated near-term portfolio growth.

Provision for bad debts for the three months ended October 31, 2015 was $58.2 million, a decrease of $13.8 million from the same prior year period. The provision for bad debts for the three months ended October 31, 2014, included an adjustment due to expectations for higher charge-offs occurring at a faster pace than previously anticipated and the decision to pursue collection of past and future charged-off accounts internally rather than selling charged-off accounts to a third party. Key factors in determining the provision for bad debts for the three months ended October 31, 2015 included the following:

- A 21.6% increase in the average receivable portfolio balance resulting from new store openings over the past 12 months;
- A 15.9% increase in the balances originated during the quarter compared to the prior year quarter;
- An increase of 20 basis points in the percentage of customer accounts receivable balances greater than 60 days delinquent to 10.2% at October 31, 2015 as compared to the prior year period; and
- The balance of customer receivables accounted for as troubled debt restructurings increased to $109.9 million, or 7.3% of the total portfolio balance, driving $3.8 million of additional provision for bad debts.

Interest expense increased to $19.7 million for the three months ended October 31, 2015, compared to $9.0 million for the three months ended October 31, 2014, reflecting the increase in outstanding debt and an increase in our effective interest rate due to the issued asset-backed notes by our consolidated VIE.

Net loss for the three months ended October 31, 2015 was $2.4 million, or $0.07 loss per diluted share, which included net charges of $2.5 million, or $0.06 per diluted share on an after-tax basis, primarily from legal and professional fees related to the exploration of strategic alternatives and securities-related litigation and executive management transition costs, and loss on extinguishment of debt of $1.4 million, or $0.03 per diluted share on an after-tax basis. This compares to net loss for the three months ended October 31, 2014 of $3.1 million, or $0.08 loss per diluted share, which included net charges of $0.4 million, or $0.01 per diluted share on an after-tax basis, primarily related to legal and professional fees related to the exploration of strategic alternatives and securities-related litigation.

Recent Developments and Operational Changes

We continue to take actions to transform the capital structure of the business and to position us to execute our growth strategies while reducing risk and enhancing shareholder value. As previously announced, these actions include the securitization transaction, which allowed additional authorization to repurchase securities supported by amended debt instruments. Additional details are as follows:

Securitization Transaction

- We securitized $1.4 billion of retail installment contract receivables, which resulted in net proceeds to the Company of approximately $1.08 billion.
- During the third quarter of fiscal 2016, the securitized portfolio generated a $7.6 million return on capital for the residual equity interest.
- We intend to execute periodic securitizations of future originated customer loans, including the possible sale of any remaining residual equity, and to retain origination and servicing of contracts.

Repurchase of Securities

- On September 9, 2015, we announced that the Board of Directors authorized the repurchase of up to a total of $75.0 million of outstanding shares of its common stock and/or its Senior Notes. During the three months ended October 31, 2015, we purchased 1.9 million shares of common stock, using $51.6 million of the repurchase authorization. Additionally, we utilized $22.9 million of the repurchase authorization to acquire $23.0 million of face of value of our Senior Notes.
- On November 2, 2015, we announced that the Board of Directors authorized an additional $100.0 million towards the repurchase program for the repurchase of outstanding shares of its common stock and/or its Senior Notes.
- Subsequent to October 31, 2015, we purchased 3.3 million additional shares of common stock, using $80.6 million of the $100.0 million repurchase authorization, with no additional repurchases of Senior Notes.
- The repurchase program underscores our confidence in our long-term growth prospects, consistent with our overall commitment to generate continued profitable growth and enhanced long-term shareholder value.

Amended Senior Notes

- In October 2015, the Senior Notes were amended to extend, from May 1, 2014 to November 1, 2015, the beginning of the accounting period from which consolidated net income is calculated for purposes of determining the size of the "restricted payment basket" exception to the restricted payments limitation and to increase, from $75.0 million to $375.0 million, the dollar threshold exception to the restricted payments limitation.

Amended Revolving Credit Facility

- In October 2015, the revolving credit facility was amended with certain lenders, that provides for an $810.0 million facility under which availability is subject to a borrowing base.
- The amended revolving credit facility resulted in various changes, including the following:
  - Extended the maturity date from November 25, 2017 to October 30, 2018.
  - Increased total leverage ratio covenant from 2.0x to 4.0x.
  - Eliminated the fixed charge coverage ratio covenant and replaced it with an interest coverage ratio covenant.
  - Added a new minimum liquidity requirement for repurchases of the Company's outstanding shares of common stock, notes and other debt prepayments, which, combined with the new total leverage ratio covenant, is expected to provide the Company greater flexibility for repurchases.

Company Initiatives

We have continued to focus on initiatives that we believe should positively impact future results, including:

- During the nine months ended October 31, 2015, we opened thirteen new stores in Arizona (1), Colorado (1), Georgia (1), Nevada (1), North Carolina (6), South Carolina (1), Tennessee (1) and Texas (1);
- During fiscal year 2016, we have discontinued offering video game products, digital cameras, and certain tablets, which have lower gross margins and higher delinquency rates when compared to our other product offerings. During fiscal year 2015, net sales and product margin from the sale of these products were approximately $50.0 million and $5.0 million, respectively;
- Expanding and enhancing our product offering of higher-margin furniture and mattresses;
- Focusing on quality, branded products to improve operating performance;
- Growing our appliance business by focused advertising, promotions and delivery options;
- Continuing to review and modify our underwriting standards to improve the overall quality of our credit portfolio; and
- Revising our re-aging policies, as appropriate, and focusing on further improvement of execution within our collection operations to reduce delinquency rates and future charge-offs.

Outlook

We believe the broad appeal of the Conn's store to our geographically diverse core demographic, the historical unit economics and current retail real estate market conditions provide us ample room for continued expansion. We plan to open approximately 2 new stores during the fourth quarter of fiscal year 2016 for a total of approximately 15 new stores for fiscal 2016 and 22 to 25 stores during fiscal 2017. There are many markets in the United States with similar demographic characteristics as our current successful store base, which provides substantial opportunities for future growth. We plan to continue to improve our operating results by leveraging our existing infrastructure and seeking to continually optimize the efficiency of our marketing, merchandising, sourcing, distribution and credit operations. As we penetrate new markets, we expect to increase our purchase volumes, achieve distribution efficiencies and strengthen our relationships with our key vendors. We also expect our increased store base and higher net sales to further leverage our existing corporate and regional infrastructure.

Results of Operations

The following tables present certain financial and other information, on a consolidated and segment basis:

Consolidated: *(in thousands)*	**Three Months Ended October 31, 2015**	**2014**	**Change**	**Nine Months Ended October 31, 2015**	**2014**	**Change**
Revenues:						
Total net sales	$ 322,634	$ 304,609	$ 18,025	$ 946,059	$ 870,519	$ 75,540
Finance charges and other revenues	72,599	65,449	7,150	210,300	187,951	22,349
Total revenues	**395,233**	**370,058**	**25,175**	**1,156,359**	**1,058,470**	**97,889**
Costs and expenses: [1]						
Cost of goods sold, including warehousing and occupancy costs	186,807	178,976	7,831	547,403	508,475	38,928
Cost of service parts sold, including warehousing and occupancy costs	1,463	1,525	(62)	4,325	4,815	(490)
Delivery, transportation and handling costs [2]	14,631	13,216	1,415	40,767	38,543	2,224
Selling, general and administrative expenses	113,668	99,346	14,322	314,175	281,526	32,649
Provision for bad debts	58,208	72,019	(13,811)	157,397	133,862	23,535
Charges and credits	2,540	355	2,185	4,172	3,601	571
Total costs and expenses	**377,317**	**365,437**	**11,880**	**1,068,239**	**970,822**	**97,417**
Operating income	**17,916**	**4,621**	**13,295**	**88,120**	**87,648**	**472**
Interest expense	19,702	8,950	10,752	39,185	19,921	19,264
Loss on extinguishment of debt	1,367	—	1,367	1,367	—	1,367
Income (loss) before income taxes	**(3,153)**	**(4,329)**	**1,176**	**47,568**	**67,727**	**(20,159)**
Provision (benefit) for income taxes	(732)	(1,265)	533	17,774	24,672	(6,898)
Net income (loss)	**$ (2,421)**	**$ (3,064)**	**$ 643**	**$ 29,794**	**$ 43,055**	**$ (13,261)**

Retail Segment: *(in thousands)*	Three Months Ended October 31, 2015	2014	Change	Nine Months Ended October 31, 2015	2014	Change
Revenues:						
Product sales	$ 293,122	$ 278,139	$ 14,983	$ 858,487	$ 796,525	$ 61,962
Repair service agreement commissions	26,038	23,056	2,982	77,590	64,042	13,548
Service revenues	3,474	3,414	60	9,982	9,952	30
Total net sales	322,634	304,609	18,025	946,059	870,519	75,540
Other revenues	416	531	(115)	1,224	1,340	(116)
Total revenues	**323,050**	**305,140**	**17,910**	**947,283**	**871,859**	**75,424**
Costs and expenses: (1)						
Cost of goods sold, including warehousing and occupancy costs	186,807	178,976	7,831	547,403	508,475	38,928
Cost of service parts sold, including warehousing and occupancy costs	1,463	1,525	(62)	4,325	4,815	(490)
Delivery, transportation and handling costs (2)	14,631	13,216	1,415	40,767	38,543	2,224
Selling, general and administrative expenses (3)	81,484	73,220	8,264	226,394	206,559	19,835
Provision for bad debts	120	54	66	513	98	415
Charges and credits	2,540	355	2,185	4,172	3,601	571
Total costs and expenses	**287,045**	**267,346**	**19,699**	**823,574**	**762,091**	**61,483**
Operating income	**$ 36,005**	**$ 37,794**	**$ (1,789)**	**$ 123,709**	**$ 109,768**	**$ 13,941**
Number of stores:						
Beginning of period	95	86		90	79	
Open	6	6		13	16	
Closed	—	(3)		(2)	(6)	
End of period	101	89		101	89	

Credit Segment: *(in thousands)*	Three Months Ended October 31, 2015	2014	Change	Nine Months Ended October 31, 2015	2014	Change
Revenues -						
Finance charges and other revenues	**$ 72,183**	**$ 64,918**	**$ 7,265**	**$ 209,076**	**$ 186,611**	**$ 22,465**
Costs and expenses:						
Selling, general and administrative expenses (3)	32,184	26,126	6,058	87,781	74,967	12,814
Provision for bad debts	58,088	71,965	(13,877)	156,884	133,764	23,120
Total cost and expenses	**90,272**	**98,091**	**(7,819)**	**244,665**	**208,731**	**35,934**
Operating loss	**(18,089)**	**(33,173)**	**15,084**	**(35,589)**	**(22,120)**	**(13,469)**
Interest expense	19,702	8,950	10,752	39,185	19,921	19,264
Loss on extinguishment of debt	1,367	—	1,367	1,367	—	1,367
Loss before income taxes	**$ (39,158)**	**$ (42,123)**	**$ 2,965**	**$ (76,141)**	**$ (42,041)**	**$ (34,100)**

(1) The presentation of our costs and expenses may not be comparable to other retailers since we do not include the cost of delivery, transportation and handling costs as part of cost of goods. Similarly, we include the cost of merchandising our products, including amounts related to purchasing the product, in selling, general and administrative expense. Other retailers may include such costs as part of cost of goods.

(2) Delivery, transportation and handling costs, previously included in selling, general and administrative expenses, are shown separately.

(3) SG&A includes the direct expenses of the retail and credit operations, allocated overhead expenses and a charge to the credit segment to reimburse the retail segment for expenses it incurs related to occupancy, personnel, advertising and other direct costs of the retail segment that benefit the credit operations by sourcing credit customers and collecting payments.

The reimbursement received by the retail segment from the credit segment is estimated using an annual rate of 2.5% times the average portfolio balance for each applicable period. The amount of overhead allocated to each segment was $3.7 million and $2.8 million for the three months ended October 31, 2015 and 2014, respectively, $10.6 million and $8.7 million for the nine months ended October 31, 2015 and 2014, respectively. The amount of reimbursement made to the retail segment by the credit segment was $9.3 million and $7.7 million for the three months ended October 31, 2015 and 2014, respectively, $26.7 million and $21.5 million for the nine months ended October 31, 2015 and 2014, respectively.

Three months ended October 31, 2015 compared to three months ended October 31, 2014

Revenues. The following table provides an analysis of retail net sales by product category in each period, including repair service agreement commissions and service revenues, expressed both in dollar amounts and as a percent of total net sales:

	Three Months Ended October 31,					%	Same store
(dollars in thousands)	2015	% of Total	2014	% of Total	Change	Change	% change
Furniture and mattress	$ 105,735	32.7%	$ 86,820	28.5%	$ 18,915	21.8 %	11.6 %
Home appliance	86,434	26.8	82,811	27.2	3,623	4.4	0.5
Consumer electronic	70,263	21.8	73,722	24.2	(3,459)	(4.7)	(9.1)
Home office	26,108	8.1	28,380	9.3	(2,272)	(8.0)	(11.0)
Other	4,582	1.4	6,406	2.1	(1,824)	(28.5)	(28.3)
Product sales	293,122	90.8	278,139	91.3	14,983	5.4	(0.5)
Repair service agreement commissions	26,038	8.1	23,056	7.6	2,982	12.9	3.2
Service revenues	3,474	1.1	3,414	1.1	60	1.8	
Total net sales	$ 322,634	100.0%	$ 304,609	100.0%	$ 18,025	5.9 %	— %

The following provides a summary of items impacting the performance of our product categories during the quarter compared to the prior year period:

- Furniture unit volume increased 28.7%, partially offset by a 3.8% decrease in average selling price;
- Mattress unit volume increased 31.2%, partially offset by an 8.0% decrease in average selling price;
- Home appliance unit volume increased 4.8% with average selling price remaining flat. Refrigeration sales increased 4.6% and cooking sales increased by 10.6%, with laundry sales remaining flat;
- Consumer electronic unit volume decreased 11.7%, partially offset by an 8.8% increase in average selling price. Television sales increased 5.8% as average selling price increased 8.8%, partially offset by a 2.7% decrease in unit volume. Excluding the impact from exiting video game products and digital cameras, consumer electronics same store sales were flat driven by flat same store sales for television;
- Home office unit volume decreased 14.3%, partially offset by an 8.0% increase in average selling price. Excluding the impact from exiting certain tablets, home office same store sales were flat; and
- The increase in repair service agreement commissions was driven by improved program performance resulting in higher retrospective commissions and increased retail sales.

The following table provides the change of the components of finance charges and other revenues:

	Three Months Ended October 31,		
(in thousands)	2015	2014	Change
Interest income and fees	$ 58,961	$ 52,142	$ 6,819
Insurance commissions	13,222	12,777	445
Other revenues	416	530	(114)
Finance charges and other revenues	$ 72,599	$ 65,449	$ 7,150

Interest income and fees of the credit segment increased over the prior year primarily driven by a 21.6% increase in the average balance of the portfolio. Portfolio interest income and fee yield on an annualized basis declined 110 basis points year-over-year primarily as a result of the introduction of 18- and 24-month equal-payment, no-interest finance programs beginning in October

2014 to certain higher credit quality borrowers, which we discount to present value upon origination, resulting in a reduction in sales and customer receivables, and the discount amount is amortized into finance charges and other revenues over the term of the contract at a lower rate than the average yield on the rest of the portfolio. Portfolio interest income and fee yield was also negatively impacted by higher provision for uncollectible interest and our discontinuation of charging customers certain payment fees.

The following table provides key portfolio performance information:

	Three Months Ended October 31,	
(dollars in thousands)	**2015**	**2014**
Interest income and fees	$ 58,961	$ 52,142
Net charge-offs	(43,766)	(27,064)
Interest expense	(19,702)	(8,950)
Net portfolio yield	$ (4,507)	$ 16,128
Average portfolio balance	$ 1,484,972	$ 1,220,935
Interest income and fee yield % (annualized)	15.8%	16.9%
Net charge-off % (annualized)	11.8%	8.9%

Cost of Goods and Service Parts Sold and Gross Margin

	Three Months Ended October 31,		
(dollars in thousands)	**2015**	**2014**	**Change**
Cost of goods sold, including warehousing and occupancy costs	$ 186,807	$ 178,976	$ 7,831
Product gross margin percentage	36.3%	35.7%	
Cost of service parts sold, including warehousing and occupancy costs	$ 1,463	$ 1,525	$ (62)
Service gross margin percentage	57.9%	55.3%	

Product gross margin increased 60 basis points for the three months ended October 31, 2015 from the same prior year period primarily due to a favorable shift in product mix, partially offset by unleveraged warehousing costs.

Delivery, Transportation and Handling Costs

	Three Months Ended October 31,		
(dollars in thousands)	**2015**	**2014**	**Change**
Delivery, transportation and handling costs	$ 14,631	$ 13,216	$ 1,415
As a percent of retail product sales and repair service agreement commissions	4.6%	4.4%	

The increase in delivery, transportation and handling costs as a percentage of product sales and repair service agreement commissions in the retail segment was primarily driven by higher costs as a result of the shift in product sales mix.

Selling, General and Administrative Expenses

	Three Months Ended October 31,		
(dollars in thousands)	**2015**	**2014**	**Change**
Selling, general and administrative expenses:			
Retail segment	$ 81,484	$ 73,220	$ 8,264
Credit segment	32,184	26,126	6,058
Selling, general and administrative expenses - Consolidated	$ 113,668	$ 99,346	$ 14,322
As a percent of total revenues	28.8%	26.8%	

The SG&A increase in the retail segment was primarily due to the opening of new stores with higher sales-driven compensation and facility-related costs and, as a percent of segment revenues, resulted in an increase of 120 basis points as compared to the prior year period.

The increase in SG&A for the credit segment was driven by the addition of collections personnel to service the 21.6% year-over-year increase in the average customer portfolio balance and anticipated near-term portfolio growth. As a percent of average total customer portfolio balance (annualized), SG&A for the credit segment in the current period increased 10 basis points as compared to the prior year period due to the leverage achieved on a higher portfolio balance.

Provision for Bad Debts

	Three Months Ended October 31,		
(dollars in thousands)	2015	2014	Change
Provision for bad debts:			
Retail segment	$ 120	$ 54	$ 66
Credit segment	58,088	71,965	(13,877)
Provision for bad debts - Consolidated	$ 58,208	$ 72,019	$ (13,811)
Provision for bad debts - Credit segment, as a percent of average portfolio balance (annualized)	15.6%	23.6%	

Provision for bad debts for the three months ended October 31, 2015 was $58.2 million, a decrease of $13.8 million from the same prior year period. The provision for bad debts for the three months ended October 31, 2014, included an adjustment due to expectations for higher charge-offs occurring at a faster pace than previously anticipated and the decision to pursue collection of past and future charged-off accounts internally rather than selling charged-off accounts to a third party. Key factors in determining the provision for bad debts for the three months ended October 31, 2015 included the following:

- A 21.6% increase in the average receivable portfolio balance resulting from new store openings over the past 12 months;
- A 15.9% increase in the balances originated during the quarter compared to the prior year quarter;
- An increase of 20 basis points in the percentage of customer accounts receivable balances greater than 60 days delinquent to 10.2% at October 31, 2015 as compared to the prior year period; and
- The balance of customer receivables accounted for as troubled debt restructurings increased to $109.9 million, or 7.3% of the total portfolio balance, driving $3.8 million of additional provision for bad debts.

Charges and Credits

	Three Months Ended October 31,		
(in thousands)	2015	2014	Change
Store and facility closure and relocation costs	$ 212	$ (141)	$ 353
Legal and professional fees related to the exploration of strategic alternatives and securities-related litigation	999	496	503
Executive management transition costs	1,329	—	1,329
	$ 2,540	$ 355	$ 2,185

During the three months ended October 31, 2015, we had costs associated with legal and professional fees related to our exploration of strategic alternatives (including our securitization transaction), our securities-related litigation, and transition costs due to changes in the executive management team. During the three months ended October 31, 2014, we recorded a net credit related to store closures and relocations due to the revision of estimated lease termination and other costs, and had costs associated with legal and professional fees related to our exploration of strategic alternatives and our class action litigation.

Interest Expense

Net interest expense for the three months ended October 31, 2015 increased $10.8 million from the prior year comparative period primarily reflecting the increase in outstanding debt and an increase in our effective interest rate due to the issued asset-backed notes by our consolidated VIE.

Loss on Extinguishment of Debt

During the three months ended October 31, 2015, we repurchased $23.0 million of face of value of the Senior Notes for $22.9 million, which resulted in a loss on extinguishment of $0.5 million, primarily due to the write-off of related deferred costs. Also, in connection with entering into the amended revolving credit facility, we wrote-off $0.9 million of debt issuance costs related to the previous revolving credit facility for lenders that did not continue to participate.

Provision for Income Taxes

	Three Months Ended October 31,		
(dollars in thousands)	**2015**	**2014**	**Change**
Provision (benefit) for income taxes	$ (732)	$ (1,265)	$ 533
As a percent of income (loss) before income taxes	23.2%	29.2%	

The decrease in the income tax rate for the three months ended October 31, 2015 was impacted by a higher portion of the tax from state margin taxes.

Nine months ended October 31, 2015 compared to nine months ended October 31, 2014

Revenues. The following table provides an analysis of retail net sales by product category in each period, including repair service agreement commissions and service revenues, expressed both in dollar amounts and as a percent of total net sales:

	Nine Months Ended October 31,					%	Same store
(dollars in thousands)	**2015**	**% of Total**	**2014**	**% of Total**	**Change**	**Change**	**% change**
Furniture and mattress	$ 294,119	31.1%	$ 249,085	28.6%	$ 45,034	18.1 %	6.8 %
Home appliance	267,796	28.3	244,281	28.1	23,515	9.6	5.0
Consumer electronic	211,375	22.3	209,110	24.0	2,265	1.1	(4.9)
Home office	71,033	7.5	76,377	8.8	(5,344)	(7.0)	(11.8)
Other	14,164	1.5	17,672	2.0	(3,508)	(19.9)	(22.0)
Product sales	858,487	90.7	796,525	91.5	61,962	7.8	0.4
Repair service agreement commissions	77,590	8.2	64,042	7.4	13,548	21.2	5.9
Service revenues	9,982	1.1	9,952	1.1	30	0.3	
Total net sales	$ 946,059	100.0%	$ 870,519	100.0%	$ 75,540	8.7 %	1.0 %

The following provides a summary of items impacting the performance of our product categories during the year compared to the prior year period:

- Furniture unit volume increased 23.1%, partially offset by a 3.3% decrease in average selling price;
- Mattress unit volume increased 25.3%, partially offset by a 5.7% decrease in average selling price;
- Home appliance unit volume increased 13.0%, partially offset by a 2.7% decrease in average selling price. Refrigeration sales increased 9.8%, laundry sales increased 6.2%, and cooking sales increased by 14.0%;
- Consumer electronic average selling price increased by 13.3%, partially offset by a 10.2% decrease in unit volume. Television sales increased 8.6% as average selling price increased 12.7%, partially offset by a 3.6% decrease in unit volume. Excluding the impact from exiting video game products and digital cameras, consumer electronics same store sales increased 1.0% with an increase in television same store sales of 1.9%;
- Home office unit volume decreased 15.3%, partially offset by a 10.2% increase in average selling price. Excluding the impact from exiting certain tablets, home office same store sales decreased 0.8%; and
- The increase in repair service agreement commissions was driven by improved program performance resulting in higher retrospective commissions and increased retail sales.

The following table provides the change of the components of finance charges and other revenues:

	Nine Months Ended October 31,		
(in thousands)	**2015**	**2014**	**Change**
Interest income and fees	$ 171,763	$ 150,858	$ 20,905
Insurance commissions	37,313	35,753	1,560
Other revenues	1,224	1,340	(116)
Finance charges and other revenues	$ 210,300	$ 187,951	$ 22,349

Interest income and fees of the credit segment increased over the prior year level primarily driven by a 24.1% increase in the average balance of the portfolio. Portfolio interest income and fee yield on an annualized basis declined 150 basis points year-over-year primarily as a result of the introduction of 18- and 24-month equal-payment, no-interest finance programs beginning in October 2014 to certain higher credit quality borrowers, which we discount to present value upon origination, resulting in a reduction in sales and customer receivables, and the discount amount is amortized into finance charges and other revenues over the term of the contract at a lower rate than the average yield on the rest of the portfolio. Portfolio interest income and fee yield was also negatively impacted by higher provision for uncollectible interest and our discontinuation of charging customers certain payment fees.

The following table provides key portfolio performance information:

	Nine Months Ended October 31,	
(dollars in thousands)	**2015**	**2014**
Interest income and fees	$ 171,763	$ 150,858
Net charge-offs	(126,980)	(76,812)
Interest expense	(39,185)	(19,921)
Net portfolio yield	$ 5,598	$ 54,125
Average portfolio balance	$ 1,424,317	$ 1,147,793
Interest income and fee yield % (annualized)	16.1%	17.6%
Net charge-off % (annualized)	11.9%	8.9%

Cost of Goods and Service Parts Sold and Gross Margin

	Nine Months Ended October 31,		
(dollars in thousands)	**2015**	**2014**	**Change**
Cost of goods sold, including warehousing and occupancy costs	$ 547,403	$ 508,475	$ 38,928
Product gross margin percentage	36.2%	36.2%	
Cost of service parts sold, including warehousing and occupancy costs	$ 4,325	$ 4,815	$ (490)
Service gross margin percentage	56.7%	51.6%	

Product gross margin was flat for the nine months ended October 31, 2015 as compared to the same prior year period primarily due to a favorable shift in product mix offset by unleveraged year to date warehousing costs.

Delivery, Transportation and Handling Costs

	Nine Months Ended October 31,		
(dollars in thousands)	**2015**	**2014**	**Change**
Delivery, transportation and handling costs	$ 40,767	$ 38,543	$ 2,224
As a percent of retail product sales and repair service agreement commissions	4.4%	4.5%	

The decrease in delivery, transportation and handling costs as a percentage of product sales and repair service agreement commissions in the retail segment was primarily driven by year over year efficiencies in delivery operations partially offset by higher costs as a result of the shift in product sales mix.

Selling, General and Administrative Expenses

	Nine Months Ended October 31,		
(dollars in thousands)	**2015**	**2014**	**Change**
Selling, general and administrative expenses:			
Retail segment	$ 226,394	$ 206,559	$ 19,835
Credit segment	87,781	74,967	12,814
Selling, general and administrative expenses - Consolidated	$ 314,175	$ 281,526	$ 32,649
As a percent of total revenues	27.2%	26.6%	

The SG&A increase in the retail segment was primarily due to the opening of new stores with higher sales-driven compensation and facility-related costs and, as a percent of segment revenues, resulted in an increase of 20 basis points as compared to the prior year period.

The increase in SG&A for the credit segment was driven by the addition of collections personnel to service the 24.1% year-over-year increase in the average customer portfolio balance and anticipated near-term portfolio growth. As a percent of average total customer portfolio balance (annualized), SG&A for the credit segment in the current period decreased 50 basis points as compared to the prior year period due to the leverage achieved on a higher portfolio balance.

Provision for Bad Debts

	Nine Months Ended October 31,		
(dollars in thousands)	**2015**	**2014**	**Change**
Provision for bad debts:			
Retail segment	$ 513	$ 98	$ 415
Credit segment	156,884	133,764	23,120
Provision for bad debts - Consolidated	$ 157,397	$ 133,862	$ 23,535
Provision for bad debts - Credit segment, as a percent of average portfolio balance (annualized)	14.7%	15.5%	

The year-over-year increase in provision for bad debts for the nine months ended October 31, 2015 was impacted by the following:

- A 24.1% increase in the average receivable portfolio balance resulting from new store openings and same store growth over the past 12 months;
- A 21.7% increase in the balances originated during the year compared to the prior year comparative period;
- An increase of 20 basis points in the percentage of customer accounts receivable balances greater than 60 days delinquent to 10.2% at October 31, 2015 as compared to the prior year period;
- An increase in the proportion of new customers of the total customer portfolio balance compared to the prior year period; and
- The balance of customer receivables accounted for as troubled debt restructurings increased to $109.9 million, or 7.3% of the total portfolio balance, driving $16.6 million of the increase in provision for bad debts.

Charges and Credits

(in thousands)	Nine Months Ended October 31, 2015	Nine Months Ended October 31, 2014	Change
Store and facility closure and relocation costs	$ 637	$ 3,105	$ (2,468)
Legal and professional fees related to the exploration of strategic alternatives and securities-related litigation	2,206	496	1,710
Executive management transition costs	1,329	—	1,329
	$ 4,172	$ 3,601	$ 571

During the nine months ended October 31, 2015 and 2014, we have closed and relocated under-performing retail locations and have recorded the related charges. In connection with prior closures, we adjust the related lease obligations as more information becomes available. In addition, we had costs associated with legal and professional fees related to our exploration of strategic alternatives and our securities-related litigation. During the nine months ended October 31, 2015, we also had transition costs due to changes in the executive management team.

Interest Expense

Net interest expense for the nine months ended October 31, 2015 increased $19.3 million from the prior year comparative period primarily reflecting the increase in outstanding debt and an increase in our effective interest rate due to the issued asset-backed notes by our consolidated VIE and the issuance of the Senior Notes on July 1, 2014.

Loss on Extinguishment of Debt

During the nine months ended October 31, 2015, we repurchased $23.0 million of face of value of the Senior Notes for $22.9 million, which resulted in a loss on extinguishment of $0.5 million, primarily due to the write-off of related deferred costs. Also, in connection with entering into the amended revolving credit facility, we wrote-off $0.9 million of debt issuance costs related to the previous revolving credit facility for lenders that did not continue to participate.

Provision for Income Taxes

(dollars in thousands)	Nine Months Ended October 31, 2015	Nine Months Ended October 31, 2014	Change
Provision for income taxes	$ 17,774	$ 24,672	$ (6,898)
As a percent of income before income taxes	37.4%	36.4%	

The increase in the income tax rate for the nine months ended October 31, 2015 was impacted by a higher portion of the tax from state margin taxes.

Customer Receivable Portfolio

We provide in-house financing to individual consumers on a short-term basis (maximum initial contractual term is 32 months) for the purchase of durable products for the home. A significant portion of our customer credit portfolio is due from customers that are considered higher-risk, subprime borrowers. Our financing is executed using an installment contract, which requires a fixed monthly payment over a fixed term. We maintain a secured interest in the product financed. If a payment is delayed, missed or paid only in part, the account becomes delinquent. Our collection personnel attempt to contact a customer once their account becomes delinquent. Our loan contracts generally provide for interest at the maximum rate allowed by the respective regulations in the states in which we operate, which generally range between 18% and 21%. In states where regulations do not generally limit the interest rate charged, we currently charge between 26% and 28%.

We offer 12-month, no-interest finance programs. If the customer is delinquent in making a scheduled monthly payment or does not repay the principal in full by the end of the no-interest program period (grace periods are provided), the account does not qualify for the no-interest provision and the terms of the account revert back to those of the executed installment contract resulting in interest over the entire term. Interest income is recognized based on our historical experience related to customers that fail to satisfy the requirements of the programs. We also offer 18- and 24-month equal-payment, no-interest finance programs to certain higher credit quality borrowers, which are discounted to their present value at origination, resulting in a reduction in sales and customer receivables, and the discount amount is amortized into finance charges and other revenues over the term of the contract. If a customer is delinquent in making a scheduled monthly payment (grace periods are provided), the account begins accruing interest based on the contract rate from the date of the last payment made, which is a higher rate than the discount rate.

We regularly extend or "re-age" a portion of our delinquent customer accounts as a part of our normal collection procedures to protect our investment. Generally, extensions are granted to customers who have experienced a financial difficulty (such as the temporary loss of employment), which was subsequently resolved and the customer indicates a willingness and ability to resume making monthly payments. Re-ages are not granted to debtors who demonstrate a lack of intent or ability to service the obligation. These re-ages involve modifying the payment terms to defer a portion of the cash payments currently required of the debtor to help the debtor improve his or her financial condition and eventually be able to pay us. Our re-aging of customer accounts does not change the interest rate and typically does not reduce the contractual payments due from the customer. We may also charge the customer an extension fee, which approximates the interest owed for the time period the contract was past due. To a much lesser extent, we may provide the customer the ability to re-age their obligation by refinancing the account or making two consecutive payments. Under these options, as with extensions, the customer must resolve the reason for delinquency and show a willingness and ability to resume making contractual monthly payments.

The following tables present, for comparison purposes, information about our managed portfolio (including securitized receivables transferred to the VIE and receivables not transferred to the VIE):

	As of October 31,	
(dollars in thousands, except average outstanding customer balance)	**2015**	**2014**
Total customer portfolio balance	$ 1,501,674	$ 1,253,523
Weighted average credit score of outstanding balances	594	595
Number of active accounts	751,975	695,865
Weighted average months since origination of outstanding balance	8.9	8.7
Average outstanding customer balance	$ 2,370	$ 2,297
Percent of balances 60+ days past due to total customer portfolio balance (1)	10.2%	10.0%
Percent of re-aged balances to total customer portfolio balance (1)	14.0%	13.1%
Account balances re-aged more than six months	$ 58,502	$ 34,604
Percent of total allowance for bad debts to total outstanding customer portfolio balance	12.0%	10.6%
Percent of total customer portfolio balance represented by no-interest option receivables	36.2%	33.9%

(dollars in thousands, except average income of credit customer)	Three Months Ended October 31, 2015	Three Months Ended October 31, 2014	Nine Months Ended October 31, 2015	Nine Months Ended October 31, 2014
Total applications processed	306,749	313,663	911,346	874,911
Weighted average origination credit score of sales financed	613	608	615	607
Percent of total applications approved and utilized	42.2%	41.7%	43.8%	44.8%
Average down payment	3.1%	3.6%	3.5%	3.8%
Average income of credit customer at origination	$ 40,900	$ 40,700	$ 40,600	$ 39,800
Average total customer portfolio balance	$ 1,484,972	$ 1,220,935	$ 1,424,317	$ 1,147,793
Interest income and fee yield (annualized)	15.8%	16.9%	16.1%	17.6%
Percent of bad debt charge-offs, net of recoveries, to average total customer portfolio balance (annualized)	11.8%	8.9%	11.9%	8.9%
Weighted average monthly payment rate (2)	4.7%	4.9%	5.0%	5.2%
Provision for bad debts as a percentage of average total customer portfolio balance (annualized)	15.6%	23.6%	14.7%	15.5%
Percent of retail sales paid for by:				
In-house financing, including down payment received	79.9%	77.3%	82.6%	77.2%
Third party financing	9.8%	11.4%	6.6%	11.9%
Third party rent-to-own options	4.1%	4.8%	4.4%	4.3%
	93.8%	93.5%	93.6%	93.4%

(1) Accounts that become delinquent after being re-aged are included in both the delinquency and re-aged amounts.

(2) Average monthly gross cash payments as a percentage of average gross principal balances outstanding at the beginning of each month in the period.

Our customer portfolio balance and related allowance for uncollectible accounts are segregated between customer accounts receivable and restructured accounts. Customer accounts receivable include all accounts for which payment term has not been cumulatively extended over 90 days or refinanced. Restructured accounts includes all accounts for which payment term has been re-aged in excess of three months or refinanced.

Customer accounts receivable consisted of the following:

	Total Outstanding Balance					
	Customer Accounts Receivable		60 Days Past Due (1)		Re-aged (1)	
(in thousands)	October 31, 2015	January 31, 2015	October 31, 2015	January 31, 2015	October 31, 2015	January 31, 2015
Customer accounts receivable	$ 1,391,795	$ 1,277,135	$ 122,040	$ 112,365	$ 100,937	$ 94,304
Restructured accounts	109,879	88,672	30,882	20,722	109,879	88,672
Total customer portfolio balance	1,501,674	1,365,807	$ 152,922	$ 133,087	$ 210,816	$ 182,976
Allowance for uncollectible accounts	(180,533)	(146,982)				
Allowance for short-term, no-interest programs	(19,080)	(17,474)				
Total customer accounts receivable, net	1,302,061	1,201,351				
Short-term portion of customer accounts receivable, net	(706,934)	(643,094)				
Long-term portion of customer accounts receivable, net	$ 595,127	$ 558,257				
Securitized receivables held by the VIE	$ 1,142,259	$ —	$ 152,136	$ —	$ 204,670	$ —
Receivables not held by the VIE	359,415	1,365,807	786	133,087	6,146	182,976
Total customer portfolio balance	$ 1,501,674	$ 1,365,807	$ 152,922	$ 133,087	$ 210,816	$ 182,976

(1) Due to the fact that an account can become past due after having been re-aged, accounts could be represented as both past due and re-aged. As of October 31, 2015 and January 31, 2015, the amounts included within both past due and re-aged was $55.6 million and $44.9 million, respectively. As of October 31, 2015 and January 31, 2015, the total customer portfolio balance past due one day or greater was $357.8 million and $316.0 million, respectively. These amounts include the 60 days past due balances shown.

The following presents the activity in our balance in the allowance for doubtful accounts and uncollectible interest for customer receivables:

	Nine Months Ended October 31, 2015			Nine Months Ended October 31, 2014		
(in thousands)	Customer Accounts Receivable	Restructured Accounts	Total	Customer Accounts Receivable	Restructured Accounts	Total
Allowance at beginning of period	$ 118,786	$ 28,196	$ 146,982	$ 54,448	$ 17,353	$ 71,801
Provision (1)	146,587	37,710	184,297	131,806	21,903	153,709
Principal charge-offs (2)	(107,590)	(22,779)	(130,369)	(77,058)	(12,404)	(89,462)
Interest charge-offs	(19,613)	(4,153)	(23,766)	(13,807)	(2,223)	(16,030)
Recoveries (2)	2,797	592	3,389	10,896	1,754	12,650
Allowance at end of period	$ 140,967	$ 39,566	$ 180,533	$ 106,285	$ 26,383	$ 132,668
Average total customer portfolio balance	$ 1,325,324	$ 98,993	$ 1,424,317	$ 1,090,078	$ 57,715	$ 1,147,793

(1) Includes provision for uncollectible interest, which is included in finance charges and other revenues.

(2) Charge-offs include the principal amount of losses (excluding accrued and unpaid interest). Recoveries include principal collections of previously charged-off balances for both periods shown and proceeds received from selling charged off accounts to third parties during the nine months ended October 31, 2014 (we did not sell charged off accounts during the current fiscal year). Net charge-offs are calculated as the net of principal charge-offs and recoveries.

Our overall allowance for uncollectible accounts as a percentage of the total portfolio balance increased to 12.0% as of October 31, 2015 from 10.6% as of October 31, 2014. The year-over-year increase was impacted by the following:

- A 24.1% increase in the average receivable portfolio balance resulting from new store openings and same store growth over the past 12 months;
- A 21.7% increase in the balances originated during the year compared to the prior year comparative period;
- An increase of 20 basis points in the percentage of customer accounts receivable balances greater than 60 days delinquent to 10.2% at October 31, 2015 as compared to the prior year period;
- An increase in the proportion of new customers of the total customer portfolio balance compared to the prior year period; and
- The balance of customer receivables accounted for as troubled debt restructurings increased to $109.9 million, or 7.3% of the total portfolio balance.

For customer accounts receivable (excluding restructured accounts), the allowance for uncollectible accounts as a percentage of the outstanding portfolio balance rose from 9.0% as of October 31, 2014 to 10.1% as of October 31, 2015. The percentage of non-restructured accounts greater than 60 days past due decreased 10 basis points over the prior year to 8.8% as of October 31, 2015. We expect delinquency levels and charge-offs to remain elevated over the short-term. The increase in delinquency and changes in expectations for customer performance and cash recoveries on charged-off accounts were reflected in our projection models, resulting in an increase in the level of losses we expected to realize over the next twelve months.

For restructured accounts, the allowance for uncollectible accounts as a percentage of the portfolio balance was 35.9% as of October 31, 2014 as compared to 36.0% as of October 31, 2015.

The percent of bad debt charge-offs (net of recoveries) to average portfolio balance was 8.9% for the three months ended October 31, 2014 compared to 11.8% for the three months ended October 31, 2015. The increase was primarily due to the higher level of delinquency experienced over the past twelve months.

As of October 31, 2015 and 2014, balances under no-interest programs were $543.2 million and $425.3 million, respectively. Amounts financed under these programs increased to 36.2% of the total portfolio balance as of October 31, 2015 from 33.9% as of October 31, 2014 due to the addition of the 18- and 24-month programs in October 2014. If the proportion of accounts financed under no-interest programs increases, the overall yield recognized on the average customer receivable balance will decline. Conversely, a decline in the proportion of accounts financed under no-interest programs will generally result in an increase in the overall yield recognized. The allowance for no-interest programs represents the portion of the accrued interest reported within customer accounts receivable at the end of each period which is not expected to be realized due to customers satisfying the requirements of the interest-free programs and is based on historical experience. The allowance for no-interest credit programs decreased from 3.6% of the balance outstanding as of October 31, 2014 to 3.5% as of October 31, 2015.

Historical Static Loss Table

The following static loss analysis presents the cumulative percentage of balances charged off, based on the year the credit account was originated and the period the balance was charged off, for our total managed portfolio (including securitized receivables transferred to the VIE and receivables not transferred to the VIE). The percentage computed below is calculated by dividing the cumulative net amount charged off since origination by the total balance of accounts originated during the applicable fiscal year. The net charge-off was determined by estimating, on a pro-rata basis, the amount of the recoveries received during a period that was allocable to the applicable origination period. As a result of our decision to pursue collections of past and future charged-off accounts internally rather than selling charged off accounts to a third-party, the recoveries received will happen later and the static loss rates will be higher than historical experience for the years prior to reaching terminal. For example, if our recoveries in the fourth quarter of fiscal 2015 and year-to-date fiscal 2016 were similar to the first three quarters of fiscal 2015, our static loss rates for each vintage year would be lower by 20 to 80 basis points.

	October 31, 2015		Cumulative Loss Rate as a % of Balance Originated (1)				
			Years from Origination				
Fiscal Year of Origination	**Balance Outstanding** *(millions)*	**% of Balance Originated Outstanding**	**—**	**1**	**2**	**3**	**Terminal (2)**
2006			0.3%	1.9%	3.6%	4.8%	5.8%
2007			0.2%	1.7%	3.5%	4.8%	5.7%
2008			0.2%	1.8%	3.6%	5.1%	5.9%
2009			0.2%	2.1%	4.6%	6.1%	6.6%
2010			0.2%	2.4%	4.6%	6.0%	6.0%
2011	$0.2	—%	0.4%	2.6%	5.2%	6.0%	6.0%
2012	$0.9	0.2%	0.2%	3.2%	5.9%	6.6%	6.8%
2013	$5.6	0.8%	0.4%	5.5%	8.3%	9.1%	
2014	$97.1	9.0%	0.9%	8.1%	12.0%		
2015	$487.0	37.0%	1.1%	6.9%			

(1) The loss rates for balances originated in fiscal years after fiscal year 2012 may not be comparable to those for balances originated in earlier years as changes made to our collections policies during fiscal 2012 resulted in accounts charging off earlier than in prior periods. The most recent percentages in years from origination 1 through 3 include loss data through October 31, 2015, and are not comparable to prior fiscal year accumulated net charge-off percentages in the same column.

(2) The terminal loss percentage presented represents the point at which that pool of loans has reached its maximum loss rate.

Liquidity and Capital Resources

We require liquidity and capital resources to finance our operations and future growth as we add new stores and markets to our operations, which in turn requires additional working capital for increased customer receivables and inventory. We generally finance our operations primarily through a combination of cash flow generated from operations and the use of our revolving credit facility. In September 2015, we securitized $1.4 billion of customer accounts receivables by transferring the receivables to a bankruptcy-remote variable-interest entity (the "VIE"). The VIE issued asset-backed notes at a face amount of $1.12 billion secured by the transferred customer accounts receivables, which resulted in net proceeds to us of approximately $1.08 billion, net of transaction costs and restricted cash held by the VIE. The net proceeds were used to pay down the entire balance on our previous revolving credit facility, to repurchase shares of the Company's common stock and Senior Notes, and for other general corporate purposes. We currently hold the residual equity of the VIE, which we are in the process of selling. We may elect to retain all or a portion of the residual equity of the VIE if that is determined to be in our best economic interest. We also plan to execute periodic securitizations of future originated customer loans.

Under the terms of the securitization transaction, the customer receivable principal and interest payment cash flows will go first to the servicer and the holders of the securitization notes, and then to the residual equity holder. We retain the servicing of the securitized portfolio and are receiving a monthly fee of 4.75% (annualized) based on the outstanding balance of the securitized receivables, and we currently hold all of the residual equity. In addition, we will retain, rather than the VIE, all credit insurance income together with certain recoveries related to credit insurance and repair service agreements on charged-offs of the securitized receivables, which will continue to be reflected as a reduction of net charge-offs on a consolidated basis for as long as we consolidate the VIE.

On September 9, 2015, we announced that the Board of Directors of the Company ("Board of Directors") authorized a repurchase program of up to an aggregate of $75.0 million of (i) shares of the Company's outstanding common stock; (ii) 7.250% Senior Notes Due 2022 (the "Senior Notes"); or (iii) a combination thereof. During the three months ended October 31, 2015, we purchased 1.9 million shares of common stock, using $51.6 million of the $75.0 million repurchase authorization. Additionally, we utilized $22.9 million of the repurchase authorization to acquire $23.0 million of face of value of our senior notes. As a result of the bond repurchases, we had a loss on extinguishment of approximately $0.5 million, primarily due to the write-off of related deferred costs.

On November 2, 2015, we announced that the the Board of Directors authorized an additional $100.0 million towards the repurchase program for purchase of shares of the Company's outstanding common stock, Senior Notes, or a combination thereof. Subsequent to October 31, 2015, we purchased 3.3 million additional shares of common stock, using $80.6 million of the $100.0 million repurchase authorization. Common stock repurchases may be made from time to time on the open market or through privately negotiated transactions, at management’s discretion, based on market and business conditions. We have no obligation to repurchase shares under the authorization, and the timing and value of the shares that are repurchased will be at the discretion of management and will depend on a number of factors, including the price of the Company's common stock. We may suspend or discontinue repurchases at any time without notice.

We believe, based on our current projections, that we have sufficient sources of liquidity to fund our operations, store expansion and updating activities, capital programs, and repurchases of any outstanding shares of common stock and Senior Notes for at least the next twelve months.

Operating cash flow activities. During the nine months ended October 31, 2015, net cash used in operating activities was $65.3 million as compared to $126.8 million during the prior-year period. The decrease in net cash used in operating activities was primarily driven by a higher net income when adjusted for non-cash activity, including the increase in the provision for bad debts and uncollectible interest, changes in deferred income taxes, and the increase in amortization of debt issuance costs, as well as improvements from our working capital.

Investing cash flow activities. Net cash used in investing activities was $41.1 million for the nine months ended October 31, 2015 as compared to $33.7 million for the nine months ended October 31, 2014. Purchases of property and equipment decreased year-over-year related to the timing of construction activities for new stores, as well as store remodels and relocations. The current year period included a sale of one owned property whereas the prior year period included the sale of three owned properties.

Financing cash flow activities. For the nine months ended October 31, 2015, net cash provided by financing activities was $203.2 million as compared to $160.5 million during the nine months ended October 31, 2014. During the nine months ended October 31, 2015, the consolidated VIE issued asset-backed notes resulting in net proceeds to us of approximately $1.08 billion, net of transaction costs and restricted cash held by the VIE. The net proceeds were used to pay down the entire balance on our previous revolving credit facility and to repurchase the Company's common stock and Senior Notes. Related to the VIE, we held $97.9 million in restricted cash (see below for additional details on changes to our capital structure). During the nine months ended October 31, 2014, we issued Senior Notes and received net proceeds of $243.4 million, which was used to pay down outstanding balances under our previous revolving credit facility.

Senior Notes. On July 1, 2014, we issued $250.0 million of unsecured Senior Notes bearing interest at 7.250%, pursuant to an indenture dated July 1, 2014 (the "Indenture") among Conn’s, Inc., its subsidiary guarantors (the "Guarantors") and U.S. Bank National Association, as trustee. The effective interest rate of the Senior Notes after giving effect to offering fees and debt discount is 7.8%.

The Indenture restricts the Company's and certain of its subsidiaries' ability to: (i) incur indebtedness; (ii) pay dividends or make other distributions in respect of, or repurchase or redeem, our capital stock; (iii) prepay, redeem or repurchase debt that is junior in right of payment to the notes; (iv) make loans and certain investments; (v) sell assets; (vi) incur liens; (vii) enter into transactions with affiliates; and (viii) consolidate, merge or sell all or substantially all of our assets. These covenants are subject to a number of important exceptions and qualifications. During any time when the Senior Notes are rated investment grade by either of Moody's Investors Service, Inc. or Standard & Poor's Ratings Services and no Default (as defined in the Indenture) has occurred and is continuing, many of such covenants will be suspended, and we will cease to be subject to such covenants during such period.

Events of default under the Indenture include customary events, such as a cross-acceleration provision in the event that we default in the payment of other debt due at maturity or upon acceleration for default in an amount exceeding $25.0 million, as well as in the event a judgment is entered against us in excess of $25.0 million that is not discharged, bonded or insured.

The Senior Notes are fully and unconditionally guaranteed on a senior unsecured basis by the Guarantors. The only direct or indirect subsidiaries of Conn's, Inc. that are not Guarantors are minor subsidiaries. There are no restrictions on the ability of any of the Guarantors to transfer funds to Conn's, Inc. in the form of loans, advances or dividends, except as provided by applicable law.

On April 24, 2015, the SEC declared effective the Company's registration statement on Form S-4 pursuant to which we exchanged the Senior Notes for an equivalent amount of 7.250% Senior Notes due July 2022 that are registered under the Securities Act of 1933, as amended (the "Exchange Notes"). The exchange offer was completed on June 1, 2015, and all of the outstanding Senior Notes were tendered in exchange for the Exchange Notes. The terms of the Exchange Notes are substantially identical to the Senior Notes.

During the three months ended October 31, 2015, we repurchased $23.0 million of face of value of the Senior Notes for $22.9 million. As a result of the bond repurchases, we had a loss on extinguishment of $0.5 million, primarily due to the write-off of related deferred costs.

In October 2015, the Company, the Guarantors and U.S. Bank National Association, as trustee, adopted, with the consent of the holders of a majority in the outstanding principal amount of the Senior Notes, the Second Supplemental Indenture (the "Supplemental Indenture"). Pursuant to the Supplemental Indenture, the Indenture was amended to extend, from May 1, 2014 to November 1, 2015, the beginning of the accounting period from which consolidated net income is calculated for purposes of determining the size of the "restricted payment basket" exception to the restricted payments limitation and to increase, from $75.0 million to $375.0 million, the dollar threshold exception to the restricted payments limitation. In November 2015, we paid approximately $3.8 million as an aggregate consent fee to the consenting holders of the Senior Notes. Such fee will be amortized over the remaining life of the Senior Notes.

Asset-backed Notes. In September 2015, the VIE issued asset-backed notes at a face amount of $1.12 billion secured by the transferred customer accounts receivables and restricted cash held by the VIE, which resulted in net proceeds to us of approximately $1.08 billion, net of transaction costs and restricted cash held by the VIE. The net proceeds were used to pay down the entire balance on our previous revolving credit facility, to repurchase shares of the Company's common stock and Senior Notes, and for other general corporate purposes. The asset-backed notes consist of the following securities:

- Asset-backed Fixed Rate Notes, Class A, Series 2015-A ("Class A Notes") in aggregate principal amount of $952.1 million that bear interest at a fixed annual rate of 4.565% and mature on September 15, 2020. The effective interest rate of the Class A Notes after giving effect to offering fees is 7.5%.
- Asset-backed Fixed Rate Notes, Class B, Series 2015-A ("Class B Notes") in aggregate principal amount of $165.9 million that bear interest at a fixed annual rate of 8.500% and mature on September 15, 2020. The effective interest rate of the Class B Notes after giving effect to offering fees is 13.3%.

The Class A Notes and Class B Notes were offered and sold to qualified institutional buyers pursuant to the exemptions from registration provided by Rule 144A under the Securities Act. If an event of default were to occur under the indenture that governs the Class A Notes and Class B Notes, the payment of the outstanding amounts will be accelerated, in which event the cash proceeds of the receivables that otherwise might be released to the residual equity holder would instead be directed entirely toward repayment of the Class A Notes and Class B Notes. The holders of the Class A Notes and Class B Notes have no recourse to assets outside of the VIE. Events of default include, but are not limited to, failure to make required payments on the notes or specified bankruptcy-related events.

Revolving Credit Facility. On October 30, 2015, Conn's, Inc. and certain of its subsidiaries (the "Borrowers") entered into the Third Amended and Restated Loan and Security Agreement with certain lenders, that provides for an $810.0 million asset-based revolving credit facility (the "revolving credit facility") under which availability is subject to a borrowing base. The amended revolving credit facility resulted in various changes, including:

- An extension of the maturity date from November 25, 2017 to October 30, 2018;
- An increase in the maximum total leverage ratio covenant (ratio of total liabilities less the sum of qualified cash and ABS qualified cash to tangible net worth) from 2.0x to 4.0x;
- The addition of a new maximum "ABS excluded" leverage ratio covenant (ratio of total liabilities (excluding liabilities of the consolidated VIE and other permitted securitization transactions) less qualified cash to tangible net worth) of 2.0x;
- The replacement of the fixed charge coverage ratio covenant with a minimum interest coverage ratio covenant of 2.0x beginning with our fourth quarter of fiscal 2016;
- A reduction in the maximum accounts receivable advance rate from 80% to 75%;
- The inclusion of a fourth quarter seasonal step-down in the cash recovery covenant from 4.5% to 4.25%;

- An increase to the maximum inventory component of the borrowing base from $100.0 million to $175.0 million;
- Modifications of the conditions for repurchases of the Company’s common stock, including changes in the liquidity test and the elimination of the fixed charge coverage ratio test;
- The inclusion of a new liquidity test for repurchases and redemptions of our debt; and
- Modifications to our ability to effect future securitizations of our customer receivables portfolio, including removing the consent rights of the lenders and establishing set criteria for permitted securitizations.

In connection with entering into the amended revolving credit facility, we wrote-off $0.9 million of debt issuance costs related to the previous revolving credit facility related to lenders that did not continue to participate. Also, we deferred $3.0 million of debt issuance costs, which will be amortized over the remaining term of the amended revolving credit facility along with the debt issuance costs remaining from the previous revolving credit facility.

Loans under the amended revolving credit facility bear interest, at our option, at a rate of LIBOR plus a margin ranging from 2.50% to 3.00% per annum (depending on quarterly average net availability under the borrowing base) or the alternate base rate plus a margin ranging from 1.50% to 2.00% per annum (depending on quarterly average net availability under the borrowing base). The alternate base rate is the greater of the prime rate announced by Bank of America, N.A., the federal funds rate plus 0.5%, or LIBOR for a 30-day interest period plus 1.0%. We also pay an unused fee on the portion of the commitments that are available for future borrowings or letters of credit at a rate ranging from 0.25% to 0.75% per annum, depending on the outstanding balance and letters of credit of the revolving credit facility.

The amended revolving credit facility provides funding based on a borrowing base calculation that includes customer accounts receivable and inventory, and provides for a $40.0 million sub-facility for letters of credit to support obligations incurred in the ordinary course of business. The obligations under the revolving credit facility are secured by substantially all assets of the Company, excluding the assets of the VIE. As of October 31, 2015, we had immediately available borrowing capacity of $269.5 million under our revolving credit facility, net of standby letters of credit issued of $1.1 million.

The revolving credit facility places restrictions on our ability to incur additional indebtedness, grant liens on assets, make distributions on equity interests, dispose of assets, make loans, pay other indebtedness, engage in mergers, and other matters. The revolving credit facility contains customary default provisions, which, if triggered, could result in acceleration of all amounts outstanding under the revolving credit facility.

Debt covenants. We were in compliance with our debt covenants at October 31, 2015. A summary of the significant financial covenants that govern our revolving credit facility compared to our actual compliance status at October 31, 2015 is presented below:

	Actual	**Required Minimum/ Maximum**
Leverage Ratio must not exceed maximum	1.96 to 1.00	4.00:1.00
ABS Excluded Leverage Ratio must not exceed maximum	0.65 to 1.00	2.00:1.00
Cash Recovery Percent must exceed stated amount	4.73%	4.50%
Capital Expenditures, net, must not exceed maximum	$27.7 million	$75.0 million

All capitalized terms in the above table are defined by the revolving credit facility, as amended, and may or may not agree directly to the financial statement captions in this document. The covenants are calculated quarterly, except for the Cash Recovery Percent, which is calculated monthly on a trailing three-month basis, and Capital Expenditures, which is calculated for a period of four consecutive fiscal quarters, as of the end of each fiscal quarter. The revolving credit facility is a significant factor relative to our ongoing liquidity and our ability to meet the cash needs associated with the growth of our business. Our inability to use this facility because of a failure to comply with its covenants would adversely affect our business operations.

Capital expenditures. We lease all of our stores, and our plans for future store locations include primarily leases, but do not exclude store ownership. Our capital expenditures for future new store projects should primarily be for our tenant improvements to the property leased (including any new distribution centers and cross-dock facilities), the cost of which is estimated to be between $1.0 million and $1.5 million per store (before tenant improvement allowances), and for our existing store remodels, estimated to range between $0.5 million and $1.0 million per store remodel, depending on store size. In the event we purchase existing properties, our capital expenditures will depend on the particular property and whether it is improved when purchased. We are continuously reviewing new relationship and funding sources and alternatives for new stores, which may include "sale-leaseback" or direct "purchase-lease" programs, as well as other funding sources for our purchase and construction of those projects. If we are successful in these relationship developments, our direct cash needs should include only our capital expenditures for tenant improvements to leased properties and our remodel programs for existing stores, but could include full ownership. During the nine months ended October 31, 2015, we opened 13 new stores and we plan to open 15 to 18 new stores for all of fiscal year 2016. Our anticipated capital expenditures for fiscal year 2016 are between $15.0 million and $25.0 million, net of tenant improvement allowances to be received and proceeds from the sale of property.

Other Initiatives. During fiscal year 2016, we discontinued offering video game products, digital cameras, and certain tablets. During fiscal year 2015, net sales and product margin from the sale of these products were approximately $50.0 million and $5.0 million, respectively. We also experienced significantly higher charge-off rates and lower product margins associated with purchases of these products by our customers.

Off-Balance Sheet Liabilities and Other Contractual Obligations

We do not have any off-balance sheet arrangements as defined by Item 303(a)(4) of Regulation S-K. The following table presents a summary of our minimum contractual commitments and obligations as of October 31, 2015:

		Payments due by period			
(in thousands)	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Long-term debt, including estimated interest payments:					
Senior Notes	337,402	16,457	32,915	32,915	255,115
Class A Notes [1]	938,609	35,048	70,096	833,465	—
Class B Notes [1]	234,645	14,102	28,203	192,340	—
Other debt	2,667	844	1,342	481	—
Operating leases:					
Real estate	412,216	48,257	94,248	89,844	179,867
Equipment	4,716	1,941	2,648	127	—
Contractual commitments [2]	164,358	163,001	1,357	—	—
Total	$ 2,094,613	$ 279,650	$ 230,809	$ 1,149,172	$ 434,982

(1) The payments due by period for Class A Notes and Class B Notes were based on the maturity date of September 15, 2020 at their respective fixed annual interest rate. Actual principal and interest payments will be provided based on the proceeds from the securitized customer accounts receivables.

(2) Contractual commitments primarily includes commitments to purchase inventory of $113.2 million and capital expenditures of $43.8 million, with the remaining relating to commitments for advertising and other services. The timing of the payments is subject to change based upon actual receipt and the terms of payment with the vendor.

Critical Accounting Policies and Estimates

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires us to make estimates that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Certain accounting policies are considered "critical accounting policies" because they are particularly dependent on estimates made by us about matters that are inherently uncertain and could have a material impact to our consolidated financial statements. We base our estimates on historical experience and on other assumptions that we believe are reasonable. As a result, actual results could differ because of the use of estimates. The description of critical accounting policies is included in our Annual Report on Form 10-K for the fiscal year ended January 31, 2015.

Recent Accounting Pronouncements

The information related to recent accounting pronouncements as set forth in Note 1, *Summary of Significant Accounting Policies*, of the Consolidated Financial Statements in Part I, Item 1, of this quarterly report on Form 10-Q is incorporated herein by reference.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Loans under the revolving credit facility bear interest, at our option, at a rate of LIBOR plus a margin ranging from 2.50% to 3.00% per annum (depending on quarterly average net availability under the borrowing base) or the alternate base rate plus a margin ranging from 1.50% to 2.00% per annum (depending on quarterly average net availability under the borrowing base). The alternate base rate is the greater of the prime rate announced by Bank of America, N.A., the federal funds rate plus 0.5%, or LIBOR for a 30-day interest period plus 1.0%. Accordingly, changes in our quarterly average net availability under the borrowing base and LIBOR or the alternate base rate will affect the interest rate on, and therefore our costs under, the revolving credit facility. As of October 31, 2015, we did not have borrowings under our revolving credit facility and, consequently, did not have any material exposure to interest rate market risks at the end of this period. However, any future borrowings under our revolving credit facility will be at a variable rate of interest and we could potentially be materially adversely impacted should we require significant borrowings in the future, particularly during a period of rising interest rates.

For additional information regarding quantitative and qualitative market risks, as updated by the preceding paragraphs, see Item 7A. "Quantitative and Qualitative Disclosures about Market Risk," of our Annual Report on Form 10-K for the fiscal year ended January 31, 2015.

ITEM 4. CONTROLS AND PROCEDURES

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

For the quarter ended October 31, 2015, there have been no changes in our internal controls over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information set forth in Note 7, *Contingencies*, of the Consolidated Financial Statements in Part I, Item 1, of this quarterly report on Form 10-Q is incorporated herein by reference.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the following risk factors which could materially affect our business, financial condition or future results. We have added and updated the following risk factors to reflect changes during the nine months ended October 31, we believe to be material to the risk factors set forth in our Annual Report on Form 10-K for the fiscal year ended January 31, 2015 filed with the Securities and Exchange Commission. Other risks that we face are more fully described in our Annual Report on Form 10-K and in other reports we file with the Securities and Exchange Commission. Additional risks and uncertainties that currently are unknown or deemed immaterial may also adversely affect the business, financial condition, or results of operations.

Securitization markets have undergone significant periods of significant dislocation and we might not be able to access the securitization market for capital in the future. In September 2015, for the first time in several years, we completed a securitization transaction that involved the issuance of asset-backed notes secured by customer accounts receivables of $1.4 billion. The significant recession in 2009 and events in the securitization markets, as well as the debt markets and the economy generally, caused significant dislocations, lack of liquidity in the market for asset-backed securities, as well as a severe disruption in the wider global financial markets, including a significant reduction of investor demand for, and purchases of, asset-backed securities and structured financial products. Disruptions on the securitization market could preclude our ability to use securitization as a financing source or could render it an inefficient source of financing making us more dependent on alternative sourcing of financing that might not be as favorable as securitizations in otherwise favorable markets.

Securitization structures are subject to an evolving regulatory environment that may affect the availability and attractiveness of this financing option. In the United States, following the financial crisis, there has been increased political and regulatory scrutiny of the asset-backed securities industry. This has resulted in increased regulation that are currently at various stages of implementation and which may have an adverse impact on the regulatory capital charge to certain investors in securitization exposures and the incentives for certain investors to hold asset-backed securities, and may thereby affect the liquidity of such securities. Any of these could limit our access to securitization as a source of financing. This increased regulation could also alter the structure of securitizations in and could pose risks to our participation in any securitizations or could reduce or eliminate the economic incentives of participating in securitizations.

An increase in interest rates, a decrease in our credit sales or a decline in credit quality could lead to a decrease in our product sales and profitability. A large portion of our credit portfolio is to customers considered to be sub-prime borrowers, who have limited credit history, low income or past credit problems. Entering into credit arrangements with such customers entail a higher risk of customer default, higher delinquency rates and higher losses than extending credit to more credit worthy customers. While we believe that our pricing and the underwriting criteria and collection methods we employ enable us to manage the higher risks inherent in issuing credit with sub-prime customers, no assurance can be given that such pricing, criteria and methods will afford adequate protection against such risks. We have experienced volatility in delinquency and charge-off rates on our credit contracts. Payments on some of our credit accounts become delinquent from time to time, and some accounts end up in default, due to several factors, such as general and local economic conditions, including the impact of rising interest rates and unemployment rates. As we continue to expand into new markets, we will obtain new credit accounts that may present a higher risk than our existing credit accounts since new credit customers do not have an established credit history with us.

If we are required to reduce the amount of credit we grant to our customers, we most likely would sell fewer products, which could result in our financial condition, operating results and cash flows to be materially adversely affected. Further, because a significant number of our credit account payments received are delivered to one of our store locations, any decrease in credit sales could reduce traffic in our stores and result in lower revenues. A decline in the credit quality of our credit accounts could also cause an increase in our credit losses, which would result in an adverse effect on our earnings. A decline in credit quality could also lead to stricter underwriting criteria which could have a negative impact on net sales.

We maintain an allowance for doubtful accounts on our customer accounts receivables. If the allowance for doubtful accounts is inadequate, we would recognize the losses in excess of the allowance and our results of operations could be materially adversely affected.

We have significant future capital needs and the inability to access the capital markets may materially adversely affect our business and expansion plans. We generally finance our operations primarily through a combination of cash flow generated from operations, the use of our revolving credit facility, and securitizations of customer receivables. Our ability to raise additional capital through expansion of our revolving credit facility, future securitization transactions or other debt or equity transactions, and do so on economically favorable terms, depends in large part on factors that are beyond our control, including:

- Conditions in the securities and finance markets generally;
- Our credit rating or the credit rating of any securities we may issue;
- Economic conditions;
- Conditions in the markets for securitized instruments, or other debt or equity instruments;
- The credit quality and performance of our customer receivables;
- Our overall sales performance and profitability;
- Our ability to provide or obtain financial support for required credit enhancement;
- Our ability to adequately service our financial instruments;
- Our ability to meet debt covenant requirements; and
- Prevailing interest rates.

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

In addition, we historically used our customer receivables as collateral to support our capital needs. If we require amendments in the future and are unable to obtain such amendments or we are unable to arrange substitute financing facilities or other sources of capital, we may have to limit or cease offering credit through our finance programs due to our inability to draw under our revolving credit facility upon the occurrence of a default. If availability under the borrowing base calculations of our revolving credit facility is reduced, or otherwise becomes unavailable, or we are unable to arrange substitute financing facilities or other sources of capital, we may have to limit the amount of credit that we make available through our customer credit programs. A reduction in our ability to offer customer credit could materially adversely affect revenues and results of operations. Further, our inability or limitations on our ability to obtain funding through securitization facilities or other sources may materially adversely affect our profitability under our credit programs if existing customers fail to repay outstanding credit due to our refusal to grant additional credit. Additionally, the inability of any of the financial institutions providing our financing facilities to fund their commitment could materially adversely affect our ability to fund our credit programs, capital expenditures and other general corporate needs.

We have in the past, and may again in the future, access the debt or other capital markets to refinance existing debt obligations and to obtain capital to finance growth. Our future access to the capital markets could become restricted due to a variety of factors, including a deterioration of our earnings, cash flows, balance sheet quality, regulatory restrictions or overall business or industry prospects, a significant deterioration in the state of the capital markets or a negative bias toward our industry by market participants. In addition, we may elect to issue securities for which we may seek to obtain a rating from a rating agency. It is possible, however, that one or more rating agencies might independently determine to assign a rating to any of our issued debt securities. If any ratings are assigned to any of our debt, the asset-backed notes or other securities or with a rating, such ratings, if they are lower than market expectations or are subsequently lowered or withdrawn, whether as a result of our actions or factors which are beyond our control, could increase our future borrowing costs and impair our ability to access capital and credit markets on terms commercially acceptable to us, or at all. Inability to access the credit markets on acceptable terms, if at all, could have a material adverse effect on our financial condition.

If we are not able to comply with our covenants, we may not have the funds necessary to pay all of our indebtedness that could become due. Our covenants contain a number of restrictions that impose operating and financial restrictions on us and may limit our ability to engage in acts that may be in our long-term best interest, including restrictions on our ability to incur additional indebtedness, grant liens on assets, make distributions on equity interests, dispose of assets, make loans, pay other indebtedness, engage in mergers, and other matters. In addition, we must maintain compliance with certain financial covenants. Our ability to meet those financial covenants can be affected by events beyond our control, and we may be unable to meet them.

A breach of the covenants could result in an event of default under the applicable indebtedness. Such a default may allow the creditors to accelerate the related debt and may result in the acceleration of any other debt to which a cross-default provision applies. Furthermore, if we were unable to repay the amounts due and payable under our revolving credit facility, those lenders could proceed against the collateral granted to them to secure that indebtedness. In the event our lenders accelerate the repayment of our borrowings, we may not have sufficient funds to repay that indebtedness.

These restrictions may affect our ability to execute our growth strategy. In addition, our financial results, our significant indebtedness and our credit ratings could materially adversely affect the availability and terms of our financing.

We cannot assure our stockholders that stock repurchases will enhance long-term stockholder value, and stock repurchases, if any, could affect the price of our common stock and increase volatility and any suspension or termination of stock repurchases may result in a decrease in the trading price of our common stock. Our Board of Directors has authorized a repurchase program that includes the repurchase of shares of our common stock and may authorize additional stock repurchase programs in the future. The timing and actual number of shares repurchased will depend on a variety of factors including price, corporate and regulatory requirements, an assessment by management and our Board of Directors of cash availability and market conditions. Repurchases may be suspended or discontinued at any time without prior notice. Repurchases could affect the price of our common stock and increase its volatility. The existence of any stock repurchase program could also cause the price of our common stock to be higher than it would be in the absence of such a program and could potentially reduce the market liquidity for our common stock. There can be no assurance that any stock repurchases would enhance stockholder value because the market price of our common stock may decline below the levels at which we repurchased such shares. Additionally, stock repurchases will diminish our cash reserves and could impact our ability to finance future growth and service our indebtedness. Any failure to repurchase shares after we have announced our intention to do so may negatively impact our reputation and investor confidence in us and may negatively impact our stock price. Although stock repurchase programs are intended to enhance long-term stockholder value, short-term stock price fluctuations could reduce the program's effectiveness.

Our corporate actions may be substantially controlled by our principal stockholders and affiliated entities. Luxor Capital Group, L.P, Stephens Inc., The Stephens Group, LLC, Anchorage Capital Group ("Anchorage"), LLC, Greenlight Capital, Inc., Morgan Stanley, Citadel Advisors LLC, and Susquehanna Securities (together with each of their respective affiliates), each own more than 5% or more of our outstanding shares of common stock, and beneficially own, in the aggregate, a majority of our outstanding shares of common stock. Additionally, we have granted a waiver of the applicability of the provisions of Section 203 to Anchorage such that Anchorage may increase its position in our common stock up to 7,870,657 shares of our common stock without being subject to Section 203’s restrictions on business combinations. The concentration of ownership of our shares of common stock by the relatively small number of hedge funds and investors may:

- Have significant influence in determining the outcome of all matters submitted to stockholders for approval, including the election of directors, mergers, consolidations, and the sale of all or substantially of our assets or other significant corporate actions;
- Delay or deter a change of control of the Company;
- Deprive stockholders of an opportunity to receive a premium for their shares as part of a sale of the Company; and
- Affect the market price volatility and liquidity of our shares of common stock.

The interests of these investors and their respective affiliates may differ from or be adverse to the interests of our other stockholders. If any of these investors sells a substantial number of shares in the public market, the market price of our shares could fall. The perception among the public that these sales will occur could also contribute to a decline in the market price of the shares.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the three months ended October 31, 2015, share repurchase activity under our share repurchase program was as follows:

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs *(in thousands)*
August 1 through August 31, 2015	—	$ —	—	$ —
September 1 through September 30, 2015	1,929,957	$ 26.75	1,929,957	$ 23,368
October 1 through October 30, 2015	—	$ —	—	$ 461
Total	1,929,957	$ 26.75	1,929,957	

On September 9, 2015, we announced that the Board of Directors of the Company ("Board of Directors") authorized a repurchase program of up to an aggregate of $75.0 million of (i) shares of the Company's outstanding common stock; (ii) 7.250% Senior Notes Due 2022 (the "Senior Notes"); or (iii) a combination thereof. During the three months ended October 31, 2015, we purchased 1.9 million shares of common stock, using $51.6 million of the $75.0 million repurchase authorization. Additionally, we utilized $22.9 million of the repurchase authorization to acquire $23.0 million of face of value of our senior notes.

On November 2, 2015, we announced that the the Board of Directors authorized an additional $100.0 million towards the repurchase program for purchase of shares of the Company's outstanding common stock, Senior Notes, or a combination thereof. Subsequent to October 31, 2015, we purchased 3.3 million additional shares of common stock, using $80.6 million of the $100.0 million repurchase authorization.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 5. OTHER INFORMATION

Adoption of Executive Severance Plan

On December 2, 2015, the Board of Directors, upon the recommendation of the Compensation Committee (the "Committee"), adopted and approved an Executive Severance Plan for senior officers (the "Severance Plan").

Participation in the Severance Plan is limited to vice presidents of the Company or higher, and other employees who are designated by the Committee, provided that no person or officer who is otherwise party to an individual agreement with the Company providing for severance benefits may be a participant in the Severance Plan.

Under the Severance Plan, eligible Severance Plan participants are entitled to receive a cash severance benefit equal to 50% of such participant’s annual base salary if the individual is terminated for any reason other than (i) resignation from employment, (ii) Cause (as defined in the Severance Plan), (iii) death or (iv) Disability (as defined in the Severance Plan). Such benefit is to be paid in substantially equal installments on the Company’s regularly scheduled payroll dates for the six months following the participant’s termination (the "Severance Period"). In addition to the cash severance payment, participants (and their eligible dependents) will also be entitled to receive continued coverage under the Company’s group health plan during the Severance Period at the same cost paid by active employees.

Participants are not required to mitigate amounts of payments by seeking employment or otherwise, and payments under the Severance Plan will not be offset by amounts payable from new employment. However, eligibility to receive severance benefits is contingent upon the participant executing a release agreement that includes a general release of claims against the Company and its affiliates.

The Severance Plan may be amended or terminated by the Committee at any time; provided, however, that (i) no amendment materially adverse to any Severance Plan participant will be effective without such participant’s written consent until one year after its adoption, and (ii) termination of the Severance Plan will not be effective until one year following Committee or other corporate action authorizing termination of the Severance Plan.

The following description of the Severance Plan is qualified in its entirety by the full text of the plan, a copy of which is attached hereto and filed herewith as Exhibit 10.14, and incorporated by reference herein.

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.

Date: December 8, 2015

By: /s/ Thomas R. Moran

Thomas R. Moran

Executive Vice President and Chief Financial Officer

(Principal Financial Officer and duly authorized to sign this report on behalf of the registrant)

EXHIBIT INDEX

Exhibit Number	Description of Document
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)
3.1.2	Certificate of Amendment to the Certificate of Incorporation of Conn’s, Inc. dated May 30, 2012 (incorporated herein by reference to Exhibit 3.1.2 to Conn’s, Inc. Form 10-Q for the quarterly period ended April 30, 2012 (File No. 000-50421) as filed with the Securities and Exchange Commission on June 5, 2012)
3.1.3	Certificate of Correction to the Certificate of Amendment to Conn’s, Inc. Certificate of Incorporation (as corrected December 31, 2013) (incorporated herein by reference to Exhibit 3.1.3 to Conn’s, Inc. Form 10-K for the annual period ended January 31, 2014 (File No. 000-50421) as filed with the Securities and Exchange Commission on March 27, 2014)
3.1.4	Certificate of Amendment to the Certificate of Incorporation of Conn’s, Inc. as filed on May 29, 2014 (incorporated herein by reference to Exhibit 3.1.4 to Conn’s, Inc. Form 10-Q for the fiscal period ended April 30, 2014 (File No. 000-50421) as filed with the Securities and Exchange Commission on June 2, 2014)
3.1.5	Certificate of Designations of Series A Junior Participating Preferred Stock of Conn’s, Inc. (incorporated herein by reference to Exhibit 3.1 to Conn’s, Inc. Current Report on Form 8-K (File No. 000-50421) filed with the Securities and Exchange Commission on October 6, 2014)
3.1.6	Certificate of Elimination of Certificate of Designations of Series A Junior Participating Preferred Stock of Conn's Inc., dated September 10, 2015 (incorporated herein by reference to Exhibit 3.1 to Conn’s, Inc. Current Report on Form 8-K (File No. 000-50421) filed with the Securities and Exchange Commission on September 11, 2015)
3.2	Amended and Restated Bylaws of Conn’s, Inc. effective as of December 3, 2013 (incorporated herein by reference to Exhibit 3.2 to Conn’s, Inc. Form 10-Q for the quarter ended October 31, 2013 (File No. 000-50421) as filed with the Securities and Exchange Commission on December 6, 2013)
4.1	Rights Agreement, dated as of October 6, 2014, by and between Conn’s, Inc. and Computershare Trust Company, N.A., as Rights Agent (incorporated herein by reference to Exhibit 4.1 to Conn’s, Inc. Current Report on Form 8-K (File No. 000-50421) filed with the Securities and Exchange Commission on October 6, 2014)
4.2	First Amendment, dated September 10, 2015, to Rights Agreement, dated as of October 6, 2014, by and between Conn's, Inc. and Computershare Trust Company, N.A., as rights agent (incorporated herein by reference to Exhibit 4.1 to Conn’s, Inc. Current Report on Form 8-K (File No. 000-50421) filed with the Securities and Exchange Commission on September 11, 2015)
4.3	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)
4.4	Base Indenture, dated as of September 10, 2015 by and between Conn’s Receivables Funding 2015-A, LLC, and Wells Fargo Bank, National Association (incorporated herein by reference to Exhibit 4.2 to Conn’s, Inc. Current Report on Form 8-K (File No. 000-50421) filed with the Securities and Exchange Commission on September 11, 2015)
4.5	Series 2015-A Supplement to the Base Indenture, dated as of September 10, 2015, by and between Conn’s Receivables Funding 2015-A, LLC and Wells Fargo Bank, National Association (incorporated herein by reference to Exhibit 4.3 to Conn’s, Inc. Current Report on Form 8-K (File No. 000-50421) filed with the Securities and Exchange Commission on September 11, 2015)
10.1	Note Purchase Agreement, dated September 10, 2015, by and among Conn's, Inc., Conn’s Receivables Funding 2015-A, LLC, Conn Appliances, Inc. and Credit Suisse Securities (USA) LLC, as initial purchaser (incorporated herein by reference to Exhibit 1.1 to Conn’s, Inc. Current Report on Form 8-K (Global: File No. 001-34956) filed with the Securities and Exchange Commission on September 11, 2015)
10.2	First Receivables Purchase Agreement, dated September 10, 2015, by and between Conn Credit I, L.P. and Conn Appliances Receivables Funding, LLC (incorporated herein by reference to Exhibit 10.1 to Conn’s, Inc. Current Report on Form 8-K (File No. 000-50421) filed with the Securities and Exchange Commission on September 11, 2015)
10.3	Second Receivables Purchase Agreement, dated September 10, 2015, by and between Conn Appliances Receivables Funding, LLC and Conn’s Receivables 2015-A Trust (incorporated herein by reference to Exhibit 10.2 to Conn’s, Inc. Current Report on Form 8-K (File No. 000-50421) filed with the Securities and Exchange Commission on September 11, 2015)

Exhibit Number	Description of Document
10.4	Purchase and Sale Agreement, dated September 10, 2015, by and between Conn Appliances Receivables Funding, LLC and Conn's Receivables Funding 2015-A Trust (incorporated herein by reference to Exhibit 10.3 to Conn's, Inc. Current Report on Form 8-K (File No. 000-50421) filed with the Securities and Exchange Commission on September 11, 2015)
10.5	Servicing Agreement, dated as of September 10, 2015, among Conn's Receivables Funding 2015-A, LLC, Conn's Receivables 2015-A Trust, Conn Appliances, Inc. and Wells Fargo Bank, National Association (incorporated herein by reference to Exhibit 10.4 to Conn's, Inc. Current Report on Form 8-K (File No. 000-50421) filed with the Securities and Exchange Commission on September 11, 2015)
10.6	Third Amendment, dated September 4, 2015, to Second Amended and Restated Loan and Security Agreement, dated September 26, 2012, by and among Conn's, Inc., as parent and guarantor, Conn Appliances, Inc., Conn Credit I, LP and Conn Credit Corporation, Inc., as borrowers, certain banks and financial institutions named therein, as lenders, and Bank of America N.A., in its capacity as agent for lenders (incorporated herein by reference to Exhibit 10.1 to Conn's, Inc. Current Report on Form 8-K (File No. 000-50421) filed with the Securities and Exchange Commission on September 9, 2015)
10.7	Third Amended and Restated Loan and Security Agreement, dated October 30, 2015, by and among Conn's, Inc., as parent and guarantor, Conn Appliances, Inc., Conn Credit I, LP and Conn Credit Corporation, Inc., as borrowers, certain banks and financial institutions named therein, as lenders, and Bank of America N.A., in its capacity as agent for lenders (incorporated herein by reference to Exhibit 10.1 to Conn's, Inc. Current Report on Form 8-K (File No. 000-50421) filed with the Securities and Exchange Commission on November 2, 2015)
10.8	Omnibus Amendment and Reaffirmation of Existing Ancillary Documents, dated as of October 30, 2015, by and among Conn's, Inc., Conn Appliances, Inc., Conn Credit I, LP, and Conn Credit Corporation, Inc., the guarantors party thereto and Bank of America, N.A., in its capacity as agent for lenders (incorporated herein by reference to Exhibit 10.2 to Conn's, Inc. Current Report on Form 8-K (File No. 000-50421) filed with the Securities and Exchange Commission on November 2, 2015)
10.9*	First Supplemental Indenture, dated September 10, 2015, by and among Conn's, Inc., as issuer, the guarantors party thereto and U.S. Bank National Association, as trustee
10.10	Second Supplemental Indenture, dated October 30, 2015, by and among Conn's, Inc., as issuer, the guarantors party thereto and U.S. Bank National Association, as trustee (incorporated herein by reference to Exhibit 10.3 to Conn's, Inc. Current Report on Form 8-K (File No. 000-50421) filed with the Securities and Exchange Commission on November 2, 2015)
10.11	Executive Severance Agreement by and between Conn's, Inc. and Norman Miller, dated as of September 7, 2015 (incorporated herein by reference to Exhibit 10.2 to Conn's, Inc. Current Report on Form 8-K (File No. 000-50421) filed with the Securities and Exchange Commission on September 9, 2015)
10.12	Transition Letter, dated September 7, 2015, by and between Conn's, Inc. and Theodore M. Wright (incorporated herein by reference to Exhibit 10.3 to Conn's, Inc. Current Report on Form 8-K (File No. 000-50421) filed with the Securities and Exchange Commission on September 9, 2015)
10.13*	Letter Agreement, dated October 23, 2015, by and between Conn's, Inc. and Anchorage Capital Group, L.L.C.
10.14*	Executive Severance Plan
31.1*	Rule 13a-14(a)/15d-14(a) Certification (Principal Executive Officer)
31.2*	Rule 13a-14(a)/15d-14(a) Certification (Principal Financial Officer)
32.1*	Section 1350 Certification (Chief Executive Officer and Chief Financial Officer)
101*	The following financial information from our Quarterly Report on Form 10-Q for the third quarter of fiscal year 2016, filed with the SEC on December 8, 2015, formatted in Extensible Business Reporting Language (XBRL): (i) the consolidated balance sheets at October 31, 2015 and January 31, 2015 and, (ii) the consolidated statements of operations for the three months ended October 31, 2015 and 2014, (iii) the consolidated statements of comprehensive income for the three months ended October 31, 2015 and 2014, (iv) the consolidated statements of cash flows for the three months ended October 31, 2015 and 2014 and (v) the notes to consolidated financial statements

* Filed herewith

Exhibit 10.9

SUPPLEMENTAL INDENTURE

CONN'S, INC.,

THE GUARANTORS NAMED ON THE SIGNATURE PAGES HERETO

and

U.S. BANK NATIONAL ASSOCIATION,

as Trustee

FIRST SUPPLEMENTAL INDENTURE

Dated as of September 10, 2015

to

Indenture

Dated as of July 1, 2014

7.250% Senior Notes due 2022

THIS FIRST SUPPLEMENTAL INDENTURE (this "***Supplemental Indenture***"), dated as of September 10, 2015, is by and among Conn's, Inc., a Delaware corporation (the "***Issuer***"), the Guarantors (as defined in the Indenture referred to herein), and U.S. Bank National Association, as trustee (the "***Trustee***").

WHEREAS, the Issuer, the Guarantors and the Trustee are parties to that certain Indenture dated as of July 1, 2014 (the "***Indenture***"), relating to the Issuer's 7.250% Senior Notes due 2022 (the "***Notes***");

WHEREAS, $250,000,000 aggregate principal amount of Notes are currently outstanding;

WHEREAS, Sections 9.01(a)(1) of the Indenture provides that, without the consent of any Holder, the Issuer, the Guarantors and the Trustee may amend or supplement the Indenture to cure any ambiguity, omission, defect or inconsistency;

WHEREAS, Section 9.01(a)(10) of the Indenture provides that, without the consent of any Holder, the Issuer, the Guarantors and the Trustee may amend or supplement the indenture to conform the text of the Indenture, the Notes or the Note Guarantees to any provision of the "Description of Notes" section of the Offering Memorandum;

WHEREAS, the Issuer desires and has requested the Trustee to join with it and the Guarantors in entering into this Supplemental Indenture for the purpose of amending the Indenture and the Notes in certain respects as permitted by Sections 9.01(a)(1) and 9.01(a)(10) of the Indenture;

WHEREAS, (1) the Issuer has delivered to the Trustee simultaneously with the execution and delivery of this Supplemental Indenture an Officers' Certificate and an Opinion of Counsel relating to this Supplemental Indenture as contemplated by Sections 9.01(b) and 12.04 of the Indenture and (2) the Issuer and the Guarantors have satisfied all other conditions required under Article 9 of the Indenture to enable the Issuer, the Guarantors and the Trustee to enter into this Supplemental Indenture.

NOW, THEREFORE, in consideration of the above premises, each party hereby agrees, for the benefit of the others and for the equal and ratable benefit of the Holders of the Notes, as follows:

ARTICLE I

AMENDMENTS TO INDENTURE AND NOTES

Section 1.1 **<u>Amendment to Article 1.</u>** The first sentence of Section 4.07(b) of the Indenture excerpted below is hereby amended such that it shall read, with all revisions reflected below in blacklined format, as follows:

"(b) The provisions of Section **<u>4.07(a)</u>** will not prohibit:"

ARTICLE II

MISCELLANEOUS PROVISIONS

Section 2.1 **Defined Terms**. For all purposes of this Supplemental Indenture, except as otherwise defined or unless the context otherwise requires, terms used in capitalized form in this Supplemental Indenture and defined in the Indenture have the meanings specified in the Indenture.

Section 2.2 **Indenture**. Except as amended hereby, the Indenture and the Notes are in all respects ratified and confirmed and all the terms shall remain in full force and effect. This Supplemental Indenture shall form a part of the Indenture for all purposes, and every Holder heretofore or hereafter authenticated and delivered under the Indenture shall be bound hereby and all terms and conditions of both shall be read together as though they constitute a single instrument, except that in the case of conflict the provisions of this Supplemental Indenture shall control.

Section 2.3 **Governing Law**. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Section 2.4 **Successors**. All agreements of the Issuer and the Guarantors in this Supplemental Indenture and the Notes shall bind their respective successors. All agreements of the Trustee in this Supplemental Indenture shall bind its successors.

Section 2.5 **Duplicate Originals**. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy will be an original, but all of them together represent the same agreement. Delivery of an executed counterpart of a signature page of this Supplemental Indenture by telecopier, facsimile, email or other electronic transmission (i.e., a “pdf” or “tif”) will be effective as delivery of a manually executed counterpart of this Supplemental Indenture.

Section 2.6 **Severability**. In case any one or more of the provisions in this Supplemental Indenture or in the Notes shall be held invalid, illegal or unenforceable, in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions shall not in any way be affected or impaired thereby, it being intended that all of the provisions hereof shall be enforceable to the fullest extent permitted by law.

Section 2.7 **Trustee Disclaimer**. The Trustee shall not be responsible in any manner whatsoever for or with respect to any of the recitals or statements contained herein, all of which recitals or statements are made solely by the Issuer and the Guarantors, and the Trustee makes no representation with respect to any such matters. Additionally, the Trustee makes no representations as to the validity or sufficiency of this Supplemental Indenture.

Section 2.8 **Effectiveness**. The provisions of this Supplemental Indenture shall be effective upon execution and delivery of this instrument by the parties hereto.

Section 2.9 **Effect of Headings**. The Section headings herein are for convenience only and shall not affect the construction thereof.

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IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed as of the day and year written above.

CONN'S, INC.

By: /s/ Michael J. Poppe
Name: Michael J. Poppe
Title: Executive Vice President and Chief Operating Officer

CAIAIR, INC.,
as Guarantor

By: /s/ Michael J. Poppe
Name: Michael J. Poppe
Title: President and Chief Operating Officer

CAI CREDIT INSURANCE AGENCY, INC.,
as Guarantor

By: /s/ Michael J. Poppe
Name: Michael J. Poppe
Title: President and Chief Operating Officer

CAI HOLDING CO.,
as Guarantor

By: /s/ Michael J. Poppe
Name: Michael J. Poppe
Title: Chief Operating Officer

CONN APPLIANCES, INC.,
as Guarantor

By: /s/ Michael J. Poppe
Name: Michael J. Poppe
Title: Executive Vice President and
Chief Operating Officer

CONN CREDIT CORPORATION, INC.,
as Guarantor

By: /s/ Michael J. Poppe
Name: Michael J. Poppe
Title: Executive Vice President and
Chief Operating Officer

CONN LENDING, LLC,
as Guarantor

By: /s/ Mary S. Stawikey
Name: Mary S. Stawikey
Title: President

CONN CREDIT I, LP,
as Guarantor

By: Conn Credit Corporation, Inc.,
its sole general partner

By: /s/ Michael J. Poppe
Name: Michael J. Poppe
Title: Executive Vice President and
Chief Operating Officer

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: /s/ Mauri J. Cowen

Name: Mauri J. Cowen

Title: Vice President

Exhibit 10.13

Anchorage Capital Group, L.L.C.
610 Broadway
6th Floor
New York, NY 10012
Tel: 212.432.4600
Fax: 212.432.4601

October 23, 2015

Conn’s, Inc.
4055 Technology Forest Blvd., Suite 210
The Woodlands, Texas 77381

This Agreement is entered into as of October 23, 2015 (this “**Agreement**”) between Conn’s, Inc., a Delaware corporation (the “**Company**”), and Anchorage Capital Group, L.L.C. (“**Anchorage**” or “**we**”). We have discussed with you our desire to be able to acquire shares of common stock, $0.01 par value per share (the “**Common Stock**”), of the Company. In consideration of and reliance upon the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company and Anchorage agree as follows:

1. We acknowledge that, as of the date hereof, Anchorage, its funds and accounts under management and its and their Affiliates and Associates (as defined in Section 203 of the Delaware General Corporation Law (“**Section 203**”)) and any other person or entity through which any of them owns (“**own**” as used throughout this Agreement, including the term “**owner**”, as defined in Section 203) shares of Common Stock (together, the “**Restricted Persons**”) own less than 15% (the “**Threshold Percentage**”) of the outstanding Common Stock. We represent that, as of the date hereof, we are not a member of a “group” (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”) with respect to the Common Stock with any person other than our funds and accounts under management and our and their Affiliates and Associates.

2. For purposes of this Agreement, provided that the ownership of the outstanding Common Stock by the Restricted Persons exceeds the Threshold Percentage on or before January 23, 2017, any acquisition of shares of Common Stock (or instrument exercisable or convertible into Common Stock) by any Restricted Person after the date of this Agreement and prior to the first date, if ever, on which the Restricted Persons collectively own less than 10.0% of the outstanding shares of Common Stock for a period of at least three consecutive months, which acquisition does not, as to Associates to Anchorage's knowledge, result in the Restricted Persons collectively owning more than 7,870,657 shares of Common Stock (as adjusted to take into account any stock split, stock dividend or distribution, reclassification, restructuring, combination, exchange of shares or similar transaction) shall be a “**Permitted Additional Acquisition**”. The Company and the Board of Directors of the Company (the “**Board**”) have approved all Permitted Additional Acquisitions for purposes of Section 203. The Company and Board represent, warrant and agree that, provided that the ownership of the outstanding Common Stock by the Restricted Persons exceeds the Threshold Percentage on or before January 23, 2017, and the Restricted Persons do not, as to Associates to Anchorage's knowledge, own at any time after the date of this Agreement more 7,870,657 shares of Common Stock (as adjusted to take into account any stock split, stock dividend or distribution, reclassification, restructuring, combination, exchange of shares or similar transaction): (i) all Permitted Additional Acquisitions by any of the Restricted Persons are approved for purposes of Section 203, (ii) each of the Restricted Persons has been approved as an “interested stockholder” under Section 203, and (iii) the Restricted Persons shall not be subject to any of the limitations applicable to “interested stockholders” under Section 203 and shall not be restricted from engaging in any “business combination” (as defined in Section 203) with the Company as a result of any Permitted Additional Acquisition. The Board shall not adversely modify, amend or revoke such approvals.

3. To the extent that any of the Restricted Persons acquire Common Stock (or securities convertible or exercisable into Common Stock) such that that as a result of such acquisition the Restricted Persons own more than 15% of the outstanding Common Stock, and thereafter any of the Restricted Persons sells shares such that as a result of such sale the Restricted Persons own less than 15% of the outstanding Common Stock, then all subsequent acquisitions of Common Stock (or securities convertible or exercisable into Common Stock) by the Restricted Persons that do not, as to Associates to Anchorage's knowledge, result in the Restricted

Persons owning more than 7,870,657 shares of Common Stock (as adjusted to take into account any stock split, stock dividend or distribution, reclassification, restructuring, combination, exchange of shares or similar transaction), shall be Permitted Additional Acquisitions.

4. Except as otherwise set forth herein, Anchorage agrees that, during the fifteen month period after the date hereof, Anchorage shall not and shall cause its Affiliates not to, without the prior written consent of the Company:

   a. make, or in any way participate, directly or indirectly, in any "solicitation" (as such term is used in the proxy rules of the Securities and Exchange Commission (the "**SEC**")) of proxies or consents, conduct or suggest any binding or nonbinding referendum or resolution or seek to advise, encourage or influence any individual, partnership, corporation, limited liability company, group, association or entity (collectively, a "**Person**") with respect to the voting of any of the Common Stock;

   b. propose or nominate, or cause or encourage any Person to propose or nominate, any candidates to stand for election to the Board, or seek the removal of any member of the Board;

   c. vote for any nominee or nominees for election to the Board, other than those nominated or supported by the Board;

   d. form, join or otherwise participate in any "partnership, limited partnership, syndicate or other group" (other than any group that includes only some or all of the Restricted Persons) within the meaning of Section 13(d)(3) of the Exchange Act with respect to the Common Stock, or deposit any shares of Common Stock in a voting trust or similar arrangement, or subject any shares of Common Stock to any voting agreement or pooling arrangement, or grant any proxy with respect to any shares of Common Stock (other than to a designated representative of the Company pursuant to a proxy statement of the Company); provided that the foregoing shall not be deemed to restrict any discussions or other interactions among the Restricted Persons and any other Persons in connection with any debt securities or instruments of the Company;

   e. separately, or in conjunction with any other person or entity in which it is or proposes to be either a principal, partner or financing source or is acting or proposes to act as broker or agent for compensation, propose publicly or participate in, effect or seek to effect, any of the following involving the Company or any of its material subsidiaries or its or their securities or a material amount of the assets or businesses of the Company or any of its material subsidiaries: any tender offer or exchange offer, rights offering, spin-off, public offering of securities, merger, acquisition, business combination, reorganization, restructuring, recapitalization, sale or acquisition of material assets, liquidation or dissolution; provided, however, that nothing herein shall limit the ability of Anchorage or any of its Affiliates to propose, participate in, effect or seek to effect any such transaction in connection with a potential restructuring of the Company following the commencement, whether voluntary or involuntary, of any bankruptcy or similar proceeding with respect to the Company, the appointment of a receiver, trustee, assignee, liquidator or similar official with respect to the Company, a general assignment by the Company for the benefit of its creditors, or the Company admitting in writing that it is generally unable to pay its debts as they become due;

   f. seek to call, or to request the call of, or call a special meeting of the stockholders of the Company, or make a request for a list of the Company's stockholders or other Company records;

   g. take any public action to act alone or in concert with others to control or seek to control, or to influence or seek to influence, the management, the Board or the policies of the Company; provided, however, that nothing herein shall prohibit Anchorage and its Affiliates, in a manner not for the purpose of circumventing the provisions of this subparagraph (g), from complying with legal or regulatory requirements, including, without limitation, the filing of any report or schedule required to be filed with the SEC;

h. transfer, pledge, hypothecate, encumber, assign, or otherwise dispose of, directly or indirectly, any shares of Common Stock to (x) any person that Anchorage can determine from publicly available information beneficially owns, or as a result of such transfer or other disposition would beneficially own, 14.99% or more of the then-outstanding shares of Common Stock or (y) any person that reasonably can be determined from publicly available information is an Affiliate or Associate of such stockholder described in the foregoing clause (x); provided, that, for the avoidance of doubt, nothing herein shall be deemed to prohibit Anchorage and its Affiliates from holding shares of Common Stock in margin accounts in the ordinary course of business;

i. sell, offer or agree to sell all or substantially all, directly or indirectly, through swap or hedging transactions, derivative agreements or otherwise, voting rights decoupled from the underlying Common Stock held by Anchorage and its Affiliates to any third party;

j. publicly request or express a desire that the Company amend, waive, grant any consent under or otherwise not enforce any provision of this Section 4; or

k. otherwise take, or solicit, cause or encourage others to take, any action inconsistent with any of the foregoing.

Notwithstanding the foregoing, nothing in this Agreement shall in any way be deemed to limit the ability of Anchorage or any of its Affiliates to (i) vote or tender shares of Common Stock in its sole discretion, except as provided in Section 4(c), (ii) make any public statement or announcement with respect to an Extraordinary Transaction (as defined below) proposed by the Company that requires a vote of the Company's stockholders and that is publicly announced by the Company after the date of this Agreement or (iii) engage in any Open Market Transaction.

5. The parties hereto acknowledge and agree that money damages would not be a sufficient remedy for any breach or threatened breach of any provision of this Agreement, and that in addition to all other remedies which we or the Company may have, each of the parties hereto will be entitled to seek specific performance and injunctive or other equitable relief as a remedy for any such breach, without the necessity of posting any bond.

6. It is understood and agreed that no failure or delay by a party hereto in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any right, power or privilege hereunder.

7. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provisions of this Agreement, which shall remain in full force and effect.

8. This Agreement, including, without limitation, the provisions of this Paragraph 8, may not be amended, modified, terminated or waived, in whole or in part, except upon the prior approval of a majority of the members of the Board who are not Associates or Affiliates of ours and who have not been nominated to serve on the Board by us or any of our Affiliates, Associates or any persons with whom we have formed a "group" (within the meaning of Section 13(d)(3) of the Exchange Act) (the "**Disinterested Directors**") and by a separate writing signed by the Company, if so authorized by such Disinterested Directors, and us expressly so amending, modifying, terminating or waiving such agreement or any part hereof. Any amendment, modification, termination or waiver of this Agreement or any part hereof made that does not comply with the provisions of this Paragraph 8 shall be void and of no legal effect. Notwithstanding anything herein to the contrary, this Agreement shall terminate and cease to be of any further effect immediately upon the acquisition by any of the Restricted Persons of shares of Common Stock (or securities convertible or exercisable into Common Stock) that does not constitute a Permitted Additional Acquisition.

9. This Agreement will be binding upon the parties hereto and their respective heirs, successors and assigns, and will inure to the benefit of the parties hereto (and in our case, the Restricted Persons) and their respective heirs, successors and assigns; ; provided, however, that Anchorage may not assign, or cause to be assigned, any of its rights under this Agreement or delegate, or cause to

be delegated, any of the obligations relating to Anchorage or its Affiliates under this Agreement by operation of law or otherwise, without the prior written consent of the Company. Nothing in this Agreement, express or implied, is intended to confer upon any person, other than Anchorage and the Company and their respective permitted successors and permitted assigns, any right or remedy under or by reason of this Agreement.

10. For purposes of this Agreement, (i) "Extraordinary Transaction" means any merger, consolidation, amalgamation, arrangement, tender or exchange offer, purchase, disposition, sale or transfer of assets or securities, dissolution, liquidation, reorganization, recapitalization, change in authorized or outstanding capital stock, issuances of capital stock other than in employee or director compensatory plans, dividend, share repurchase or other business combination or transaction involving the Company, its subsidiaries or its business and (ii) "Open Market Transaction" means any purchase or sale of debt or securities (i) from the Company or its agent or (ii) on a securities exchange or trading system where the identity of the counterparty to such purchase or sale is unknown to any Restricted Person.

11. This Agreement may be executed in two (2) or more counterparts (including by means of facsimile), each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument. Receipt of an executed signature page to this Agreement by facsimile or other electronic transmission shall constitute effective delivery thereof. Electronic records of this executed Agreement shall be deemed to be originals thereof.

12. Each party agrees and consents to personal jurisdiction and service of process and exclusive venue in the federal district court for the District of Delaware, of the State of Delaware for the purposes of any action, suit or proceeding arising out of or relating to this Agreement. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, without regards to its conflicts of law principles.

[Remainder of Page Intentionally Left Blank]

Very truly yours,

ANCHORAGE CAPITAL GROUP, L.L.C.

By: /s/ Natalie A. Birrell

Name: Natalie Birrell

Title: Chief Operating Officer

Confirmed and agreed to as of
the date first written above:

CONN'S, INC.

By: /s/ Robert F. Bell

Name: Robert F. Bell

Title: VP and General Counsel

Exhibit 10.14

CONN'S, INC.
EXECUTIVE SEVERANCE PLAN

(Effective December 2, 2015)

In order to encourage the retention of key management employees, the Board of Directors (the "Board of Directors") of Conn's, Inc., a Delaware corporation (the "Company"), upon the recommendation of its Compensation Committee (the "Committee"), has adopted this Executive Severance Plan (this "Plan").

SECTION 1. Definitions. For purposes of this Plan, the following terms shall have the meanings set forth below:

(a) "Accrued Rights" shall have the meaning set forth in Section 3(a).

(b) "Affiliate(s)" shall mean, with respect to any specified person, any other person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such specified person, it being understood that control of an entity shall require the direct or indirect ownership of a majority of the outstanding capital stock of such entity. For purposes of the definition of "Affiliate(s)," the term "person" has the meaning described in Section 13(d) of the Exchange Act.

(c) "Annual Base Salary" shall mean, with respect to any Participant, such Participant's annual rate of base salary in effect immediately prior to such Participant's Termination Date.

(d) "Board" shall mean the Board of Directors of the Company.

(e) "Cause" shall mean, with respect to any Participant, the occurrence of any one of the following:

(i) gross negligence or willful misconduct in the performance of, or such Participant's abuse of alcohol or drugs rendering such Participant unable to perform, the material duties and services required for the Participant's position with the Company or an Affiliate;

(ii) the Participant's conviction or plea of nolo contendre for any crime involving moral turpitude or a felony;

(iii) the Participant's commission of an act of deceit or fraud intended to result in personal and unauthorized enrichment of the Participant at the expense of the Company or any of its Affiliates; or

(iv) the Participant's material violation of the written policies of the Company or any of its Affiliates (including the Company's Code of Ethics, as in effect from time to time); or

(v) the Participant's breach of a material obligation of the Participant to the Company or any of its Affiliates pursuant to the Company's Bylaws or any agreement between the Participant and the Company or any of its Affiliates.

(f) "Claimant" shall have the meaning set forth in Section 4(c).

(g) "Committee" shall have the meaning set forth in the preamble to this Plan.

(h) "COBRA" shall mean the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended from time to time, or any successor statute thereto.

(i) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated thereunder.

(j) "Continuation Coverage" shall mean, subject to the limitations described in this definition, the continued coverage of a Participant and the Participant's eligible dependents under the Company's group health plan available to similarly situated employees of the Company and its Affiliates who have not terminated employment (or the provision of similar benefits, which may include the provision of benefits under one or more insurance policies). Such coverage shall be provided by the Company or its Affiliates during the Severance Period at the same cost to the Participant that is applicable to a similarly situated employee of the Company or its Affiliates who has not terminated employment. Continuation Coverage shall be subject to the application of any Medicare or other coordination of benefits provisions under a particular welfare benefit plan. Continuation Coverage under this Plan shall be applied in partial satisfaction of any COBRA coverage for which a Participant is otherwise eligible, and following the expiration of the Severance Period, the Participant (and/or each of his or her eligible dependents) shall be entitled to purchase additional coverage under the Company's group health plan at COBRA rates for any remaining portion of the COBRA period, to the extent permitted by COBRA.

(l) "Disability" shall mean, with respect to any Participant, such Participant's permanent disability (A) as determined in accordance with the disability insurance that the Company (or its Affiliates) may then have in effect, if any, or (B) if no such insurance is in effect, shall mean that Participant is subject to a medical determination that, because of a medically determinable disease, injury, or other mental or physical disability, such Participant is unable to perform substantially all of his then regular duties, and that such disability is determined or reasonably expected to last at least twelve (12) months, based on then-available medical information.

(m) "Effective Date" shall mean December 2, 2015.

(n) "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time, or any successor statute thereto.

(o) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(p) "Involuntary Termination" shall mean any termination of a Participant's employment with the Company which does not result from such Participant's (i) resignation, (ii) death, (iii) actions or inactions constituting Cause or (iv) Disability.

(q) "Participant" shall have the meaning set forth in Section 2.

(r) "Plan Administrator" shall mean (i) the Committee with respect to any Participant who is subject to Section 16 of the Exchange Act and (ii) Chief Human Resources Officer, or such other person as may be designated by the Committee from time to time with respect to any Participant who is not subject to Section 16 of the Exchange Act.

(s) "Severance Benefits" shall have the meaning set forth in Section 3(b).

(t) "Severance Period" shall mean a period of six months after a Participant's Termination Date.

(u) "Subsidiary" shall mean any entity in which the Company, directly or indirectly, possesses 50% or more of the total combined voting power of all classes of its stock.

(v) "Termination Date" shall mean, with respect to any Participant, the effective date of such Participant's termination of employment. For all purposes of this Plan, a Participant shall be considered to have terminated employment with the Company when the Participant incurs a "separation of service" with the Company within the meaning of Section 409A(a)(2)(A)(i) of the Code and the applicable guidance issued thereunder.

(w) "Termination Payment" shall mean an amount equal to 0.5 times the Participant's Annual Base Salary.

(x) "WARN" shall have the meaning set forth in Section 7(a).

SECTION 2. Eligibility. Participants in this Plan ("Participants") are those individuals who are classified as employees of the Company or one of its Subsidiaries and who are elected or appointed to the position of Vice President of the Company or higher as of or following the Effective Date or who are otherwise selected as Participants in this Plan by the Committee in its sole discretion. Notwithstanding the foregoing, this Plan shall not apply to any person who is party to another agreement providing for severance benefits and any such person shall not be eligible to receive any Severance Benefits under this Plan.

SECTION 3. Compensation, Benefits and Effect of Termination of Employment.

(a) Effect of Termination of Employment on Compensation and Accrued Rights. Upon termination of a Participant's employment with the Company or a Subsidiary for any reason, all compensation and all benefits to the Participant shall terminate, provided that the Company shall pay the Participant: (i) the earned but unpaid portion of the Participant's Annual Base Salary through the Termination Date; (ii) any annual, long-term, or other incentive award that relates to a completed fiscal year or performance period, as applicable, and is payable (but not yet paid) on or before the Termination Date, which shall be paid in accordance with the terms of such award; (iii) a lump-sum payment in respect of accrued but unused vacation days, and personal holidays at the Participant's per-business-day Annual Base Salary rate in effect as of the Termination Date; and (iv) any unpaid expense or other reimbursements due to the Participant (collectively, the "Accrued Rights").

(b) Involuntary Termination. Subject to Sections 3(c) and 6, upon a Participant's termination of employment with the Company or a Subsidiary which constitutes an Involuntary Termination, in addition to the Accrued Rights, the Company shall also provide the Participant the following payments and benefits set forth in this Section 3(b) (collectively, the "Severance Benefits"):

(i) Continuation Coverage for the Severance Period for the Participant and the Participant's eligible dependents; and

(ii) substantially equal installments on each of the Company's regularly scheduled payroll dates during the Severance Period and having an aggregate value equal to the Termination Payment.

(c) Release of Claims. The obligations of the Company and its Affiliates under this Section 3 shall be subject to such Participant's execution, within 21 days after the Termination Date (or, if determined by the Administrator, 45 days after the Termination Date), of a general release and waiver substantially in the form attached as Exhibit A (the "General Release"), which has become irrevocable. Any amounts payable or benefits provided to a Participant pursuant to Section 3(b) shall be delayed until such General Release has become effective and irrevocable; provided that if the period during which the Participant may execute the General Release commences in one calendar year and ends in a subsequent calendar year, such amounts or benefits shall be paid or provided in the subsequent calendar year in accordance with Section 409A of the Code.

SECTION 4. Administration of Plan; Claims Procedure.

(a) General. Except as specifically provided herein, the Plan shall be administered by the Plan Administrator. The Plan Administrator may delegate any administrative duties, including, without limitation, duties with respect to the processing, review, investigation, approval and payment of severance benefits, to designated individuals or committees. The Plan Administrator shall be the “administrator” and a “named fiduciary” under the Plan for purposes of ERISA.

(b) Interpretations and Variations. The Plan Administrator shall have the duty and authority to interpret and construe, in its sole discretion, the terms of the Plan in regard to all questions of eligibility, the status and rights of Participants, and the manner, time and amount of any payment under the Plan. The Plan Administrator or its representative shall decide any issues arising under this Plan, and the decision of the Plan Administrator shall be binding and conclusive on the Participants and the Company. Any variations from the Plan may be made only by the Plan Administrator in its sole discretion.

(c) Filing a Claim. It is not normally necessary to file a claim in order to receive benefits under this Plan; however, if a Participant (the “Claimant”) feels he or she has been improperly denied severance benefits, any claim for payment of severance benefits shall be signed, dated and submitted to the Chief Human Resources Officer as forth in Section 8(a) within 60 days after the Participant’s Termination Date. The Plan Administrator shall then evaluate the claim and notify the Claimant of the approval or disapproval in accordance with the provisions of this Plan not later than 90 days after the Company’s receipt of such claim unless special circumstances require an extension of time for processing the claims. If such an extension of time for processing is required, written notice of the extension shall be furnished to the Claimant prior to the termination of the initial 90 day period which shall specify the special circumstances requiring an extension and the date by which a final decision will be reached (which date shall not be later than 180 days after the date on which the claim was filed). If the Claimant does not provide all the necessary information for the Plan Administrator to process the claim, the Plan Administrator may request additional information and set deadlines for the Claimant to provide that information.

(d) Notice of Initial Determination. The Claimant shall be given a written notice in which the Claimant shall be advised as to whether the claim is granted or denied, in whole or in part. If a claim is denied, in whole or in part, the Claimant shall be given written notice which shall contain (i) the specific reasons for the denial, (ii) specific references to pertinent Plan provisions on which the denial is based, (iii) a description of any additional material or information necessary to perfect the claim and an explanation of why such material or information is necessary and (iv) an explanation of this Plan’s appeal procedures, which shall also include a statement of the Claimant’s right to bring a civil action under Section 502(a) of ERISA following a denial of the claim upon review.

(e) Right to Appeal. If a claim for payment of severance benefits made in accordance with the procedures specified in this Plan is denied, in whole or in part, the Claimant shall have the right to request that the Plan Administrator review the denial, provided that the Claimant files a written request for review with the Plan Administrator within 60 days after the date on which the Claimant received written notification of the denial. The Claimant may review or receive copies, upon request and free of charge, any documents, records or other information “relevant” (within the meaning of Department of Labor Regulation 2560.503-1(m)(8)) to the Claimant’s claim. The Claimant may also submit written comments, documents, records and other information relating to his or her claim.

(f) Review of Appeal. In deciding a Claimant’s appeal, the Plan Administrator shall take into account all comments, documents, records and other information submitted by the Claimant relating to the claim, without regard to whether such information was submitted or considered in the initial review of the claim. If the Claimant does not provide all the necessary information for the Plan Administrator to decide the appeal, the Plan Administrator may request additional information and set deadlines for the Claimant to provide that information. Within 60 days after a request for review is received, the review shall be made and the Claimant shall be advised in writing of the decision on review, unless special circumstances require an extension of time for processing the review, in which case the Claimant shall be given a written notification within such initial 60 day period specifying the reasons for the extension and when such review shall be completed (provided that such review shall be completed within 120 days after the date on which the request for review was filed).

(g) Notice of Appeal Determination. The decision on review shall be forwarded to the Claimant in writing and, in the case of a denial, shall include (i) specific reasons for the decision, (ii) specific references to the pertinent Plan provisions upon which the decision is based, (iii) a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records or other information relevant to the Claimant’s claim and (iv) a statement of the Claimant’s right to bring a civil action under Section 502(a) of ERISA following a wholly or partially denied claim for benefits. The Plan Administrator’s decision on review shall be final and binding on all persons for all purposes. If a Claimant shall fail to file a request for review in accordance with the procedures herein outlined, such Claimant shall have no right to review and shall have no right to bring an action in any court, and the denial of the claim shall become final and binding on all persons for all purposes. Any notice and decisions by the Plan Administrator under this Section 4 may be furnished electronically in accordance with Department of Labor Regulation 2520.104b-1(c)(i), (iii) and (iv).

SECTION 5. Dispute Resolution. Any dispute arising out of or relating to this Plan or the adoption, breach, termination or validity thereof, will be settled by binding arbitration by a panel of three arbitrators in accordance with the commercial arbitration rules of the American Arbitration Association. The arbitration proceedings will be located in Harris County, Texas.

The arbitrators are not empowered to award damages in excess of compensatory damages and no party shall be entitled to any damages in excess of compensatory damages. Judgment upon any arbitration award may be entered into any court having jurisdiction thereof and the parties consent to the jurisdiction of any court of competent jurisdiction located in the State of Texas. **BY PARTICIPATING IN THIS PLAN, PARTICIPANT WAIVES ANY RIGHT THAT PARTICIPANT MAY HAVE TO A JURY TRIAL OR, EXCEPT AS EXPRESSLY PROVIDED HEREIN, A COURT TRIAL OF ANY CLAIM ALLEGED BY PARTICIPANT.**

SECTION 6. Section 409A Compliance; Changes in Law.

(a) It is the intention of the Company that the provisions of this Plan comply with Section 409A of the Code, and all provisions of this Plan shall be construed and interpreted in a manner consistent with Section 409A of the Code. The Company shall administer and operate this Plan in compliance with Section 409A of the Code and any rules, regulations or other guidance promulgated thereunder as in effect from time to time and in the event that the Company determines that any provision of this Plan does not comply with Section 409A of the Code or any such rules, regulations or guidance and that as a result any Participant may become subject to a Section 409A tax, notwithstanding Section 8(k), the Company shall have the discretion to amend or modify such provision to avoid the application of such Section 409A tax, and in no event shall any Participant's consent be required for such amendment or modification. Notwithstanding any provision of this Plan to the contrary, each Participant shall be solely responsible and liable for the satisfaction of all taxes and penalties that may arise in connection with amounts payable pursuant to this Plan (including any taxes arising under Section 409A of the Code), and the Company shall have no obligation to indemnify or otherwise hold such Participant harmless from any or all of such taxes.

(b) The payments under this Plan are designated as separate payments for purposes of the short-term deferral rule under Treasury Regulation Section 1.409A-1(b)(4), the exemption for involuntary terminations under separation pay plans under Treasury Regulation Section 1.409A-1(b)(9)(iii), and the exemption for medical expense reimbursements under Treasury Regulation Section 1.409A-1(b)(9)(v)(B). As a result, (A) payments that are made on or before the 15th day of the third month of the calendar year following the year that includes the Participant's Termination Date, (B) any additional payments that are made on or before the last day of the second calendar year following the year of the Participant's Termination Date and do not exceed the lesser of two times the Participant's annual rate of pay in the year prior to his termination or two times the limit under Section 401(a)(17) of the Code then in effect, and (C) continued medical expense reimbursements during the applicable COBRA period, are exempt from the requirements of Section 409A of the Code.

(c) To the extent any amounts under this Plan are payable by reference to a Participant's "termination of employment," such term and similar terms shall be deemed to refer to such Participant's "separation from service," within the meaning of Section 409A of the Code. Notwithstanding any other provision in this Plan, to the extent any payments hereunder constitute "nonqualified deferred compensation," within the meaning of Section 409A of the Code, and the Participant is a specified employee, within the meaning of Treasury Regulation Section 1.409A-1(i), as determined by the Company in accordance with any method permitted under Section 409A of the Code, as of the date of the Participant's separation from service, each such payment that is payable upon such Participant's separation from service and would have been paid prior to the six-month anniversary of such Participant's separation from service, shall be delayed until the earlier to occur of (i) the first day of the seventh month following the Participant's separation from service or (ii) the date of the Participant's death (which date is the "Section 409A Payment Date. This paragraph shall not apply to any payment or benefit otherwise described in the preceding sentence if another provision of this Plan or any other plan or program of the Company or any of its Affiliates is intended to cause such Participant's receipt of such payment or benefit to satisfy the requirements of Section 409A(a)(2)(B)(i) of the Code.

(d) Any reimbursements payable to a Participant pursuant to this Plan or otherwise shall be paid to such Participant in no event later than the last day of the calendar year following the calendar year in which such Participant incurred the reimbursable expense. Any amount of expenses eligible for reimbursement, or in-kind benefit provided, during a calendar year shall not affect the amount of expenses eligible for reimbursement, or in-kind benefit to be provided, during any other calendar year. The right to any reimbursement or in-kind benefit pursuant to this Plan shall not be subject to liquidation or exchange for any other benefit.

(e) In the event that the Company determines that any provision of this Plan violates, or would result in any material liability (other than liabilities for Severance Benefits) to the Company under, any law, regulation, rule or similar authority of any governmental agency (other than Section 409A of the Code), the Company shall be entitled, notwithstanding Section 8(k), to amend or modify such provision as the Company determines in its discretion to be necessary or desirable to avoid such violation or liability, and in no event shall any Participant's consent be required for such amendment or modification.

SECTION 7. Payment Obligations Absolute; No Mitigation.

(a) The obligations of the Company and its Affiliates under Section 3 shall be absolute and unconditional and shall not be affected by any circumstances, including, without limitation, any set off, counterclaim, recoupment, defense or other right which the Company or its Affiliates may have against a Participant or anyone else. Severance Benefits under the Plan shall be reduced by any payments made or to be made by the Company or its Affiliates to the Participant to comply with, or satisfy liability under, the Worker Adjustment and Retraining

Notification Act ("WARN") or any other Federal, State, or local law requiring payments in connection with an involuntary termination of employment, plant shutdown, or workforce reduction, including, but not limited to, amounts paid in connection with paid leaves of absence, back pay, benefits, and other payments intended to satisfy such liability or alleged liability.

(b) In no event shall any Participant be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Participant under any of the provisions of this Plan and such amounts shall not be reduced whether or not the Participant obtains other employment.

SECTION 8. Miscellaneous.

(a) Notices. Notices and all other communications provided for herein shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Company: Conn's, Inc.
4055 Technology Forest Blvd.
The Woodlands, TX 77381
Attention: Chief Human Resources Officer

With a copy to [which shall not constitute notice]
Conn's, Inc.
4055 Technology Forest Blvd.
The Woodlands, TX 77381
Attention: General Counsel

If to a Participant: At the most recent address
on file with the Company

or to such other address as either party may furnish to the other in writing in accordance herewith, except that notices of changes of address shall be effective only upon receipt.

(b) **GOVERNING LAW. THIS PLAN SHALL BE DEEMED TO BE MADE IN THE STATE OF TEXAS, AND, TO THE EXTENT NOT PREEMPTED BY ERISA OR OTHER FEDERAL LAW, THE VALIDITY, INTERPRETATION, CONSTRUCTION AND PERFORMANCE OF THIS PLAN IN ALL RESPECTS SHALL BE GOVERNED BY THE LAWS OF THE STATE OF TEXAS WITHOUT REGARD TO ITS PRINCIPLES OF CONFLICTS OF LAW.** By participating in this Plan, each Participant and the Company hereby irrevocably consent to, and agree not to object or assert any defense or challenge to, the jurisdiction and venue of the state and federal courts located in Texas and agree that any claim which, subject to Section 4 above, may be brought in a court of law or equity may be brought in any such Texas court.

(c) No Waiver. No failure by the Company or a Participant at any time to give notice of any breach by the Company or a Participant, or to require compliance with, any condition or provision of this Plan shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

(d) Severability. If a court of competent jurisdiction determines that any provision of this Plan is invalid or unenforceable, then the invalidity or unenforceability of that provision shall not affect the validity or enforceability of any other provision of this Plan, and all other provisions shall remain in full force and effect.

(e) Withholding of Taxes and Other Employee Deductions. The Company may withhold from any benefits and payments made pursuant to this Plan all federal, state, city and other taxes as may be required pursuant to any law or governmental regulation or ruling and all other normal employee deductions made with respect to the Company's employees generally.

(f) Headings. The paragraph headings have been inserted for purposes of convenience and shall not be used for interpretive purposes.

(g) Interpretations. For purposes of this Plan, the words "include" and "including", and variations thereof, shall not be deemed to be terms of limitation but rather shall be deemed to be followed by the words "without limitation." The term "or" is not exclusive. The word "extent" in the phrase "to the extent" shall mean the degree to which a subject or other thing extends, and such phrase shall not mean simply "if." Wherever the context so requires, the masculine gender includes the feminine or neuter, and the singular number includes the plural and conversely.

(h) Successors. This Plan shall be binding upon and inure to the benefit of the Company and any successor of the Company, including without limitation any person, association, or entity which may hereafter acquire or succeed to all or substantially all of the business or assets of the Company by any means whether direct or indirect, by purchase, merger, consolidation, or otherwise. Participants' rights, benefits and obligations under this Plan are personal and shall not be voluntarily or involuntarily assigned, alienated, or transferred, whether by operation of law or otherwise, without the prior written consent of the Company.

(i) Deemed Resignations. Any termination of a Participant's employment shall constitute an automatic resignation of such Participant as an officer of the Company and each Affiliate of the Company, an automatic resignation from the board of directors, if applicable, of the Company and each Affiliate of the Company and from the board of directors or similar governing body of any corporation, limited liability company or other entity in which the Company or any Affiliate holds an equity interest and with respect to which board or similar governing body such Participant serves as the Company's or such Affiliate's designee or other representative.

(j) No Guarantee of Employment. This Plan shall not be construed as creating any contract of employment between the Company and its Affiliates, on the one hand, and any Participant, on the other hand, nor shall this Plan be construed as restricting in any way the rights of the Company or any of its Affiliates to terminate the employment of any Participant at any time and for any reason subject, however, to any rights of a Participant under this Plan.

(k) Amendment and Termination of this Plan. The Committee may amend, modify or terminate this Plan at any time; provided, however, that (i) except as specifically provided in Section 6, no amendment that is materially adverse to any Participant will be effective without such Participant's written consent until one year after its adoption, (ii) termination of the Plan will not be effective until the first anniversary of the date of the relevant corporate action authorizing the Plan's termination, and (iii) no such amendment, modification or termination shall affect the right to any unpaid Severance Benefits of any Participant whose Termination Date has occurred prior to such amendment, modification or termination of this Plan. The failure of the Company or a Participant to insist upon strict adherence to any term of this Plan on any occasion shall not be considered as a waiver of the rights of the Company or such Participant or deprive the Company or such Participant of the right thereafter to insist upon strict adherence to that term or any other term of this Plan. No failure or delay by the Company or any Participant in exercising any right or power hereunder will operate as a waiver thereof, nor will any single or partial exercise of any such right or power, or any abandonment of any steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power.

SECTION 9. Survival. If a Participant's Termination Date occurs while the Plan is in effect, the provisions of this Plan, including Sections 3, 4, 5, 6, 7 and 8 shall survive and remain binding and enforceable, notwithstanding the expiration or termination of this Plan or the termination of such Participant's employment with the Company or any of its Affiliates, to the extent necessary to preserve the intended benefits of such provisions.

* * * * * *

IN WITNESS WHEREOF, the Company has caused this Executive Severance Plan to be executed on its behalf, effective as of December 2, 2015.

CONN'S, INC.

By:	/s/ Thomas R. Moran
Name:	Thomas R. Moran
Title:	Executive Vice President and Chief Financial Officer

EXHIBIT A

GENERAL RELEASE AND WAIVER

1. I, ***[NAME OF EXECUTIVE]***, in consideration of the severance benefits to be paid to me by Conn's, Inc., a Delaware corporation (the "Company," and together with its affiliates, the "Company Parties"), do hereby release and forever discharge as of the date hereof the Company Parties and their respective affiliates, subsidiaries and direct or indirect parent entities and all present, former and future shareholders, directors, officers, agents, representatives, employees, successors and assigns of the Company and/or its respective affiliates, subsidiaries and direct or indirect parent entities (collectively, the "Released Parties") to the extent provided below (this "General Release"). The Released Parties are intended to be third-party beneficiaries of this General Release, and this General Release may be enforced by each of them in accordance with the terms hereof in respect of the rights granted to such Released Parties hereunder.

2. I understand that any payments or benefits paid or granted to me in connection with my termination of employment represent, in part, consideration for signing this General Release and are not salary, wages or benefits to which I was already entitled. I understand and agree that I will not receive such payments and benefits unless I execute this General Release and do not revoke this General Release within the time periods permitted hereafter. Such payments and benefits will not be considered compensation for purposes of any employee benefit plan, program, policy or arrangement maintained or hereafter established by the Company or its Affiliates.

3. Except as provided in Sections 5 and 6 below, I knowingly and voluntarily (for myself, my heirs, executors, administrators and assigns) release and forever discharge the Company and the other Released Parties from any and all claims, suits, controversies, actions, causes of action, cross-claims, counter-claims, demands, debts, compensatory damages, liquidated damages, punitive or exemplary damages, other damages, claims for costs and attorneys' fees, or liabilities of any nature whatsoever in law and in equity, both past and present (through the date that this General Release becomes effective and enforceable) and whether known or unknown, suspected, or claimed against the Company or any of the Released Parties which I, my spouse, or any of my heirs, executors, administrators or assigns, may have, and which arise out of or are connected with my employment with, or my separation or termination from, the Company, including, but not limited to, any allegation, claim or violation, arising under: Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; the Age Discrimination in Employment Act of 1967, as amended (including the Older Workers Benefit Protection Act); the Equal Pay Act of 1963, as amended; the Americans with Disabilities Act of 1990; the Family and Medical Leave Act of 1993; the Worker Adjustment Retraining and Notification Act; the Employee Retirement Income Security Act of 1974; any applicable Executive Order Programs; the Fair Labor Standards Act; or their state or local counterparts; or under any other federal, state or local civil or human rights law, or under any other local, state, or federal law, regulation or ordinance; or under any public policy, contract or tort, or

under common law; or arising under any policies, practices or procedures of the Company; or any claim for wrongful discharge, breach of contract, infliction of emotional distress, defamation; or any claim for costs, fees, or other expenses, including attorneys' fees incurred in these matters (all of the foregoing collectively referred to herein as the "Claims").

4. I represent that I have made no assignment or transfer of any right, claim, demand, cause of action, or other matter covered by Section 3 above.

5. I agree that this General Release does not waive or release any rights or claims that I may have which arise after the date I execute this General Release, including Claims under the Age Discrimination in Employment Act of 1967. I acknowledge and agree that my separation from employment with the Company shall not serve as the basis for any claim or action (including, without limitation, any claim under the Age Discrimination in Employment Act of 1967).

6. I agree that I hereby waive all rights to sue or obtain equitable, remedial or punitive relief from any or all Released Parties of any kind whatsoever in respect of any Claims, including, without limitation, reinstatement, back pay, front pay, and any form of injunctive relief. Notwithstanding the above, I further acknowledge that I am not waiving and am not being required to waive any right that cannot be waived under law, including the right to file an administrative charge or participate in an administrative investigation or proceeding; provided, however, that I disclaim and waive any right to share or participate in any monetary award resulting from the prosecution of such charge or investigation or proceeding.

7. I hereby agree not to bring or participate in any class or collective action against the Company and/or the other Released Parties that asserts, in whole or in part, any claims that arose before I signed this General Release, whether or not such claims (if brought by me individually) are released by this General Release.

8. In signing this General Release, I acknowledge and intend that it shall be effective as a bar to each and every one of the Claims hereinabove mentioned or implied. I expressly consent that this General Release shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected Claims (notwithstanding any state or local statute that expressly limits the effectiveness of a general release of unknown, unsuspected and unanticipated Claims), if any, as well as those relating to any other Claims hereinabove mentioned or implied. I acknowledge and agree that this waiver is an essential and material term of this General Release and that without such waiver I would not have become entitled to the severance benefits to be provided to me by the Company. I further agree that in the event I should bring a Claim seeking damages against the Company, or in the event I should seek to recover against the Company in any Claim brought by a governmental agency on my behalf, this General Release shall serve as a complete defense to such Claims to the maximum extent permitted by law.

I further agree that I am not aware of any pending claim of the type described in Section 3 above as of the execution of this General Release.

9. I agree that neither this General Release, nor the furnishing of the consideration for this General Release, shall be deemed or construed at any time to be an admission by the Company, any Released Party or myself of any improper or unlawful conduct.

10. Any non-disclosure provision in this General Release does not prohibit or restrict me (or my attorney) from responding to any inquiry about this General Release or its underlying facts and circumstances by the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), any other insurance regulatory organization or any governmental entity.

11. I represent that I am not aware of any claim by me other than the claims that are released by this General Release. I acknowledge that I may hereafter discover claims or facts in addition to or different than those which I now know or believe to exist with respect to the subject matter of the release set forth in Section 3 above and which, if known or suspected at the time of entering into this General Release, may have materially affected this General Release and my decision to enter into it.

12. Whenever possible, each provision of this General Release shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this General Release is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this General Release shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

13. BY SIGNING THIS GENERAL RELEASE, I REPRESENT AND AGREE THAT:

(a) I HAVE READ IT CAREFULLY; AND I UNDERSTAND ALL OF ITS TERMS AND KNOW THAT I AM GIVING UP IMPORTANT RIGHTS, INCLUDING BUT NOT LIMITED TO, RIGHTS UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, AS AMENDED, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, AS AMENDED; THE EQUAL PAY ACT OF 1963; THE AMERICANS WITH DISABILITIES ACT OF 1990; AND THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED;

(b) I VOLUNTARILY CONSENT TO EVERYTHING IN IT;

(c) I HAVE BEEN ADVISED TO CONSULT WITH AN ATTORNEY BEFORE EXECUTING IT AND I HAVE DONE SO OR, AFTER CAREFUL READING AND CONSIDERATION, I HAVE CHOSEN NOT TO DO SO OF MY OWN VOLITION;

(d) I HAVE HAD AT LEAST [21] [45] DAYS FROM THE DATE OF MY RECEIPT OF THIS RELEASE TO CONSIDER IT, AND THE CHANGES MADE SINCE MY RECEIPT OF THIS RELEASE ARE NOT MATERIAL OR WERE MADE AT MY REQUEST AND WILL NOT RESTART THE REQUIRED [21] [45]-DAY PERIOD;

(e) I UNDERSTAND THAT I HAVE SEVEN (7) DAYS AFTER THE EXECUTION OF THIS RELEASE TO REVOKE IT AND THAT THIS RELEASE SHALL NOT BECOME EFFECTIVE OR ENFORCEABLE UNTIL THE REVOCATION PERIOD HAS EXPIRED;

(f) I HAVE SIGNED THIS GENERAL RELEASE KNOWINGLY AND VOLUNTARILY AND WITH THE ADVICE OF ANY COUNSEL RETAINED TO ADVISE ME WITH RESPECT TO IT; AND

(g) I AGREE THAT THE PROVISIONS OF THIS GENERAL RELEASE MAY NOT BE AMENDED, WAIVED, CHANGED OR MODIFIED EXCEPT BY AN INSTRUMENT IN WRITING SIGNED BY AN AUTHORIZED REPRESENTATIVE OF THE COMPANY AND BY ME.

SIGNED: DATED:

______________________________ ______________________________

Participant

EXHIBIT 31.1

CERTIFICATION

I, Norman Miller, 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/ Norman Miller

Norman Miller
Chief Executive Officer and President
(Principal Executive Officer)

Date: December 8, 2015

EXHIBIT 31.2

CERTIFICATION

I, Thomas R. Moran, 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 R. Moran

Thomas R. Moran
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: December 8, 2015

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, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "*Report*"), we, Norman Miller, Chief Executive Officer and President of the Company, and Thomas R. Moran, Executive Vice President and 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/ Norman Miller
Norman Miller
Chief Executive Officer and President
(Principal Executive Officer)

/s/ Thomas R. Moran
Thomas R. Moran
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: December 8, 2015

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.