

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended April 30, 2011

Commission File Number 000-50421

CONN'S, INC.

(Exact name of registrant as specified in its charter)

A Delaware Corporation

(State or other jurisdiction of incorporation or organization)

06-1672840

(I.R.S. Employer Identification Number)

**3295 College Street
Beaumont, Texas 77701
(409) 832-1696**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

NONE

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

Large accelerated filer Accelerated filer Non-accelerated filer smaller reporting company

(Do not check if a smaller reporting company)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of May 23, 2011:

Class	Outstanding
Common stock, \$.01 par value per share	31,772,077

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

Assets	January 31, 2011	April 30, 2011 (unaudited)
Current assets		
Cash and cash equivalents	\$ 10,977	\$ 8,621
Customer accounts receivable, net of allowance of \$18,763 and \$18,080, respectively	342,754	318,995
Other accounts receivable, net of allowance of \$60 and \$60, respectively	30,476	33,662
Inventories	82,354	85,122
Deferred income taxes	16,681	16,005
Federal income taxes recoverable	3,942	-
Prepaid expenses and other assets	6,476	5,693
Total current assets	493,660	468,098
Long-term portion of customer accounts receivable, net of allowance of \$15,873 and \$15,130, respectively	289,965	266,962
Property and equipment		
Land	7,264	7,264
Buildings	10,379	10,379
Equipment and fixtures	25,394	25,630
Transportation equipment	1,558	1,558
Leasehold improvements	85,415	85,441
Subtotal	130,010	130,272
Less accumulated depreciation	(83,120)	(85,991)
Total property and equipment, net	46,890	44,281
Non-current deferred income tax asset	8,009	8,481
Other assets, net	10,118	9,433
Total assets	\$ 848,642	\$ 797,255
Liabilities and Stockholders' Equity		
Current Liabilities		
Current portion of long-term debt	\$ 167	\$ 169
Accounts payable	57,740	52,683
Accrued compensation and related expenses	5,477	7,412
Accrued expenses	25,423	24,938
Income taxes payable	2,103	4,036
Deferred revenues and allowances	20,870	19,914
Total current liabilities	111,780	109,152
Long-term debt	373,569	320,504
Other long-term liabilities	4,403	4,223
Deferred gain on sale of property	845	791
Stockholders' equity		
Preferred stock (\$0.01 par value, 1,000,000 shares authorized; none issued or outstanding)	-	-
Common stock (\$0.01 par value, 40,000,000 shares authorized; 33,488,565 and 31,772,077 shares issued at January 31, 2011 and April 30, 2011, respectively)	335	318
Accumulated other comprehensive loss	(71)	(24)
Additional paid in capital	131,590	132,090
Retained earnings	263,262	230,201
Treasury stock at cost (1,723,205 shares at January 31, 2011)	(37,071)	-
Total stockholders' equity	358,045	362,585
Total liabilities and stockholders' equity	\$ 848,642	\$ 797,255

See notes to consolidated financial statements.

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

	Three Months Ended	
	April 30,	
	2010	2011
Revenues		
Product sales	\$ 149,015	\$ 144,279
Repair service agreement commissions (net)	8,061	7,522
Service revenues	4,757	3,889
Total net sales	<u>161,833</u>	<u>155,690</u>
Finance charges and other	36,076	33,619
Total revenues	<u>197,909</u>	<u>189,309</u>
Cost and expenses		
Cost of goods sold, including warehousing and occupancy costs	114,216	109,710
Cost of service parts sold, including warehousing and occupancy cost	2,376	1,730
Selling, general and administrative expense	58,332	56,188
Provision for bad debts	7,634	7,521
Total cost and expenses	<u>182,558</u>	<u>175,149</u>
Operating income	15,351	14,160
Interest expense, net	5,783	7,556
Other expense, net	171	52
Income before income taxes	9,397	6,552
Provision for income taxes	3,604	2,559
Net income	<u>\$ 5,793</u>	<u>\$ 3,993</u>
Earnings per share		
Basic	\$ 0.26	\$ 0.13
Diluted	\$ 0.26	\$ 0.13
Average common shares outstanding		
Basic	22,475	31,768
Diluted	22,477	31,772

See notes to consolidated financial statements.

Conn's, Inc.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(unaudited)
(in thousands)

	<u>Common Stock</u>		<u>Accum. Other Comprehensive Income (Loss)</u>	<u>Paid in Capital</u>	<u>Retained Earnings</u>	<u>Treasury Stock</u>		<u>Total</u>
	<u>Shares</u>	<u>Amount</u>				<u>Shares</u>	<u>Amount</u>	
Balance January 31, 2011	33,488	\$ 335	\$ (71)	\$ 131,590	\$ 263,262	(1,723)	\$ (37,071)	\$ 358,045
Issuance of common stock under Employee Stock Purchase Plan	7			26				26
Stock-based compensation				474				474
Treasury Shares cancelled	(1,723)	(17)			(37,054)	1,723	37,071	-
Net income					3,993			3,993
Other comprehensive income:								
Adjustment of fair value of interest rate swaps, net of tax of \$26								47
Other comprehensive income								47
Total comprehensive income								4,040
Balance April 30, 2011	<u>31,772</u>	<u>\$ 318</u>	<u>\$ (24)</u>	<u>\$ 132,090</u>	<u>\$ 230,201</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 362,585</u>

See notes to consolidated financial statements.

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

	Three Months Ended	
	April 30,	
	2010	2011
Cash flows from operating activities		
Net income	\$ 5,793	\$ 3,993
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,352	2,884
Amortization, net	1,167	897
Provision for bad debts	7,634	7,521
Stock-based compensation	561	474
Provision for deferred income taxes	(375)	204
Loss from sale of property and equipment	171	1
Discounts and accretion on promotional credit	(766)	(482)
Change in operating assets and liabilities:		
Customer accounts receivable	(7,037)	39,723
Other accounts receivable	24,357	(3,180)
Inventory	(25,402)	(2,768)
Prepaid expenses and other assets	1,392	783
Accounts payable	15,294	(5,057)
Accrued expenses	(8,348)	1,524
Income taxes payable	13,449	5,849
Deferred revenues and allowances	(2,024)	(1,336)
Net cash provided by operating activities	<u>29,218</u>	<u>51,030</u>
Cash flows from investing activities		
Purchase of property and equipment	(390)	(275)
Proceeds from sales of property	204	-
Net cash used in investing activities	<u>(186)</u>	<u>(275)</u>
Cash flows from financing activities		
Net proceeds from stock issued under employee benefit plans, including tax benefit	48	25
Borrowings under lines of credit	61,013	25,216
Payments on lines of credit	(93,511)	(78,238)
Payments of debt issuance costs	(3,089)	(73)
Payment of promissory notes	(33)	(41)
Net cash used in financing activities	<u>(35,572)</u>	<u>(53,111)</u>
Net change in cash	<u>(6,540)</u>	<u>(2,356)</u>
Cash and cash equivalents		
Beginning of the year	12,247	10,977
End of the year	<u>\$ 5,707</u>	<u>\$ 8,621</u>

See notes to consolidated financial statements.

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

Basis of Presentation. The accompanying unaudited, condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. The accompanying financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. All such adjustments are of a normal recurring nature, except as otherwise described herein. Operating results for the three month period ended April 30, 2011 are not necessarily indicative of the results that may be expected for the fiscal year ending January 31, 2012. The financial statements should be read in conjunction with the Company's (as defined below) audited consolidated financial statements and the notes thereto included in the Company's Current Report on Form 10-K filed for the year ended January 31, 2011.

The Company's balance sheet at January 31, 2011, has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for a complete financial presentation. Please see the Company's Form 10-K filed on April 1, 2011 for a complete presentation of the audited financial statements for the fiscal year ended January 31, 2011, together with all required footnotes, and for a complete presentation and explanation of the components and presentations of the financial statements.

Business Activities. The Company, through its retail stores, provides products and services to its customer base in seven primary market areas, including southern Louisiana, southeast Texas, Houston, South Texas, San Antonio/Austin, Dallas/Fort Worth and Oklahoma. Products and services offered through retail sales outlets include home appliances, consumer electronics, home office equipment, lawn and garden products, mattresses, furniture, repair service agreements, installment and revolving credit account programs, and various credit insurance products. These activities are supported through an extensive service, warehouse and distribution system. For the reasons discussed below, the Company has aggregated its results into two operating segments: credit and retail. The Company's retail stores bear the "Conn's" name, and deliver the same products and services to a common customer group. The Company's customers generally are individuals rather than commercial accounts. All of the retail stores follow the same procedures and methods in managing their operations. The Company's management evaluates performance and allocates resources based on the operating results of its retail and credit segments. The separate financial information is disclosed in Note 6 — "Segment Reporting".

Principles of Consolidation. The consolidated financial statements include the accounts of Conn's, Inc. and all of its wholly-owned subsidiaries (the Company). Conn's, Inc. is a holding company with no independent assets or operations other than its investments in its subsidiaries. All material intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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Earnings per Share. The Company calculates basic earnings per share by dividing net income by the weighted average number of common shares outstanding. Diluted earnings per share include the dilutive effects of any stock options granted, which is calculated using the treasury-stock method. The following table sets forth the shares outstanding for the earnings per share calculations (shares in thousands):

(Shares in thousands)	Three Months Ended April 30,	
	2010	2011
Common stock outstanding, beginning of period	22,472	31,765
Weighted average common stock issued to employee stock purchase plan	3	3
Shares used in computing basic earnings per share	22,475	31,768
Dilutive effect of stock options, net of assumed repurchase of treasury stock	2	4
Shares used in computing diluted earnings per share	22,477	31,772

During the periods presented, options with an exercise price in excess of the average market price of the Company's common stock are excluded from the calculation of the dilutive effect of stock options for diluted earnings per share calculations. The weighted average number of options not included in the calculation of the dilutive effect of stock options was 2.7 million, and 2.9 million for each of the three months ended April 30, 2010 and 2011 respectively.

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

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

Interest Income on Customer Accounts Receivable. Interest income is accrued using the effective interest method for installment contracts and the simple interest method for revolving charge accounts, and is reflected in Finance charges and other. Typically, interest income is accrued until the contract or account is paid off or charged-off and we provide an allowance for estimated uncollectible interest. The Company typically only places accounts in non-accrual status when legally required to do so. Interest accrual is resumed on those accounts once a legally-mandated settlement arrangement is reached or other payment arrangements are made with the customer. Interest income is recognized on interest-free promotion credit programs based on the Company's historical experience related to customers that fail to satisfy the requirements of the interest-free programs. Additionally, for sales on deferred interest and "same as cash" programs that exceed one year in duration, the Company discounts the sales to present value, resulting in a reduction in sales and customer receivables, and amortizes the discount amount to Finance charges and other over the term of the program. The amount of customer receivables carried on the Company's balance sheet that were in non-accrual status was \$10.5 million and \$10.0 million at January 31, 2011 and April 30, 2011, respectively. The amount of customer receivables carried on the Company's consolidated balance sheet that were past due 90 days or more and still accruing interest was \$43.5 million and \$33.1 million at January 31, 2011 and April 30, 2011, respectively.

Allowance for Doubtful Accounts. The Company records an allowance for doubtful accounts, including estimated uncollectible interest, for its Customer and Other accounts receivable, based on its historical net loss experience and expectations for future losses. The net charge-off data used in computing the allowance for doubtful accounts is reduced by the amount of post-charge-off recoveries received, including cash payments, amounts realized from the repossession

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of the products financed and, at times, payments received under credit insurance policies. Additionally, the Company separately evaluates portions of the credit portfolio based on underwriting criteria, including both credit score of the customer and the underwriter's evaluation of the customer's credit-worthiness, (Primary and Secondary programs) to estimate the allowance for doubtful accounts. The Secondary program consists of those customers who do not qualify for credit under our Primary program, typically due to past credit problems or lack of credit history. The Company monitors the aging of its past due accounts closely. The Company focuses its collection efforts on preventing accounts from becoming 60 days past due or greater, which is a leading indicator of potential charge-off. The balance in the allowance for doubtful accounts and uncollectible interest for customer receivables was \$34.6 million and \$33.2 million, at January 31, 2011 and April 30, 2011, respectively. Additionally, as a result of the Company's practice of reaging customer accounts, if the account is not ultimately collected, the timing and amount of the charge-off is impacted. If these accounts had been charged-off sooner the historical net loss rates might have been higher.

Income Taxes. The Company is subject to U.S. federal income tax as well as income tax in multiple state jurisdictions. The Company follows the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the tax rates and laws that are expected to be in effect when the differences are expected to reverse. To the extent penalties and interest are incurred, the Company records these charges as a component of its Provision for income taxes. Tax returns for the fiscal years subsequent to January 31, 2007, remain open for examination by the Company's major taxing jurisdictions.

Comprehensive Income. Comprehensive income for the prior year three month period is as follows:

	Three Months Ended April 30, 2010
(Dollars in thousands)	
Net Income	\$ 5,793
Adjustment of fair value of interest rate swaps, net of tax of \$30	(55)
Total Comprehensive income	<u>\$ 5,738</u>

Recently Issued Accounting Pronouncements. Effective April 5, 2011, the FASB issued ASU No. 2011-02, *A Creditor's Determination of Whether Restructuring is a Troubled Debt Restructuring*, which clarifies when a loan modification or restructuring is considered a troubled debt restructuring. This guidance clarifies what constitutes a concession and whether the debtor is experiencing financial difficulties, even if not currently in default. The amendments in ASU 2011-02 are effective for the first interim or annual period beginning on or after June 15, 2011, or for the third quarter of fiscal 2012 for the Company, and should be applied retrospectively to the beginning of the annual period of adoption. Early adoption is permitted. An entity should disclose the total amount of receivables and the allowance for credit losses as of the end of the period of adoption related to those receivables that are newly considered impaired. The Company is currently evaluating the provisions of this ASU and the impact that its adoption will have on its financial position and results of operations.

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Revision of financial statements. The Company has revised its fiscal year 2010 and 2011 consolidated financial statements to correct its accounting for interest income on customer accounts receivable related to the charge-off of those accounts. As a result, revisions have been made that have increased revenue from Finance charges and other, Repair service agreement commissions, net, and expense related to the Provision for bad debts for those periods. Management has concluded that the impact of these revisions on the prior reporting periods is not material to the Company's consolidated financial statements, and the net effect of the reclassification was no change to Operating income, Income before income taxes or Net income for any period. The following is a table that shows the impact of the revision for all quarterly periods of the prior two fiscal years:

(Dollars in thousands)	Repair service agreement commissions, net			Finance charges and other		
	As Presented	Reclass	As Adjusted	As Presented	Reclass	As Adjusted
FY 2010						
Quarter ending 4/30/2009	\$ 9,790	\$ -	\$ 9,790	\$ 39,439	\$ 397	\$ 39,836
Quarter ending 7/31/2009	8,858	-	8,858	39,903	651	40,554
Quarter ending 10/31/2009	7,319	-	7,319	36,064	719	36,783
Quarter ending 1/31/2010	7,305	-	7,305	36,805	281	37,086
Total Fiscal Year 2010	<u>\$ 33,272</u>	<u>\$ -</u>	<u>\$ 33,272</u>	<u>\$ 152,211</u>	<u>\$ 2,048</u>	<u>\$ 154,259</u>
FY 2011						
Quarter ending 4/30/2010	\$ 7,917	\$ 144	\$ 8,061	\$ 34,860	\$ 1,216	\$ 36,076
Quarter ending 7/31/2010	8,341	27	8,368	34,640	1,264	35,904
Quarter ending 10/31/2010	6,035	29	6,064	33,141	1,412	34,553
Quarter ending 1/31/2011	6,495	80	6,575	\$ 34,165	1,842	36,007
Year to Date Fiscal Year 2011	<u>\$ 28,788</u>	<u>\$ 280</u>	<u>\$ 29,068</u>	<u>\$ 136,806</u>	<u>\$ 5,734</u>	<u>\$ 142,540</u>

	Provision for bad debts		
	As Presented	Reclass	As Adjusted
FY 2010			
Quarter ending 4/30/2009	\$ 5,644	\$ 397	\$ 6,041
Quarter ending 7/31/2009	8,026	651	8,677
Quarter ending 10/31/2009	12,651	719	13,370
Quarter ending 1/31/2010	10,522	281	10,803
Total Fiscal Year 2010	<u>\$ 36,843</u>	<u>\$ 2,048</u>	<u>\$ 38,891</u>
FY 2011			
Quarter ending 4/30/2010	\$ 6,274	\$ 1,360	\$ 7,634
Quarter ending 7/31/2010	9,048	1,291	10,339
Quarter ending 10/31/2010	9,372	1,441	10,813
Quarter ending 1/31/2011	\$ 8,360	1,922	10,282
Year to Date Fiscal Year 2011	<u>\$ 33,054</u>	<u>\$ 6,014</u>	<u>\$ 39,068</u>

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2. Supplemental Disclosure of Finance Charges and Other Revenue

The following is a summary of the classification of the amounts included as Finance charges and other for the three months ended April 30, 2010 and 2011 (in thousands):

(Dollars in thousands)	Three Months ended April 30,	
	2010	2011
Interest income and fees on customer receivables	\$ 31,937	\$ 30,002
Insurance commissions	3,890	3,392
Other	249	225
Finance charges and other	<u>\$ 36,076</u>	<u>\$ 33,619</u>

3. Supplemental Disclosure of Customer Receivables

The following tables present quantitative information about the receivables portfolio managed by the Company:

(Dollars in Thousands)	of Customer Receivables		Total Outstanding Balance		Reaged (1)	
	January 31,	April 30, 2011	60 Days Past Due (1)		January 31,	April 30,
	2011		January 31,	April 30,	2011	2011
Primary program:						
Installment	\$537,682	\$ 497,309	\$ 39,252	\$ 30,143	\$ 86,403	\$ 78,099
Revolving	24,603	20,987	1,698	1,352	1,426	1,379
Subtotal	562,285	518,296	40,950	31,495	87,829	79,478
Secondary program:						
Installment	113,481	107,191	17,092	12,958	37,379	32,696
Total receivables managed	<u>675,766</u>	<u>625,487</u>	<u>\$ 58,042</u>	<u>\$ 44,453</u>	<u>\$ 125,208</u>	<u>\$ 112,174</u>
Allowance for uncollectible accounts related to the Primary program	(25,580)	(24,435)				
Allowance for uncollectible accounts related to the Secondary program	(9,056)	(8,775)				
Allowances for promotional credit programs	(8,411)	(6,320)				
Current portion of customer accounts receivable, net	<u>342,754</u>	<u>318,995</u>				
Long-term customer accounts receivable, net	<u>\$289,965</u>	<u>\$ 266,962</u>				

(1) Amounts are based on end of period balances and accounts could be represented in both the past due and reaged columns shown above. The total amount of customer receivables past due one day or greater was \$161.0 million and \$133.6 million as of January 31, 2011 and April 30, 2011, respectively. These amounts include the 60 days past due totals shown above.

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(Dollars in thousands)	Average Balances		Net Credit Charge-offs (2)	
	Three Months Ended		Three Months Ended	
	April 30,		April 30,	
	2010	2011	2010	2011
Primary program:				
Installment	\$ 542,675	\$ 514,719		
Revolving	38,839	22,717		
Subtotal	581,514	537,436	\$ 6,776	\$ 6,393
Secondary program:				
Installment	134,324	110,325	2,370	2,121
Total receivables managed	<u>\$ 715,838</u>	<u>\$ 647,761</u>	<u>\$ 9,146</u>	<u>\$ 8,514</u>

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

Following is the activity in the Company's balance in the allowance for doubtful accounts and uncollectible interest for customer receivables for the three months ended April 30, 2011 and 2010:

	Three Months Ended 4/30/2010			Three Months Ended 4/30/2011		
	Primary	Secondary	Total	Primary	Secondary	Total
Allowance at beginning of period	\$ 26,704	\$ 9,098	\$ 35,802	\$ 25,580	\$ 9,056	\$ 34,636
Provision (a)	5,037	4,271	9,308	6,685	2,432	9,117
Principal charge-offs (b)	(6,819)	(2,378)	(9,197)	(6,485)	(2,144)	(8,629)
Interest charge-offs	(1,524)	(702)	(2,226)	(1,437)	(592)	(2,029)
Recoveries (b)	43	8	51	92	23	115
Allowance at end of period	<u>\$ 23,441</u>	<u>\$ 10,297</u>	<u>\$ 33,738</u>	<u>\$ 24,435</u>	<u>\$ 8,775</u>	<u>\$ 33,210</u>

(a) Includes provision for uncollectible interest, which is included in Finance charges and other.

(b) Charge-offs include the principal amount of losses (excluding accrued and unpaid interest), and recoveries include current period principal collections on previously charged-off balances. These amounts represent net charge-offs.

4. Debt and Letters of Credit

The Company's long-term debt consisted of the following at the period ended:

(Dollars in thousands)	January 31, 2011	April 30, 2011
Asset-based revolving credit facility maturing in November 2013	\$ 279,300	\$ 226,000
Term Loan (net of OID of \$5,820 and \$5,543 respectively) maturing in November 2014	94,180	94,457
Other long-term debt	256	216
Total debt	373,736	320,673
Less current portion of debt	167	169
Long-term debt	<u>\$ 373,569</u>	<u>\$ 320,504</u>

The Company's \$375 million asset-based revolving credit facility provides funding based on a borrowing base calculation that includes customer accounts receivable and inventory and matures in November 2013. The credit facility bears interest at LIBOR plus a spread ranging from 375 basis points to 400 basis points, based on a leverage ratio (defined as total liabilities to tangible net worth). In addition to the leverage ratio, the revolving credit facility includes a fixed charge coverage requirement, a minimum customer receivables cash recovery percentage requirement, a net capital expenditures limit and a \$25 million minimum availability requirement. Additionally, the agreement contains cross-default provisions, such that, any default under another of the Company's credit facilities would result in a default under

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this agreement, and any default under this agreement would result in a default under those agreements. The Company was in compliance with the covenants at April 30, 2011. The asset-based revolving credit facility restricts the amount of dividends the Company can pay and is secured by the assets of the Company not otherwise encumbered.

The Company's \$100 million second lien term loan matures in November 2014 and limits the combined borrowings under its asset-based revolving credit facility and the second lien term loan based on a borrowing base calculation that includes customer accounts receivable, inventory and real estate. The loan bears interest at the greater of LIBOR or 3.0%, plus a spread of 1150 basis points. The agreement also contains certain prepayment penalties should the Company choose to prepay all or a portion of the term loan prior to its maturity date. If a prepayment is made prior to the first anniversary date in November 2011, the Company would be required to pay a prepayment fee equal to the greater of interest owed for the remainder of the first year or 5% of the principal amount being paid. Prepayments made prior the second and third anniversaries of the closing date and the maturity date of the loan would incur prepayment penalties of 3%, 2% and 1%, respectively, for prepayments occurring between each of those dates. Additionally, there are separate prepayment premiums required, along with mandatory prepayments, if the Company completes a permitted disposition of eligible real estate or incurs permitted debt related to other financing transactions, such as an asset-backed securitization, high-yield notes offering, or financing of eligible real estate. The covenants under the term loan are consistent with the covenant requirement of the asset-based revolving credit facility. Additionally, the agreement contains cross-default provisions, such that, any default under another of the Company's credit facilities would result in a default under this agreement, and any default under this agreement would result in a default under those agreements.

The Company expects, based on current facts and circumstances that it will be in compliance with the above covenants for the next 12 months.

As of April 30, 2011, the Company had approximately \$104.1 million under its asset-based revolving credit facility, net of standby letters of credit issued immediately available for general corporate purposes, before considering the \$25 million minimum availability requirement. The Company also had \$43.0 million that may become available under its asset-based revolving credit facility as it grows the balance of eligible customer receivables and its total eligible inventory balances.

The Company's asset-based revolving credit facility provides it the ability to utilize letters of credit to secure its deductibles under the Company's property and casualty insurance programs and risk reserves for certain of our third-party financing alternatives, among other acceptable uses. At April 30, 2011, the Company had outstanding letters of credit of \$1.9 million under this facility. The maximum potential amount of future payments under these letter of credit facilities is considered to be the aggregate face amount of each letter of credit commitment, which totals \$1.9 million as of April 30, 2011.

The Company held interest rate swaps with notional amounts totaling \$10.0 million as of April 30, 2011, with terms extending through July 2011 for the purpose of hedging against variable interest rate risk related to the variability of cash flows in the interest payments on a portion of its variable-rate debt, based on changes in the benchmark one-month LIBOR interest rate. Changes in the cash flows of the interest rate swaps are expected to exactly offset the changes in cash flows (changes in base interest rate payments) attributable to fluctuations in the LIBOR interest rate. For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings. At April 30, 2011, the estimated net amount of loss that is expected to be reclassified into earnings within the next twelve months is \$0.1 million.

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

	Fair Values of Derivative Instruments			
	Liability Derivatives			
	January 31, 2011		April 30, 2011	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments under				
Interest rate contracts	Accrued expenses	\$ 110	Accrued expenses	\$ 37
Total derivatives designated as hedging instruments		<u>\$ 110</u>		<u>\$ 37</u>

Derivatives in Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)		Location of Gain or (Loss) Recognized from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)		Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
	Three Months Ended April 30,			Three Months Ended April 30,			Three Months Ended April 30,	
	2010	2011		2010	2011		2010	2011
Interest Rate Contracts	\$ (55)	\$ (47)	Interest expense	\$ (98)	\$ (62)	Interest expense	\$ -	\$ -
Total	<u>\$ (55)</u>	<u>\$ (47)</u>		<u>\$ (98)</u>	<u>\$ (62)</u>		<u>\$ -</u>	<u>\$ -</u>

5. Contingencies

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

Repair Service Agreement Obligations. The Company sells repair service agreements that extend the period of covered warranty service on the products the Company sells. For certain of the repair service agreements sold, the Company is the obligor for payment of qualifying claims. The Company is responsible for administering the program, including setting the pricing of the agreements sold and paying the claims. The typical term for these agreements is between 12 and 36 months. The pricing is set based on historical claims experience and expectations about future claims. While the Company is unable to estimate maximum potential claim exposure, it has a history of overall profitability upon the ultimate resolution of agreements sold. The revenues related to the agreements sold are deferred at the time of sale and recorded in revenues in the statement of operations over the life of the agreements. The agreements can be canceled at any time and any deferred revenue associated with canceled agreements is reversed at the time of cancellation. The amounts of repair service agreement revenue deferred at January 31, 2011, and April 30, 2011, were \$6.5 million and \$6.8 million, respectively, and are included in Deferred revenue and allowances in the accompanying consolidated balance sheets.

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The following table presents a reconciliation of the beginning and ending balances of the deferred revenue on the Company's repair service agreements and the amount of claims paid under those agreements:

	Three Months Ended April 30,	
	2010	2011
(Dollars in thousands)		
Balance in deferred revenues at beginning of period	\$ 7,268	\$ 6,486
Revenues earned during the period	(1,787)	(1,458)
Revenues deferred on sales of new agreements	1,801	1,760
Balance in deferred revenues at end of period	<u>\$ 7,282</u>	<u>\$ 6,788</u>
Total claims incurred during the period, excludes selling expenses	<u>\$ 886</u>	<u>\$ 669</u>

6. Segment Reporting

Financial information by segment is presented in the following tables for the three months ended April 30, 2010 and 2011:

	Three Months Ended April 30,					
	2010			2011		
(Dollars in thousands)	Retail	Credit	Total	Retail	Credit	Total
Revenues						
Product sales	\$149,015	\$ -	\$149,015	\$144,279	\$ -	\$144,279
Repair service agreement commissions (net) (a)	9,851	(1,790)	8,061	8,902	(1,380)	7,522
Service revenues	4,757	-	4,757	3,889	-	3,889
Total net sales	<u>163,623</u>	<u>(1,790)</u>	<u>161,833</u>	<u>157,070</u>	<u>(1,380)</u>	<u>155,690</u>
Finance charges and other	249	35,827	36,076	225	33,394	33,619
Total revenues	<u>163,872</u>	<u>34,037</u>	<u>197,909</u>	<u>157,295</u>	<u>32,014</u>	<u>189,309</u>
Cost and expenses						
Cost of goods and parts sold, including warehousing and occupancy costs	116,592	-	116,592	111,440	-	111,440
Selling, general and administrative expense (b) (c)	41,785	16,547	58,332	40,845	15,343	56,188
Provision for bad debts	136	7,498	7,634	143	7,378	7,521
Total cost and expenses	<u>158,513</u>	<u>24,045</u>	<u>182,558</u>	<u>152,428</u>	<u>22,721</u>	<u>175,149</u>
Operating income	<u>5,359</u>	<u>9,992</u>	<u>15,351</u>	<u>4,867</u>	<u>9,293</u>	<u>14,160</u>
Interest expense, net (d)	-	5,783	5,783	-	7,556	7,556
Other expense, net	171	-	171	52	-	52
Segment income before income taxes	<u>\$ 5,188</u>	<u>\$ 4,209</u>	<u>\$ 9,397</u>	<u>\$ 4,815</u>	<u>\$ 1,737</u>	<u>\$ 6,552</u>

(a) – Retail repair service agreement commissions exclude repair service agreement cancellations that are the result of consumer credit account charge-offs. These amounts are reflected in repair service agreement commissions for the credit segment. The allocation of the cancellations was adjusted in the prior period presentation to conform to the current period's presentation, which is consistent with the basis that management uses internally to allocate those items.

(b) – Selling, general and administrative expenses include the direct expenses of the retail and credit operations, allocated overhead expenses and a charge to the credit segment to reimburse the retail segment for expenses it incurs related to occupancy, personnel, advertising and other direct costs of the retail segment which benefit the credit operations by sourcing credit customers and collecting payments. The reimbursement received by the retail segment from the credit segment is estimated using an annual rate of 2.5% times the average portfolio balance for each applicable period. The amount of overhead allocated to each segment was approximately \$1.7 million and \$2.1 million for the three months ended April 30, 2010 and 2011, respectively. The amount of reimbursement made to the retail segment by the credit segment was approximately \$4.5 million and \$4.0 million for the three months ended April 30, 2010 and 2011, respectively.

(c) – Selling, general and administrative expenses of the retail segment include depreciation expense of approximately \$3.3 million and \$2.8 million for the three months ended April 30, 2010 and 2011, respectively. Selling, general and administrative expenses of the credit segment include depreciation expense of approximately \$0.1 million for each of the three months ended April 30, 2010 and 2011.

(d) – Interest expense, net, of the credit segment includes amortization expense related to debt issuance costs of approximately \$1.0 million and \$0.7 million for the three months ended April 30, 2010 and 2011, respectively.

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

Forward-Looking Statements

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

- Our ability to obtain capital to fund expansion of our credit portfolio;
- Our ability to obtain capital for required capital expenditures and costs related to the opening of new stores or to update, relocate or expand existing stores;
- Our ability to fund our operations, capital expenditures, debt repayment and expansion from cash flows from operations, borrowings from our revolving line of credit, and proceeds from securitizations or accessing other debt or equity markets;
- Our ability to renew or replace our existing borrowing facilities on or before the maturity dates of the facilities;
- The cost or terms of any amended, renewed or replacement credit facilities;
- Our ability to obtain additional funding for the purpose of funding the customer receivables generated by us;
- Our ability to maintain compliance with debt covenant requirements, including taking the actions necessary to maintain compliance with the covenants, such as obtaining amendments to the borrowing facilities that modify the covenant requirements, which could result in higher borrowing costs;
- Reduced availability under our asset-based revolving credit facility as a result of borrowing base requirements and the impact on the borrowing base calculation of changes in the performance or eligibility of the customer receivables financed by that facility;
- Changes in our collection practices and policies;
- The success of our growth strategy and plans regarding opening new stores and entering adjacent and new markets, including our plans to continue expanding into existing markets;
- Our ability to open and profitably operate new stores in existing, adjacent and new geographic markets;
- Our ability to profitably expand our credit operations;
- Our intention to update or expand existing stores;
- The potential to incur expenses and non-cash write-offs related to decisions to close store locations and settling our remaining lease obligations and our initial investment in fixed assets and related store costs;
- Our ability to introduce additional product categories;
- The ability of the financial institutions providing lending facilities to us to fund their commitments;
- The effect of any downgrades by rating agencies of our lenders on borrowing costs;

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- The effect on our borrowing cost of changes in laws and regulations affecting the providers of debt financing;
- The effect of rising interest rates or borrowing spreads that could increase our cost of borrowing;
- The effect of rising interest rates or other economic conditions that could impair our customers' ability to make payments on outstanding credit accounts;
- Our inability to continue to offer existing customer financing programs or make new programs available that allow consumers to purchase products at levels that can support our growth;
- The potential for deterioration in the delinquency status of our credit portfolio or higher than historical net charge-offs in the portfolio that could adversely impact earnings;
- Technological and market developments, growth trends and projected sales in the home appliance and consumer electronics industry, including, with respect to digital products like Blu-ray players, HDTV, LED and 3-D televisions, GPS devices, home networking devices and other new products, and our ability to capitalize on such growth;
- The potential for price erosion or lower unit sales points that could result in declines in revenues;
- The effect of changes in oil and gas prices that could adversely affect our customers' shopping decisions and patterns, as well as the cost of our delivery and service operations and our cost of products, if vendors pass on their additional fuel costs through increased pricing for products;
- The ability to attract and retain qualified personnel;
- Both the short-term and long-term impact of adverse weather conditions (e.g. hurricanes) that could result in volatility in our revenues and increased expenses and casualty losses;
- Changes in laws and regulations and/or interest, premium and commission rates allowed by regulators on our credit, credit insurance and repair service agreements as allowed by those laws and regulations;
- Our relationships with key suppliers and their ability to provide products at competitive prices and support sales of their products through their rebate and discount programs;
- The adequacy of our distribution and information systems and management experience to support our expansion plans;
- The accuracy of our expectations regarding competition and our competitive advantages;
- Changes in our stock price or the number of shares we have outstanding;
- The potential for market share erosion that could result in reduced revenues;
- The accuracy of our expectations regarding the similarity or dissimilarity of our existing markets as compared to new markets we enter;
- The use of third parties to complete certain of our distribution, delivery and home repair services;
- General economic conditions in the regions in which we operate; and
- The outcome of litigation or government investigations affecting our business.

Additional important factors that could cause our actual results to differ materially from our expectations are discussed under "Risk Factors" in our filings with the Securities and Exchange Commission, including our Form 10-K

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filed on April 1, 2011. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this report might not happen.

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

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

General

We intend for the following discussion and analysis to provide you with a better understanding of the financial condition and performance of our retail and credit segments for the indicated periods, including an analysis of those key factors that contributed to our financial condition and performance and that are, or are expected to be, the key “drivers” of our business.

We are a specialty retailer with 75 retail locations in Texas, Louisiana and Oklahoma, that sells home appliances, including refrigerators, freezers, washers, dryers, dishwashers and ranges, a variety of consumer electronics, including LCD, LED, 3-D, plasma and DLP televisions, camcorders, digital cameras, Blu-ray and DVD players, video game equipment, MP3 players and home theater products, lawn and garden products, mattresses and furniture. We also sell home office equipment, including computers, notebooks and computer accessories and continue to introduce additional product categories for the home and consumer entertainment, such as GPS devices, to help increase same store sales and to respond to our customers’ product needs. We require our sales associates to be knowledgeable of all of our products.

We are a leading specialty retailer of durable consumer products, and we also provide consumer credit to support our customers’ purchases of the products that we offer. Currently, we derive our revenue primarily from two sources: (i) retail sales and delivery of consumer electronics, home appliances, furniture and mattresses, lawn and garden equipment and repair service agreements; and (ii) our in-house consumer credit program, including sales of related credit insurance products. We operate a highly integrated and scalable business through our 75 retail stores and our website, providing our customers with a broad range of brand name products, in-house financing options, next day delivery capabilities, and outstanding product repair service through well-trained and knowledgeable sales, consumer credit and service personnel.

Unlike many of our competitors, we provide flexible in-house credit options for our customers. In the last three years, we financed, on average, approximately 60% of our retail sales through our internal credit programs. In addition to our own credit programs, we use third-party financing programs to provide a portion of the non-interest bearing financing for purchases made by our customers and to provide our customers a rent-to-own payment option. The financing programs we offer to our customers include interest-bearing installment, revolving charge contracts, and promotional credit programs that provide for “same as cash” or deferred interest interest-free periods of varying terms, generally three, six, 12, 18, 24, 36 and 48 months, and require monthly payments beginning in the month after the sale.

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

	Three Months Ended	
	April 30,	
	2010	2011
Total outstanding balance (period end)	\$ 700,492	\$ 625,487
Percent of total outstanding balances represented by balances over 36 months old (period end) (1)	3.1%	3.3%
Percent of total outstanding balances represented by balances over 48 months old (period end) (1)	1.0%	0.9%
Average outstanding customer balance	\$ 1,335	\$ 1,273
Number of active accounts (period end)	524,795	491,441
Account balances over 60 days past due (period end) (2)	\$ 59,932	\$ 44,453
Percent of balances over 60 days past due to total outstanding balance (period end)	8.6%	7.1%
Total account balances reaged (period end) (2)	134,010	112,174
Percent of reaged balances to total outstanding balance (period end)	19.1%	17.9%
Account balances reaged more than six months (period end)	\$ 55,230	\$ 47,338
Weighted average credit score of outstanding balances	583	589
Total applications processed	244,634	254,334
Percent of retail sales financed	59.2%	50.6%
Weighted average origination credit score of sales financed	616	623
Total applications approved	41.5%	37.3%
Average down payment	5.9%	8.0%
Average total outstanding balance	\$ 715,838	\$ 647,761
Bad debt charge-offs (net of recoveries)	\$ 9,146	\$ 8,514
Percent of bad debt charge-offs (net of recoveries) to average outstanding balance, annualized	5.1%	5.3%
Estimated percent of reage balances collected (3)	82.6%	80.8%
Percent of total outstanding balance represented by promotional receivables	13.9%	10.0%
Payment rate (4)	5.99%	6.38%

- (1) Includes installment accounts only. Balances included in over 48 month totals are also included in balances over 36 months old totals.
- (2) Accounts that become delinquent after being reaged are included in both the delinquency and reaged amounts.
- (3) Is calculated as 1 minus the percent of actual bad debt charge-offs (net of recoveries) of reage balances as a percent of average reage balances. The reage bad debt charge-offs are included as a component of Percent of bad debt charge-offs (net of recoveries) to average outstanding balance.
- (4) Three month rolling average of gross cash payments as a percentage of gross principal balances outstanding at the beginning of each month in the period.
- (5) In addition to the credit programs we offer internally, we also use a third-party finance company to provide a portion of our no-interest financing offerings. We also use a third-party provider to offer a rent-to-own financing option to our customers. During the three months ended April 30, 2011 and 2010, approximately 6.3% and 7.2% of our retail sales were financed under the third-party no-interest financing and approximately 3.5% and 0.1% of our sales were financed through the third-party rent-to-own financing.

We also derive revenues from repair services on the products we sell and from product delivery and installation services we provide to our customers. Additionally, acting as an agent for unaffiliated companies, we sell credit insurance and repair service agreements to protect our customers from credit losses due to death, disability, involuntary unemployment and property damage and product failure not covered by a manufacturers' warranty. We also derive revenues from the sale of extended repair service agreements, under which we are the primary obligor, to protect the customers after the original manufacturer's warranty or repair service agreement has expired.

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

Executive Overview

This narrative is intended to provide an executive level overview of our operations for the three months ended April 30, 2011. A detailed explanation of the changes in our operations for these periods as compared to the prior year periods is included under Results of Operations. The following is a summary of some of the specific items impacting our retail and credit segments:

Retail Segment Review

- Total revenues declined \$6.6 million on a same store sales decline of 3.9%, excluding the five stores being closed and the two stores with leases expiring in the current fiscal year. The decline in same store sales was driven by lower home appliance, consumer electronics and home office sales, partially offset by a 24.9% increase in furniture and mattresses sales. Repair service agreement sales declined on the lower product sales volume and service revenues fell as we use more third-party servicers during the current year quarter to provide timely product repairs for our customers;
- The segment's retail margin (includes gross profit from both product and repair service agreement sales) increased from 28.1% in the year ago period, to 28.4% on a 60 basis point increase in product gross margin, as repair service agreement commissions became a smaller percentage of the revenue mix. Product gross margin increased due to a shift in our product mix to higher margin furniture and mattresses and improved margins generated in the home office category in the current year period; and
- Selling, general and administrative (SG&A) expense decline by \$0.9 million, but increased as a percent of segment revenues to 26.0% for the three months ended April 30, 2011, from 25.5% for the three months ended April 30, 2010. The total expense reduction was driven by reduced compensation and related expenses, which were partially offset by increased use of third-party delivery and transportation services, as we began outsourcing a significant portion of this work during the quarter ended January 31, 2011. The primary drivers of the increase in SG&A expense as a percent of revenues were the decrease in sales, increased third-party delivery and transportation services, net of related compensation expense reductions, and severance charges, partially offset by reduced expenses related to our property and casualty insurance program and reduced depreciation expense.

Credit Segment Review

- Total revenues declined by \$2.0 million, as compared to the same quarter in the prior year, as lower interest income and fee revenues, due to the declining customer accounts receivable balance, was partially offset by a reduced charge related to repair service agreement cancellations due to credit account charge-offs. As a result of our declining sales, improved payment rate by our credit customers on their accounts and lower percent of sales financed under our credit programs, the average customer accounts receivable balance has fallen 9.5%, from \$715.8 million during quarter ended April 30, 2010, to \$647.8 million during the quarter ended April 30, 2011;
- SG&A expense for the credit segment fell \$1.2 million, primarily due to reduced compensation and related expense and decreased cost related to a lower volume of collection letters mailed to delinquent customers. Continued improvement in the delinquency performance of the portfolio has allowed us to reduce the cost of servicing the portfolio, as the balance 60+ days delinquent has fallen from \$59.9 million at April 30, 2010, to \$44.5 million at April 30, 2011. The improved performance and reduced servicing cost has resulted in credit segment SG&A expense as a percent of revenues falling to 47.9% for the quarter ended April 30, 2011, as compared to 48.6% for the year ago period;
- As we experienced continued improvement in our credit portfolio performance (specifically, the trends in the delinquency rate, payment rate and percent of the portfolio reaged) during the first quarter of fiscal 2012, the Provision for bad debts decreased by \$2.8 million during the three months ended April 30, 2011, from \$10.3 million in the three months ended January 31, 2011, though it was largely unchanged as compared to the year ago period. While our total net charge-offs of customer accounts receivable decreased by \$0.6 million compared to the prior fiscal year first quarter, due to the decline in the balance of our portfolio, the net charge-offs as a percent of the portfolio balance increased to 5.3% for the quarter ended April 30, 2011, from 5.1% for the quarter ended April 30, 2010; and
- Net interest expense increased in the first quarter of fiscal 2012, by \$1.8 million primarily due to the impact of the higher effective interest rate on our debt as a result of the term loan that we entered into in November, 2010.

Operational changes and outlook

We have implemented, continued to focus on, or modified operating initiatives that we believe will positively impact future results, including:

- Reviewing our existing store locations to ensure the customer demographics and retail sales opportunity are sufficient to achieve our store performance expectations, and selectively closing or relocating stores to achieve those goals;
- Augmenting our credit offerings through the use of third-party consumer credit providers to provide flexible financing options to meet the varying needs of our customers, while focusing the use of our credit program to offer credit to customers where third-party programs are not available.

We currently plan to close five of our underperforming retail locations and allow the leases to expire on one other location that do not perform at the level we expect for mature store locations. The stores that are being closed have average annual retail revenues over the last three years of \$5.1 million as compared to an average of \$10.4 million our other non-clearance center locations and typically have not contributed to our pretax income. After the closures and lease expirations, we will have a total of 69 retail stores. The store closings will all be in Texas, with one being located in the San Antonio market, one in the Austin market and four in the Dallas market. We closed one store in the Austin market during the quarter when its lease expired at the end of April.

While we have benefited from our operations being concentrated in the Texas, Louisiana and Oklahoma region in the past, recent weakness in the national and state economies, including instability in the financial markets, declining consumer confidence and the volatility of oil prices, have and will present significant challenges to our operations in the coming quarters. Our customers continue to be pressured by increasing gas and food prices and high levels of unemployment and, as a result, we have seen average selling prices for television and laundry decline. As such, we expect second quarter same store sales to decline by a percentage in the mid to high single digits. We expect to maintain retail gross margins of between 27% and 28%.

Application of Critical Accounting Policies

Application of critical accounting policies

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

Customer accounts receivable.

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

Interest income on customer accounts receivable.

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Interest income is accrued using the effective interest method for installment contracts, and the simple interest method for revolving charge accounts, and is reflected in Finance charges and other. Typically, interest income is accrued until the contract or account is paid off or charged-off and we provide an allowance for estimated uncollectible interest. We typically only place accounts in non-accrual status when legally required to do so. Interest accrual is resumed on those accounts once a legally-mandated settlement arrangement is reached or other payment arrangements are made with the customer. Interest income is recognized on our interest-free promotional accounts based on our historical experience related to customers who fail to satisfy the requirements of the interest-free programs. Additionally, for sales on deferred interest and "same as cash" programs that exceed one year in duration, we discount the sales to their present value, resulting in a reduction in sales and receivables, and amortize the discount amount in to Finance charges and other over the term of the program.

Allowance for doubtful accounts.

We record an allowance for doubtful accounts, including estimated uncollectible interest, for our Customer accounts receivable, based on our historical net loss experience and expectations for future losses. The net charge-off data used in computing the loss rate is reduced by the amount of post-charge-off recoveries received, including cash payments, amounts realized from the repossession of the products financed and, at times, payments received under credit insurance policies. Additionally, we separately evaluate portions of the credit portfolio based on underwriting criteria to estimate the allowance for doubtful accounts. The balance in the allowance for doubtful accounts and uncollectible interest for customer receivables was \$34.6 million and \$33.2 million, at April 30, 2010, and 2011, respectively. Additionally, as a result of our practice of reaging customer accounts, if the account is not ultimately collected, the timing and amount of the charge-off is impacted. If these accounts had been charged-off sooner the historical net loss rates might have been higher. Reaged customer receivable balances represented 17.9% of the total portfolio balance at April 30, 2011. If the loss rate used to calculate the allowance for doubtful accounts was increased by 10% at April 30 2011, we would have increased our Provision for bad debts by approximately \$3.3 million for fiscal 2012.

Revenue recognition.

Revenues from the sale of retail products are recognized at the time the customer takes possession of the product. Such revenues are recognized net of any adjustments for sales incentive offers such as discounts, coupons, rebates, or other free products or services and discounts of promotional credit sales that will extend beyond one year. We sell repair service agreements and credit insurance contracts on behalf of unrelated third parties. For contracts where the third parties are the obligors on the contract, commissions are recognized in revenues at the time of sale, and in the case of retrospective commissions, at the time that they are earned. Where we sell repair service renewal agreements in which we are deemed to be the obligor on the contract at the time of sale, revenue is recognized ratably, on a straight-line basis, over the term of the repair service agreement. These repair service agreements are renewal contracts that provide our customers protection against product repair costs arising after the expiration of the manufacturer's warranty and the third party obligor contracts. Additionally, the Company sells repair service agreements on its furniture products at the point of sale for which it is the obligor at the time of the sale. All of these agreements typically have terms ranging from 12 to 36 months. These agreements are separate units of accounting and are valued based on the agreed upon retail selling price. The amounts of repair service agreement revenues deferred at January 31, 2011 and April 30, 2011 were \$6.5 million and \$6.8 million, respectively, and are included in Deferred revenues and allowances in the accompanying consolidated balance sheets.

Vendor allowances.

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

Accounting for leases.

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

Results of Operations

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

	Three Months Ended	
	April 30,	
	2010	2011
Revenues:		
Product sales	75.3%	76.2%
Service maintenance agreement commissions (net)	4.1	4.0
Service revenues	2.4	2.0
Total net sales	81.8	82.2
Finance charges and other	18.2	17.8
Total revenues	100.0	100.0
Cost and expenses:		
Cost of goods sold, including warehousing and occupancy costs	57.7	57.9
Cost of parts sold, including warehousing and occupancy costs	1.2	0.9
Selling, general and administrative expense	29.5	29.7
Provision for bad debts	3.9	4.0
Total costs and expenses	92.3	92.5
Operating income	7.7	7.5
Interest expense	2.9	4.0
Other expense	0.1	0.0
Income before income taxes	4.7	3.5
Provision for income taxes	1.8	1.4
Net income	2.9%	2.1%

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

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Analysis of consolidated statements of operations

Total consolidated

	Three months ended		2011 vs. 2010	
	April 30,		Incr/(Decr)	
	2010	2011	Amount	Pct
<i>(in thousands except percentages)</i>				
Revenues				
Product sales	\$149,015	\$144,279	\$(4,736)	(3.2)%
Repair service agreement commissions (net)	8,061	7,522	(539)	(6.7)
Service revenues	4,757	3,889	(868)	(18.2)
Total net sales	161,833	155,690	(6,143)	(3.8)
Finance charges and other	36,076	33,619	(2,457)	(6.8)
Total revenues	197,909	189,309	(8,600)	(4.3)
Cost and expenses				
Cost of goods and parts sold	116,592	111,440	(5,152)	(4.4)
Gross Profit	81,318	77,870	(3,448)	(4.2)
Gross Margin	41.1%	41.1%		
Selling, general and administrative expense	58,332	56,188	(2,144)	(3.7)
Provision for bad debts	7,634	7,521	(113)	(1.5)
Total costs and expenses	182,558	175,149	(7,409)	(4.1)
Operating income	15,351	14,160	(1,191)	(7.8)
Operating Margin	7.8%	7.5%		
Interest expense	5,783	7,556	1,773	30.7
Other expense	171	52	(119)	(69.6)
Income before income taxes	9,397	6,552	(2,845)	(30.3)
Provision for income taxes	3,604	2,559	(1,045)	(29.0)
Net income	\$ 5,793	\$ 3,993	\$(1,800)	(31.1)

Retail segment

	Three months ended April		2011 vs. 2010	
	30,		Incr/(Decr)	
	2010	2011	Amount	Pct
<i>(in thousands except percentages)</i>				
Revenues				
Product sales	\$149,015	\$144,279	\$(4,736)	(3.2)%
Repair service agreement commissions (net) (a)	9,851	8,902	(949)	(9.6)
Service revenues	4,757	3,889	(868)	(18.2)
Total net sales	163,623	157,070	(6,553)	(4.0)
Finance charges and other	249	225	(24)	(9.6)
Total revenues	163,872	157,295	(6,577)	(4.0)
Cost and expenses				
Cost of goods and parts sold	116,592	111,440	(5,152)	(4.4)
Gross Profit	47,280	45,855	(1,425)	(3.0)
Gross Margin	28.9%	29.2%		0.0
Selling, general and administrative expense (b)	41,785	40,845	(940)	(2.2)
Provision for bad debts	136	143	7	5.1
Total costs and expenses	158,513	152,428	(6,085)	(3.8)
Operating income	5,359	4,867	(492)	(9.2)
Operating Margin	3.3%	3.1%		
Other expense	171	52	(119)	(69.6)
Segment income before income taxes	\$ 5,188	\$ 4,815	\$ (373)	(7.2)

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Credit segment

(in thousands except percentages)

	Three months ended April 30,		2011 vs. 2010 Incr/(Decr)	
	2010	2011	Amount	Pct
Revenues				
Product sales	\$ -	\$ -	\$ -	N/A
Repair service agreement commissions (net) (a)	(1,790)	(1,380)	410	(29.7)
Total net sales	(1,790)	(1,380)	410	(29.7)
Finance charges and other	35,827	33,394	(2,433)	(7.3)
Total revenues	34,037	32,014	(2,023)	(6.3)
Cost and expenses				
Selling, general and administrative expense (b)	16,547	15,343	(1,204)	(7.8)
Provision for bad debts	7,498	7,378	(120)	(1.6)
Total costs and expenses	24,045	22,721	(1,324)	(5.8)
Operating income	9,992	9,293	(699)	(7.5)
Operating Margin	29.4%	29.0%		
Interest expense	5,783	7,556	1,773	23.5
Segment Income before income taxes	\$ 4,209	\$ 1,737	\$(2,472)	(142.3)

- (a) Retail repair service agreement commissions exclude repair service agreement cancellations that are the result of consumer credit account charge-offs. These amounts are reflected in repair service agreement commissions for the credit segment. The allocation of the cancellations was adjusted in the prior period presentation to conform to the current period's presentation, which is consistent with the basis that management uses internally to allocate those items.
- (b) Selling, general and administrative expenses include the direct expenses of the retail and credit operations, allocated overhead expenses and a charge to the credit segment to reimburse the retail segment for expenses it incurs related to occupancy, personnel, advertising and other direct costs of the retail segment which benefit the credit operations by sourcing credit customers and collecting payments. The reimbursement received by the retail segment from the credit segment is estimated using an annual rate of 2.5% times the average portfolio balance for each applicable period. The amount of overhead allocated to each segment was approximately \$1.7 million and \$2.1 million for the three months ended April 30, 2010 and 2011 respectively. The amount of reimbursement made to the retail segment by the credit segment was approximately \$4.5 million and \$4.0 million for the three months ended April 30, 2010 and 2011, respectively.

Three Months Ended April 30, 2011 Compared to Three Months Ended April 30, 2010

(Dollars in millions)	Three Months Ended April 30,		Change	
	2010	2011	\$	%
Net sales	\$ 161.8	\$ 155.7	(6.1)	(3.8)
Finance charges and other	36.1	33.6	(2.5)	(6.9)
Total Revenues	<u>\$ 197.9</u>	<u>\$ 189.3</u>	(8.6)	(4.3)

The \$6.1 million decrease in net sales consists of the following:

- A same store sales decrease of 3.9%;
- A \$0.3 million net decrease generated by the five stores we plan to close and the two stores with leases expiring in the current fiscal year;
- A \$0.6 million increase resulted from a decrease in discounts on extended-term non-interest bearing credit sales (those with terms longer than 12 months); and
- A \$0.9 million decrease in service revenues.

The components of the \$6.1 million decrease in net sales were a \$4.7 million decrease in Product sales and a \$1.4 million decrease in repair service agreement commissions and service revenues.

The following table presents the makeup of 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. Classification of sales has been adjusted from previous filings to ensure comparability between the categories.

(Dollars in millions)	Three Months ended April 30,				Change	% Change
	2010	% of Total	2011	% of Total		
Consumer electronics	\$ 59.7	36.9%	\$ 57.1	36.7%	\$(2.6)	(4.4%)
Home appliances	48.8	30.2	45.1	29.0	(3.7)	(7.6%)
Furniture and mattresses	18.9	11.7	23.6	15.1	4.7	24.9%
Home office	13.1	8.1	10.6	6.8	(2.5)	(19.1%)
Other	8.5	5.2	7.9	5.1	(0.6)	(7.1%)
Total product sales	149.0	92.1	144.3	92.7	(4.7)	(3.2%)
Repair service agreement commissions	8.1	5.0	7.5	4.8	(0.6)	(7.4%)
Service revenues	4.7	2.9	3.9	2.5	(0.8)	(17.0%)
Total net sales	<u>\$161.8</u>	<u>100.0%</u>	<u>\$155.7</u>	<u>100.0%</u>	<u>\$(6.1)</u>	<u>(3.8%)</u>

Note: The amounts in the table reflect the fact the Company has revised its product category presentation to be more consistent with other companies in the industry. The primary change was to rename the Track category as Home office and move certain products, previously included in Track, to Consumer electronics, Home appliances and Other.

The following is a summary of some of the key items impacting net sales during the quarter, as compared to the same quarter in the prior fiscal year:

- Consumer electronics category sales declined primarily as a result of a 20.5% decrease in the average selling price of televisions, as unit sales increased 19.4%. The increase in unit sales was driven largely by a 128.8% increase in plasma television unit sales. Also, lower camera and camcorder sales contributed to the decline. Partially offsetting the declines were higher video game hardware, MP3 player and accessory sales, and the addition of DJ systems to the product line-up,
- Home appliance category sales declined during the quarter on lower unit sales and a decline in the average selling prices, with laundry sales down 11.2%, refrigeration sales down 6.7% and cooking sales down 17.7%. The Company did experience a 96.4% increase in room air conditioning sales,

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- The growth in furniture and mattresses sales was driven by enhanced displays and product selection, and increased promotional activity to increase customer traffic,
- Home office sales declined primarily as a result of a 15.9% drop in the unit sales of laptop and desktop computers, and a 3.8% decrease in the average selling prices of those products. While home office sales declined, the Company drove an increase in the amount of gross profit generated by this category,
- The decrease in other product revenues resulted primarily from reduced lawn and garden equipment sales due to the dry weather conditions,
- Repair service agreement commissions declined due to a \$0.9 million decrease in the retail segment's repair service agreement commissions due primarily to a decline in product sales, partially offset by a \$0.4 million reduction in the amount of the credit segment's repair service agreement cancellations due to the lower level of credit charge-offs experienced,
- Service revenues decreased as the Company increased its use of third-party servicers during the quarter, compared to the previous year, to provide timely product repairs for its customers, and
- The Company completed the closure of one store in Austin, Texas, as the lease expired during the month of April.

(Dollars in millions)	Three Months Ended April 30,		Change	
	2010	2011	\$	%
Interest income and fees	\$ 31.9	\$ 30.0	(1.9)	(6.0)
Insurance commissions	3.9	3.4	(0.5)	(12.8)
Other income	0.3	0.2	(0.1)	(33.3)
Finance charges and other	<u>\$ 36.1</u>	<u>\$ 33.6</u>	<u>(2.5)</u>	<u>(7.4)</u>

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

The decrease in Interest income and fees of the credit segment resulted primarily due to a decrease in the average balance of customer accounts receivable outstanding during the three months ended April 30, 2011 of 9.5%, as compared to the prior year period. The average interest income and fee yield earned on the portfolio increased from 17.8% for the three months ended April 30, 2010, to 18.5% for the three months ended April 30, 2011. Insurance commissions of the credit segment decreased as a result of reduced initial sales commissions and lower retrospective commissions and lower interest earnings on funds held by the insurance company for the payment of claims. We have also reduced the percentage of credit being offered under our internal credit programs, which has a negative impact on the number of opportunities to sell credit insurance under our credit insurance program.

The following table provides key portfolio performance information for the three months ended April 30, 2010 and 2011:

(Dollars in millions)	Three Months Ended April 30,	
	2010	2011
Interest income and fees (a)	\$ 31.9	\$ 30.0
Net charge-offs (b)	(9.1)	(8.5)
Borrowing costs (c)	(5.8)	(7.6)
Net portfolio yield	<u>\$ 17.0</u>	<u>\$ 13.9</u>
Average portfolio balance	\$715.8	\$647.8
Interest income and fee yield % (annualized)	17.8%	18.5%
Net charge-off % (annualized)	5.1%	5.3%

(a) Included in Finance charges and other.

(b) Included in Provision for bad debts.

(c) Included in Interest expense.

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(Dollars in millions)	Three Months Ended		Change	
	April 30,		\$	%
	2010	2011		
Cost of goods sold	\$ 114.2	\$ 109.7	(4.5)	(3.9)
Product gross margin percentage	23.4%	24.0%		0.6%

Product gross margin increased as a percent of product sales from the three months ending April 30, 2010 driven by a shift in our product mix to higher margin furniture and mattresses and improved margins generated in the home office category in the current year period.

(Dollars in millions)	Three Months Ended		Change	
	April 30,		\$	%
	2010	2011		
Cost of service parts sold	\$ 2.4	\$ 1.7	(0.7)	(29.2)
As a percent of service revenues	49.5%	56.3%		6.7%

This decrease was due primarily to a 22.3% decrease in parts sales as we increased the use of third-party servicers to provide timely product repairs for our customers.

(Dollars in millions)	Three Months Ended		Change	
	April 30,		\$	%
	2010	2011		
Selling, general and administrative expense - Retail	\$ 41.7	\$ 40.9	(0.8)	(1.9)
Selling, general and administrative expense - Credit	16.6	15.3	(1.3)	(7.8)
Selling, general and administrative expense - Total	<u>\$ 58.3</u>	<u>\$ 56.2</u>	<u>(2.1)</u>	<u>(3.6)</u>
As a percent of total revenues	29.5%	29.7%		(0.2%)

During the three months ended April 30, 2011, Selling, general and administrative (SG&A) expense was reduced by \$2.1 million, though it increased as a percent of revenues to 29.7% from 29.5% in the prior year period, due to the deleveraging effect of the decline in total revenues. The reduction in SG&A expense was driven primarily by lower compensation and related expenses, reduced depreciation expense, reduced costs related to our property and casualty insurance program, and reduced expenses related to credit mailings. These reductions were partially offset by increased charges related to the increased use of contract delivery and installation services, increased credit card fees and expenses incurred in the current period related to severance agreements.

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

Retail Segment

The following are the significant factors affecting the retail segment:

- Total compensation costs and related expenses decreased approximately \$2.0 million from the prior period, primarily due to reduced commissions payable as a result of lower sales and reduced delivery and transportation operation staffing as we increased our use of third-parties to provide these services; and
- Contract delivery, transportation and installation costs increased approximately \$1.2 million from the prior period as we increased our use of third-parties to provide these services.

Credit Segment

The following are the significant factors affecting the credit segment:

- Total compensation costs and related expenses decreased approximately \$0.7 million from the prior period due to a decrease in staffing as the levels of delinquency declined and our credit portfolio balance dropped; and
- Form printing and purchases and related postage decreased approximately \$0.3 million as collection efforts did not utilize letter mailings to the same extent as the prior period.

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(Dollars in millions)	Three Month Ended		Change	
	April 30,			
	2010	2011	\$	%
Provision for bad debts	\$ 7.6	\$ 7.5	(0.1)	(1.3)
As a percent of total revenues	3.9%	4.0%		0.1%

The provision for bad debts is primarily related to the operations of our credit segment, with approximately \$136,000 and \$143,000 for the periods ended April 30, 2010 and 2011, respectively, included in the results of operations for the retail segment.

The Provision for bad debts decreased to \$7.5 million for the three months ended April 30, 2011, from \$7.6 million for the in the prior year period, although our total net charge-offs of customer and non-customer accounts receivable decreased by \$0.6 million compared to the prior period. We have experienced an improvement in our credit portfolio performance (specifically, the trends in the payment rate, delinquency rate and percent of the portfolio reaged) since the fourth quarter of fiscal 2011.

(Dollars in millions)	Three Months Ended		Change	
	April 30,			
	2010	2011	\$	%
Interest expense, net	\$ 5.8	\$ 7.6	1.8	31.0

The increase in interest expense was due to the increase in our borrowing rates as a result of our refinancing transactions in the fourth quarter of 2011. The entirety of our interest expense is included in the results of operations of our credit segment.

(Dollars in millions)	Three Months Ended		Change	
	April 30,			
	2010	2011	\$	%
Provision for income taxes	\$ 3.6	\$ 2.6	(1.0)	(27.8)
As a percent of income before income taxes	38.3%	39.7%		(1.4%)

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

(Dollars in millions)	Three Months Ended		Change	
	April 30,			
	2010	2011	\$	%
Diluted earnings per share	\$ 0.26	\$ 0.13	(0.13)	(50.0)

Diluted earnings per share was impacted in the current period by the reduction in net income, as well as the increase in diluted shares outstanding of approximately 9.3 million shares due to the stock rights offering that occurred during the fourth quarter of fiscal year 2011. The additional shares had the impact of reducing diluted earnings per share by \$0.05.

Liquidity and Capital Resources

Current Activities

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

Our asset-based revolving credit facility, which provides funding based on a borrowing base calculation that includes customer accounts receivable and inventory, has a capacity of \$375 million and a maturity date in November 2013. The credit facility bears interest at LIBOR plus a spread ranging from 375 basis points to 400 basis points, based on a leverage ratio (defined as total liabilities to tangible net worth). In addition to the leverage ratio, the revolving credit facility includes a fixed charge coverage requirement, a minimum customer receivables cash recovery percentage requirement, a net capital expenditures limit and a minimum availability requirement. The leverage ratio covenant requirement is a required maximum of 2.00 to 1.00. The fixed charge coverage ratio is a minimum of 1.10 to 1.00. There

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is also a minimum required availability of \$25 million. Additionally, the agreement contains cross-default provisions, such that, any default under another of our credit facilities would result in a default under this agreement, and any default under this agreement would result in a default under those agreements. We expect, based on current facts and circumstances that we will be in compliance with the above covenants for the next 12 months. The weighted average interest rate on borrowings outstanding under the asset-based revolving credit facility at April 30, 2011, was 4.5%, including the interest expense associated with our interest rate swaps.

We entered into a \$100 million second lien term loan, maturing in November 2014, which limits the combined borrowings under our asset-based revolving credit facility and the second lien term loan based on a borrowing base calculation that includes customer accounts receivable, inventory and real estate. The loan bears interest at the greater of LIBOR or 3.0%, plus a spread of 1150 basis points, which resulted in an interest rate of 14.5% at April 30, 2011. The agreement also contains certain prepayment penalties should we choose to prepay all or a portion of the term loan prior to its maturity date. If a prepayment is made prior to the first anniversary date in November 2011, we would be required to pay a prepayment premium equal to the greater of interest owed for the remainder of the first year or 5% of the principal amount being paid. Prepayments made prior to the second, third and fourth anniversaries of the closing date of the loan would require prepayment premiums of 3%, 2% and 1% of the principal amount being paid, respectively, for prepayments occurring prior to each of those dates. Additionally, there are separate prepayment premiums required, along with mandatory prepayments, if we complete a permitted disposition of eligible real estate or incur permitted debt related to other financing transactions, such as an asset-backed securitization, high-yield notes offering, or financing of eligible real estate. The covenants under the term loan are consistent with the covenant requirement of the asset-based revolving credit facility. Additionally, the agreement contains cross-default provisions, such that, any default under another of our credit facilities would result in a default under this agreement, and any default under this agreement would result in a default under those agreements. We expect, based on current facts and circumstances that we will be in compliance with the above covenants for the next 12 months. The weighted average effective interest rate on borrowings outstanding under all our credit facilities for the three months ended April 30, 2011 was 8.8%, including the interest expense associated with our interest rate swaps, amortization of the discount on the term loan and amortization of deferred financing costs.

A summary of the significant financial covenants that govern our new credit facilities compared to our actual compliance status at April 30, 2011, is presented below:

	Actual	Required Minimum/Maximum
Fixed charge coverage ratio must exceed required minimum	1.28 to 1.00	1.10 to 1.00
Total liabilities to tangible net worth ratio must be lower than required maximum	1.20 to 1.00	2.00 to 1.00
Cash recovery percentage must exceed stated amount	6.38%	4.74%
Capital expenditures, net must be lower than required maximum	\$3.0 million	\$22.0 million
Availability must be higher than the required minimum	\$104.1 million	\$25.0 million

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

As of April 30, 2011, we had immediately available borrowing capacity of \$104.1 million under our asset-based revolving credit facility, net of standby letters of credit issued of \$1.9 million, available to us for general corporate purposes before considering the \$25 million minimum availability requirement and extended vendor terms for purchases of inventory. In addition to the \$104.1 million currently available under the revolving credit facility, an additional \$43.0 million may become available if we grow the balance of eligible customer receivables and total eligible inventory balances. The principal payments received on customer receivables which averaged approximately \$39.8 million per month during the three months ended April 30, 2011, are available each month to fund new customer receivables generated. During fiscal 2012, we expect to continue to reduce the balance of the credit portfolio. We intend, at this time, to use the cash flow from collections of the receivables to reduce our outstanding debt balances, which will increase the unused capacity under our revolving facility available to fund future growth.

We will continue to finance our operations and future growth through a combination of cash flow generated from operations and external borrowings, including primarily bank debt, extended vendor terms for purchases of inventory and acquisition of inventory under consignment arrangements. Based on our current operating plans, we believe that cash generated from operations, available borrowings under our revolving credit facility and term loan, extended vendor terms

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for purchases of inventory and acquisition of inventory under consignment arrangements will be sufficient to fund our operations, store expansion and updating activities and capital programs for at least the next 12 months, subject to continued compliance with the covenants in our credit facilities. Additionally, if there is a default under any of the facilities that is not waived by the various lenders, it could result in the requirement to immediately begin repayment of all amounts owed under our credit facilities, as all of the facilities have cross-default provisions that would result in default under all of the facilities if there is a default under any one of the facilities. If the repayment of amounts owed under our credit facilities is accelerated for any reason, we may not have sufficient cash and liquid assets at such time to be able to immediately repay all the amounts owed under the facilities.

Both the revolving credit facility and the term loan are significant factors relative to our ongoing liquidity and our ability to meet the cash needs associated with the growth of our business. Our inability to use either of these programs because of a failure to comply with their covenants would adversely affect our business operations. Funding of current and future customer receivables under the borrowing facilities can be adversely affected if we exceed certain predetermined levels of re-aged customer receivables, write-offs, bankruptcies or other ineligible customer receivable amounts.

During the three months ended April 30, 2011, net cash provided by operating activities increased from \$29.2 million provided during the three months ended April 30, 2010, to \$51.0 million provided by operating activities. The increase was driven primarily by:

- Cash provided from decreases in the balance of customer accounts receivable;
- Partially offset by cash used in the payment of accounts payable.

Net cash used in investing activities was largely unchanged with \$0.3 million in the current period, as compared to \$0.2 million in the prior period, due to a decline in purchases of property and equipment in the current period.

Net cash used in financing activities increased from \$35.6 million used during the three months ended April 30, 2010, to \$53.1 million used during the three months ended April 30, 2011. During the three months ended April 30, 2011, we used net cash flows from operating activities to pay down amounts owed under our financing facilities.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest rates under our asset-based revolving credit facility are variable and bear interest at LIBOR plus a spread ranging from 375 basis points to 400 basis points, based on a leverage ratio (defined as total liabilities to tangible net worth). Our \$100 million second-lien term loan bears interest at the greater of LIBOR or 3.0%, plus a spread of 1150 basis points. Accordingly, changes in LIBOR will affect the interest rate on, and therefore our costs under, these credit facilities.

Since January 31, 2011, the balance outstanding under our asset-based revolving credit facility has decreased from \$279.3 million to \$226.0 million at April 30, 2011. Additionally, since January 31, 2011, the notional balance of interest swaps used to fix the rate on a portion of asset-based revolving credit facility balance has decreased from \$25 million to \$10 million at April 30, 2011. As a result, as of April 30, 2011, a 100 basis point increase in interest rates on the asset-based revolving credit facility would increase our borrowing costs by \$2.2 million over a 12-month period, based on the balance outstanding at April 30, 2011, after considering the impact of the interest rate swaps. Because LIBOR is more than 100 basis points below the minimum 3.0% rate under the term loan, a 100 basis point change in LIBOR would not impact the current anticipated interest expense under that loan.

Item 4. Controls and Procedures

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

For the quarter ended April 30, 2011, 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 Company is involved in routine litigation and claims incidental to its business from time to time, and, as required, has accrued its estimate of the probable costs for the resolution of these matters, which are not expected to be material. 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. Recently, the Company has been included in various patent infringement claims and litigation, the outcomes of which are difficult to predict at this time. Due to the timing of these matters, the Company has determined that no reasonable estimates of probable costs for resolution can be ascertained at this time, and it is possible, however, that future results of operations for any particular period could be materially affected by changes in the Company's assumptions or the effectiveness of its strategies related to these proceedings. However, the results of these proceedings cannot be predicted with certainty, and changes in facts and circumstances could impact the Company's estimate of reserves for litigation.

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

None.

Item 4. Submission of Matters to a Vote of Security Holders

At the Annual Meeting of Stockholders held on May 24, 2011, the following proposals were submitted to stockholders with the following results:

1. Election of seven directors:

	Number of Shares	
	For	Withheld
Marvin D. Brailsford	24,379,432	243,582
Jon E. M. Jacoby	24,135,173	487,841
Bob L. Martin	24,381,022	241,992
Douglas H. Martin	24,365,294	257,720
Scott L. Thompson	24,381,028	241,986
William T. Trawick	24,274,528	348,486
Theodore M. Wright	24,553,463	69,551

2. Approval of the adoption of the 2011 Employee Omnibus Incentive Plan:

	Number of Shares
For	23,530,721
Against	500,453
Abstain	591,840

3. Approval of the adoption of the 2011 non-Employee Director Restricted Stock Plan:

	Number of Shares
For	20,746,260
Against	3,282,775
Abstain	593,979

4. Approval of the Audit Committee's appointment of Ernst & Young, LLP as our independent public accountants for the fiscal year ending January 31, 2012.

	Number of Shares
For	29,166,333
Against	39,433
Abstain	5,745

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5. Advisory vote for the approval of the compensation of our Named Executive Officers:

	Number of Shares
For	23,963,398
Against	62,231
Abstain	597,385

6. Advisory vote on the frequency of an advisory vote on the compensation of our Named Executive Officers:

	Number of Shares
1 Year	23,904,418
2 Years	17,473
3 Years	116,314
Abstain	584,809

7. Approval of such other business as may properly come before the Meeting:

	Number of Shares
For	22,695,743
Against	6,381,050
Abstain	134,728

Item 5. Other Information

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

On August 25, 2010, the Securities and Exchange Commission (SEC) adopted amendments to the federal proxy rules, including a new “proxy access” rule which will require public companies to include information in the company’s proxy materials about, and enable shareholders to vote for, director candidates nominated by shareholders or groups of shareholders that meet specified stock ownership criteria. The SEC adopted the proxy access rule in response to ongoing concerns about whether public company boards of directors are sufficiently focused on shareholder interests, and the desire of some public company shareholders to use the director nomination process as a tool for increasing board accountability and influencing corporate policy. The SEC’s authority to adopt the proxy access rule was confirmed in the recently enacted Dodd-Frank Wall Street Reform and Consumer Protection Act.

The key provisions of the proxy access rule, to be codified as new Exchange Act Rule 14a-11, and related federal proxy rule amendments, are summarized below.

The proxy access rule will take effect 60 days from publication in the Federal Register. Accordingly, the rule will be effective for the 2011 proxy season.

Item 6. Exhibits

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

SIGNATURE

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

CONN'S, INC.

By: /s/ Michael J. Poppe

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

Date: May 25, 2011

EXHIBIT INDEX

Exhibit Number	Description
2	Agreement and Plan of Merger dated January 15, 2003, by and among Conn's, Inc., Conn Appliances, Inc. and Conn's Merger Sub, Inc. (incorporated herein by reference to Exhibit 2 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).
3.1	Certificate of Incorporation of Conn's, Inc. (incorporated herein by reference to Exhibit 3.1 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).
3.1.1	Certificate of Amendment to the Certificate of Incorporation of Conn's, Inc. dated June 3, 2004 (incorporated herein by reference to Exhibit 3.1.1 to Conn's, Inc. Form 10-Q for the quarterly period ended April 30, 2004 (File No. 000-50421) as filed with the Securities and Exchange Commission on June 7, 2004).
3.2	Amended and Restated Bylaws of Conn's, Inc. effective as of June 3, 2008 (incorporated herein by reference to Exhibit 3.2.3 to Conn's, Inc. Form 10-Q for the quarterly period ended April 30, 2008 (File No. 000-50421) as filed with the Securities and Exchange Commission on June 4, 2008).
4.1	Specimen of certificate for shares of Conn's, Inc.'s common stock (incorporated herein by reference to Exhibit 4.1 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on October 29, 2003).
10.1	Amended and Restated 2003 Incentive Stock Option Plan (incorporated herein by reference to Exhibit 10.1 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003). [†]
10.1.1	Amendment to the Conn's, Inc. Amended and Restated 2003 Incentive Stock Option Plan (incorporated herein by reference to Exhibit 10.1.1 to Conn's Form 10-Q for the quarterly period ended April 30, 2004 (File No. 000-50421) as filed with the Securities and Exchange Commission on June 7, 2004). [†]
10.1.2	Form of Stock Option Agreement (incorporated herein by reference to Exhibit 10.1.2 to Conn's, Inc. Form 10-K for the annual period ended January 31, 2005 (File No. 000-50421) as filed with the Securities and Exchange Commission on April 5, 2005). [†]
10.1.3	2011 Omnibus Incentive Plan (filed herewith).
10.1.4	Form of Restricted Stock Award Agreement from Omnibus Incentive Plan (filed herewith).
10.2	2003 Non-Employee Director Stock Option Plan (incorporated herein by reference to Exhibit 10.2 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003). [†]
10.2.1	Form of Stock Option Agreement (incorporated herein by reference to Exhibit 10.2.1 to Conn's, Inc. Form 10-K for the annual period ended January 31, 2005 (File No. 000-50421) as filed with the Securities and Exchange Commission on April 5, 2005). [†]
10.2.2	Non-Employee Director Restricted Stock Plan (filed herewith).
10.2.3	Form of Restricted Stock Award Agreement from Non-Employee Director Restricted Stock Plan (filed herewith).
10.3	Employee Stock Purchase Plan (incorporated herein by reference to Exhibit 10.3 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003). [†]
10.4	Conn's 401(k) Retirement Savings Plan (incorporated herein by reference to Exhibit 10.4 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange

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Commission on September 23, 2003).t

- 10.5 Loan and Security Agreement dated August 14, 2008, by and among Conn's, Inc. and the Borrowers thereunder, the Lenders party thereto, Bank of America, N.A, a national banking association, as Administrative Agent and Joint Book Runner for the Lenders, referred to as Agent, JPMorgan Chase Bank, National Association, as Syndication Agent and Joint Book Runner for the Lenders, and Capital One, N.A., as Co-Documentation Agent (incorporated herein by reference to Exhibit 99.1 to Conn's Inc. Current Report on Form 8-K (File No. 000-50421) as filed with the Securities and Exchange Commission on August 20, 2008).
- 10.5.1 Intercreditor Agreement dated August 14, 2008, by and among Bank of America, N.A., as the ABL Agent, Wells Fargo Bank, National Association, as Securitization Trustee, Conn Appliances, Inc. as the Initial Servicer, Conn Credit Corporation, Inc., as a borrower, Conn Credit I, L.P., as a borrower and Bank of America, N.A., as Collateral Agent (incorporated herein by reference to Exhibit 99.5 to Conn's Inc. Current Report on Form 8-K (File No. 000-50421) as filed with the Securities and Exchange Commission on August 20, 2008).
- 10.5.2 First Amendment to Loan and Security Agreement dated August 14, 2008, by and among Conn's, Inc. and the Borrowers thereunder, the Lenders party thereto, Bank of America, N.A, a national banking association, as Administrative Agent and Joint Book Runner for the Lenders, referred to as Agent, JPMorgan Chase Bank, National Association, as Syndication Agent and Joint Book Runner for the Lenders, and Capital One, N.A., as Co-Documentation Agent (incorporated herein by reference to Exhibit 10.1 to Conn's Inc. Current Report on Form 8-K (File No. 000-50421) as filed with the Securities and Exchange Commission on February 12, 2010).
- 10.5.3 Second Amendment to Loan and Security Agreement dated August 14, 2008, by and among Conn's, Inc. and the Borrowers thereunder, the Lenders party thereto, Bank of America, N.A, a national banking association, as Administrative Agent and Joint Book Runner for the Lenders, referred to as Agent, JPMorgan Chase Bank, National Association, as Syndication Agent and Joint Book Runner for the Lenders, and Capital One, N.A., as Co-Documentation Agent (incorporated herein by reference to Exhibit 10.1 to Conn's Inc. Current Report on Form 8-K (File No. 000-50421) as filed with the Securities and Exchange Commission on March 4, 2010).
- 10.5.4 Amended and Restated Loan and Security Agreement dated November 30, 2010, by and among Conn's, Inc. and the Borrowers thereunder, the Lenders party thereto, Bank of America, N.A., a national banking association, as Administrative Agent and Collateral Agent for the Lenders, JPMorgan Chase Bank, National Association, as Co-Syndication Agent, Joint Book Runner and Co-Lead Arranger for the Lenders, Wells Fargo Preferred Capital, Inc., as Co-Syndication Agent for the Lenders, Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Joint Book Runner and Co-Lead Arranger for the Lenders, Capital One, N.A., as Co-Documentation Agent for the Lenders, and Regions Business Capital, a division of Regions Bank, as Co-Documentation Agent for the Lenders incorporated herein by reference to Exhibit 10.9.4 to Conn's Form 10-Q for the quarterly period ended October 31, 2010 (File No. 000-50421) as filed with the Security and Exchange Commission on December 2, 2010).
- 10.5.5 Intercreditor Agreement by and between Bank of America, N.A. in its capacity as administrative agent and collateral agent under the ABL loan documents and GA Capital, LLC in its capacity as administrative agent and collateral agent under the Term Loan Documents and Conn's, Inc. and Conn Credit I, LP as ABL Borrowers, and Conn Appliances, Inc., Conn Credit I, LP and Conn Credit Corporation, Inc. as Term Loan Borrowers incorporated herein by reference to Exhibit 10.9.5 to Conn's Form 10-Q for the quarterly period ended October 31, 2010 (File No. 000-50421) as filed with the Security and Exchange Commission on December 2, 2010).
- 10.5.6 Amended and Restated Security Agreement dated November 30, 2010, by and among Conn's, Inc. and the Existing Grantors thereunder, and Bank of America, N.A., in its capacity as Agent for Lenders incorporated herein by reference to Exhibit 10.9.6 to Conn's Form 10-Q for the quarterly period ended October 31, 2010 (File No. 000-50421) as filed with the Security and Exchange Commission on December 2, 2010).
- 10.5.7 Amended and Restated Continuing Guaranty dated as of November 30, 2010, by Conn's, Inc. and the Existing Guarantors thereunder, in favor of Bank of America, N.A., in its capacity as Agent for Lenders incorporated herein by reference to Exhibit 10.9.7 to Conn's Form 10-Q for the quarterly period ended October 31, 2010 (File No. 000-50421) as filed with the Security and Exchange Commission on December 2, 2010).

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- 10.6 Non-Executive Employment Agreement between Conn's, Inc. and Thomas J. Frank, Sr., approved by the Board of Directors June 19, 2009 (incorporated herein by reference to Exhibit 10.14.1 to Conn's, Inc. Form 10-Q for the quarterly period ended July 31, 2009 (File No. 000-50421) as filed with the Securities and Exchange Commission on August 27, 2009).[†]
- 10.7 Form of Indemnification Agreement (incorporated herein by reference to Exhibit 10.16 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003).[†]
- 10.8 Description of Compensation Payable to Non-Employee Directors (incorporated herein by reference to Form 8-K (file no. 000-50421) filed with the Securities and Exchange Commission on June 2, 2005).[†]
- 10.9 Dealer Agreement between Conn Appliances, Inc. and Voyager Service Programs, Inc. effective as of January 1, 1998 (incorporated herein by reference to Exhibit 10.19 to Conn's, Inc. Form 10-K for the annual period ended January 31, 2006 (File No. 000-50421) as filed with the Securities and Exchange Commission on March 30, 2006).
- 10.9.1 Amendment #1 to Dealer Agreement by and among Conn Appliances, Inc., CAI, L.P., Federal Warranty Service Corporation and Voyager Service Programs, Inc. effective as of July 1, 2005 (incorporated herein by reference to Exhibit 10.19.1 to Conn's, Inc. Form 10-K for the annual period ended January 31, 2006 (File No. 000-50421) as filed with the Securities and Exchange Commission on March 30, 2006).
- 10.9.2 Amendment #2 to Dealer Agreement by and among Conn Appliances, Inc., CAI, L.P., Federal Warranty Service Corporation and Voyager Service Programs, Inc. effective as of July 1, 2005 (incorporated herein by reference to Exhibit 10.19.2 to Conn's, Inc. Form 10-K for the annual period ended January 31, 2006 (File No. 000-50421) as filed with the Securities and Exchange Commission on March 30, 2006).
- 10.9.3 Amendment #3 to Dealer Agreement by and among Conn Appliances, Inc., CAI, L.P., Federal Warranty Service Corporation and Voyager Service Programs, Inc. effective as of July 1, 2005 (incorporated herein by reference to Exhibit 10.19.3 to Conn's, Inc. Form 10-K for the annual period ended January 31, 2006 (File No. 000-50421) as filed with the Securities and Exchange Commission on March 30, 2006).
- 10.9.4 Amendment #4 to Dealer Agreement by and among Conn Appliances, Inc., CAI, L.P., Federal Warranty Service Corporation and Voyager Service Programs, Inc. effective as of July 1, 2005 (incorporated herein by reference to Exhibit 10.19.4 to Conn's, Inc. Form 10-K for the annual period ended January 31, 2006 (File No. 000-50421) as filed with the Securities and Exchange Commission on March 30, 2006).
- 10.9.5 Amendment #5 to Dealer Agreement by and among Conn Appliances, Inc., CAI, L.P., Federal Warranty Service Corporation and Voyager Service Programs, Inc. effective as of April 7, 2007 (incorporated herein by reference to Exhibit 10.18.5 to Conn's, Inc. Form 10-Q for the quarterly period ended July 31, 2007 (File No. 000-50421) as filed with the Securities and Exchange Commission on August 30, 2007).
- 10.10 Service Expense Reimbursement Agreement between Affiliates Insurance Agency, Inc. and American Bankers Life Assurance Company of Florida, American Bankers Insurance Company Ranchers & Farmers County Mutual Insurance Company, Voyager Life Insurance Company and Voyager Property and Casualty Insurance Company effective July 1, 1998 (incorporated herein by reference to Exhibit 10.20 to Conn's, Inc. Form 10-K for the annual period ended January 31, 2006 (File No. 000-50421) as filed with the Securities and Exchange Commission on March 30, 2006).
- 10.10.1 First Amendment to Service Expense Reimbursement Agreement by and among CAI, L.P., Affiliates Insurance Agency, Inc., American Bankers Life Assurance Company of Florida, Voyager Property & Casualty Insurance Company, American Bankers Life Assurance Company of Florida, American Bankers Insurance Company of Florida and American Bankers General Agency, Inc. effective July 1, 2005 (incorporated herein by reference to Exhibit 10.20.1 to Conn's, Inc. Form 10-K for the annual period ended January 31, 2006 (File No. 000-50421) as filed with the Securities and Exchange Commission on March 30, 2006).
- 10.10.2 Seventh Amendment to Service Expense Reimbursement Agreement by and among Conn Appliances, Inc., American Bankers Life Assurance Company of Florida, American Bankers Insurance Company of Florida, American Reliable Insurance Company and Reliable Lloyds Insurance Company effective May 1, 2009 (incorporated herein by reference to Exhibit 10.14.1 to Conn's, Inc. Form 10-Q for the quarterly period ended July 31, 2009 (File No. 000-50421) as filed with the Securities and Exchange Commission on August 27, 2009).

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- 10.11 Service Expense Reimbursement Agreement between CAI Credit Insurance Agency, Inc. and American Bankers Life Assurance Company of Florida, American Bankers Insurance Company Ranchers & Farmers County Mutual Insurance Company, Voyager Life Insurance Company and Voyager Property and Casualty Insurance Company effective July 1, 1998 (incorporated herein by reference to Exhibit 10.21 to Conn's, Inc. Form 10-K for the annual period ended January 31, 2006 (File No. 000-50421) as filed with the Securities and Exchange Commission on March 30, 2006).
- 10.11.1 First Amendment to Service Expense Reimbursement Agreement by and among CAI Credit Insurance Agency, Inc., American Bankers Life Assurance Company of Florida, Voyager Property & Casualty Insurance Company, American Bankers Life Assurance Company of Florida, American Bankers Insurance Company of Florida, American Reliable Insurance Company, and American Bankers General Agency, Inc. effective July 1, 2005 (incorporated herein by reference to Exhibit 10.21.1 to Conn's, Inc. Form 10-K for the annual period ended January 31, 2006 (File No. 000-50421) as filed with the Securities and Exchange Commission on March 30, 2006).
- 10.11.2 Fourth Amendment to Service Expense Reimbursement Agreement by and among CAI Credit Insurance Agency, Inc., American Bankers Life Assurance Company of Florida, American Bankers Insurance Company of Florida and American Reliable Insurance Company effective May 1, 2009 (incorporated herein by reference to Exhibit 10.14.1 to Conn's, Inc. Form 10-Q for the quarterly period ended July 31, 2009 (File No. 000-50421) as filed with the Securities and Exchange Commission on August 27, 2009).
- 10.12 Consolidated Addendum and Amendment to Service Expense Reimbursement Agreements by and among Certain Member Companies of Assurant Solutions, CAI Credit Insurance Agency, Inc. and Affiliates Insurance Agency, Inc. effective April 1, 2004 (incorporated herein by reference to Exhibit 10.22 to Conn's, Inc. Form 10-K for the annual period ended January 31, 2006 (File No. 000-50421) as filed with the Securities and Exchange Commission on March 30, 2006).
- 10.13 Retailer Program agreement by and between GE Money bank and Conn Appliances, Inc. effective April 16, 2009 (incorporated herein by reference to Exhibit 10.22 to Conn's, Inc. Form 10-Q for the quarterly period ended July 31, 2010 (File No. 000-50421) as filed with the Securities and Exchange Commission on August 26, 2010).
- 10.14 Agreement by and between Conn Appliances, Inc. and The Rental Store, Inc. effective July 1, 2010 (incorporated herein by reference to Exhibit 10.23 to Conn's, Inc. Form 10-Q for the quarterly period ended July 31, 2010 (File No. 000-50421) as filed with the Securities and Exchange Commission on August 26, 2010).
- 10.15 Term Loan and Security Agreement, dated November 30, 2010, among Conn's, Inc., as parent and guarantor, Conn Appliances, Inc., Conn Credit I, LP, and Conn Credit Corporation, Inc., the financial institutions party to this Agreement from time to time as lenders, GA Capital, LLC, as Administrative Agent and Collateral Agent for the Lenders and Wells Fargo Credit, Inc., as Syndication Agent incorporated herein by reference to Exhibit 10.24 to Conn's Form 10-Q for the quarterly period ended October 31, 2010 (File No. 000-50421) as filed with the Security and Exchange Commission on December 2, 2010).
- 10.16 Continuing Guaranty dated November 30, 2010 executed by Conn's, Inc., CAI Holding Co., CAI Credit Insurance Agency, Inc., Conn Lending, LLC, and CAIAIR, Inc., each a Guarantor in favor of GA Capital, LLC, in its capacity as agent incorporated herein by reference to Exhibit 10.25 to Conn's Form 10-Q for the quarterly period ended October 31, 2010 (File No. 000-50421) as filed with the Security and Exchange Commission on December 2, 2010).
- 10.17 Security Agreement dated November 30, 2010 entered into and executed by Conn's, Inc., CAI Holding Co., CAI Credit Insurance Agency, Inc., Conn Lending, LLC, and CAIAIR, Inc., collectively, and GA Capital, LLC, in its capacity as Agent incorporated herein by reference to Exhibit 10.26 to Conn's Form 10-Q for the quarterly period ended October 31, 2010 (File No. 000-50421) as filed with the Security and Exchange

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Commission on December 2, 2010).

- 10.18 Receivables Purchase Agreement dated November 30, 2010 by and between Conn Funding, II, LP and Conn Credit I, LP incorporated herein by reference to Exhibit 10.27 to Conn's Form 10-Q for the quarterly period ended October 31, 2010 (File No. 000-50421) as filed with the Security and Exchange Commission on December 2, 2010).
- 10.19 Trustee Acknowledgement dated November 30, 2010 between Conn Funding II, LP, as Issuer, and Wells Fargo Bank, National Association, as Trustee incorporated herein by reference to Exhibit 10.28 to Conn's Form 10-Q for the quarterly period ended October 31, 2010 (File No. 000-50421) as filed with the Security and Exchange Commission on December 2, 2010).
- 10.20 Assignment dated November 30, 2010 between Conn Funding II, LP, as Seller, and Conn Credit I, LP, as Purchaser incorporated herein by reference to Exhibit 10.29 to Conn's Form 10-Q for the quarterly period ended October 31, 2010 (File No. 000-50421) as filed with the Security and Exchange Commission on December 2, 2010).
- 11.1 Statement re: computation of earnings per share is included under Note 1 to the financial statements.
- 12.1 Statement of computation of Ratio of Earnings to Fixed Charge (filed herewith)
- 31.1 Rule 13a-14(a)/15d-14(a) Certification (Chief Executive Officer) (filed herewith).
- 31.2 Rule 13a-14(a)/15d-14(a) Certification (Chief Financial Officer) (filed herewith).
- 32.1 Section 1350 Certification (Chief Executive Officer and Chief Financial Officer) (furnished herewith).
- t Management contract or compensatory plan or arrangement.

CONN'S, INC.

2011 OMNIBUS INCENTIVE PLAN

1. Purpose of Plan.

The purpose of the Conn's, Inc. 2011 Omnibus Incentive Plan (the "Plan") is to advance the interests of Conn's, Inc., a Delaware corporation ("Conn's" and along with its Subsidiaries, the "Company") and its stockholders by enabling the Company to attract and retain qualified individuals through opportunities for equity participation in Conn's, and to reward those individuals who contribute to Conn's achievement of its objectives.

2. Definitions.

The following terms will have the meanings set forth below, unless the context clearly otherwise requires:

2.1. "Award" means an Option, Restricted Stock Award, Restricted Stock Unit, Performance Stock Award, unrestricted Award of Common Stock, or Stock Appreciation Right granted to an Eligible Recipient pursuant to the Plan.

2.2. "Board" means the Conn's Board of Directors.

2.3. "Broker Exercise Notice" means a written notice pursuant to which a Participant, upon exercise of an Option, irrevocably instructs a broker or dealer to sell a sufficient number of shares or loan a sufficient amount of money to pay all or a portion of the exercise price of the Option and/or any related withholding tax obligations and remit such sums to Conn's and directs Conn's to deliver stock certificates to be issued upon such exercise directly to such broker or dealer or its nominee.

2.4. "Cause" means (i) dishonesty, fraud, misrepresentation, embezzlement or deliberate injury or attempted injury, in each case related to the Company, (ii) any unlawful or criminal activity of a serious nature, (iii) any intentional and deliberate breach of a duty or duties that, individually or in the aggregate, are material in relation to the Participant's overall duties and obligations, (iv) the Participant's continued failure to substantially perform the principal duties of the Participant's position with the Company (other than any such failure resulting from disability), (v) any material breach of any confidentiality or noncompete agreement entered into with the Company, or (vi) with respect to a particular Participant, any other act or omission that constitutes "cause" as that term may be defined in any employment, consulting or similar agreement between such Participant and the Company.

2.5. "Change in Control" means an event described in Section 13.2 of the Plan.

2.6. "Change in Control Price" has the meaning set forth in Section 13.5 of the Plan.

2.7. "Code" means the Internal Revenue Code of 1986, as amended.

2.8. "Committee" means the group of individuals administering the Plan, as provided in Section 3 of the Plan.

- 2.9. “Common Stock” means the common stock of Conn’s, par value \$0.01 per share. The number and kind of shares of stock or other securities into which such Common Stock may be changed in accordance with Section 4.3 of the Plan.
- 2.10. “Disability” means the disability of the Participant such as would entitle the Participant to receive disability income benefits pursuant to the long-term disability plan of the Company then covering the Participant or, if no such plan exists or is applicable to the Participant, the permanent and total disability of the Participant within the meaning of Section 22(e)(3) of the Code. Notwithstanding the foregoing, to the extent an Award is subject to Section 409A and payment or settlement of the Award may be accelerated as a result of a Participant’s Disability, Disability will have the meaning ascribed to it under Section 409A.
- 2.11. “Eligible Recipients” means all employees or officers of the Company.
- 2.12. “Exchange Act” means the Securities Exchange Act of 1934, as amended.
- 2.13. “Executive” means a “covered employee” within the meaning of Section 162(m)(3) or any other Eligible Recipient designated by the Committee for purposes of exempting compensation payable under the Plan from the deduction limitations of Section 162(m).
- 2.14. “Fair Market Value” means, with respect to the Common Stock, as of any date: (i) the closing sale price of the Common Stock at the end of the regular trading session if the Common Stock is listed, admitted to unlisted trading privileges, or reported on the primary national securities exchange (including The NASDAQ Global Select Market and NASDAQ Global Market) on which the Common Stock is traded on such date (or, if no shares were traded on such day, as of the next preceding day on which there was such a trade); or (ii) if the Common Stock is not so listed, admitted to unlisted trading privileges, or reported on any national securities exchange, the closing bid price as of such date at the end of the regular trading session, as reported by The NASDAQ Capital Market, OTC Bulletin Board, Pink Sheets LLC, or other comparable service; or (iii) if the Common Stock is not so listed or reported, such price as the Committee determines in good faith in the exercise of its reasonable discretion.
- 2.15. “Incentive Stock Option” means a right to purchase Common Stock granted to an Eligible Recipient pursuant to Section 6 of the Plan that qualifies as an “incentive stock option” within the meaning of Section 422 of the Code.
- 2.16. “Net-Share Payment” means (i) payment for shares of Common Stock to be purchased upon exercise of an Option by holding back an amount of shares to be issued upon such exercise equal in value to the amount of the exercise price and/or (ii) payment of withholding and employment-related tax obligations in accordance with Section 12.2 of the Plan by holding back shares to be issued upon the grant, exercise or vesting of an Award (including an Option) equal in value to the amount of the required tax obligations.
- 2.17. “Non-Statutory Stock Option” means a right to purchase Common Stock granted to an Eligible Recipient pursuant to Section 6 of the Plan that does not qualify as an Incentive Stock Option.
- 2.18. “Option” means an Incentive Stock Option or a Non-Statutory Stock Option.
- 2.19. “Participant” means an Eligible Recipient who receives one or more Awards under the Plan.
- 2.20. “Performance Criteria” means the performance criteria that may be used by the Committee in granting Awards where the grant, vesting, or exercisability of the Award is contingent upon

achievement of such performance goals as the Committee may determine in its sole discretion. The Committee may select one criterion or multiple criteria for measuring performance, and the measurement may be based upon Company, segment, Subsidiary, division, business unit or subunit or asset group performance, or the individual performance of the Eligible Recipient, either absolute or by relative comparison to other companies, other Eligible Recipients or any other external measure of the selected criteria.

(a) In order to preserve the deductibility of an Award under Section 162(m), the Committee may determine that any Award granted pursuant to the Plan to a Participant that is or is expected to become an Executive will be conditioned on performance goals that are based on criteria allowed under Section 162(m), including any of the following:

- (i) Net income measures (including but not limited to earnings, net earnings, operating earnings, earnings before taxes, EBIT (earnings before interest and taxes), EBITA (earnings before interest, taxes, and amortization) EBITDA (earnings before interest, taxes, depreciation, and amortization), EBITDAR (earnings before interest, taxes, depreciation, amortization and rent) and earnings per share);
- (ii) Stock price measures (including but not limited to growth measures and total stockholder return (stock price plus reinvested dividends) relative to a defined comparison group or target and price-earnings multiples);
- (iii) Cash flow measures (including but not limited to net cash flow, net cash flow before financing activities, economic value added (or equivalent metric), debt reduction, debt to equity ratio, or establishment or material modification of a credit facility);
- (iv) Return measures (including but not limited to return on equity, return on average assets, return on capital, risk-adjusted return on capital, return on investors' capital and return on average equity);
- (v) Operating measures (including operating income, cash from operations, after-tax operating income, sales volumes, same store sales, production volumes, credit portfolio delinquency rate, credit portfolio net charge-off rate, gross margins and production efficiency);
- (vi) Expense measures (including but not limited to overhead cost and general and administrative expense);
- (vii) Asset measures (including but not limited to a specified target, or target growth in sales, stores or credit portfolio, market capitalization or market value, proceeds from dispositions, strategic acquisitions, or raising capital);
- (viii) Relative performance measures (including but not limited to relative performance to a comparison group or index designated by the Committee and market share);
- (ix) Corporate values measures (including but not limited to ethics, customer satisfaction, legal, enterprise risk management, regulatory, and safety); and
- (x) Any combination of the above.

If an Award is made on this basis, the Committee will establish goals prior to the beginning of the period for which the Performance Criteria relate (or at a later date to the extent permitted under Section 162(m) but not later than 90 days after the commencement of the period of services to which the Performance Criteria relate). The Committee has the right for any reason to reduce (but not increase) the Award, notwithstanding the achievement of a specified goal. Any payment of an Award granted with Performance Criteria under this subparagraph (a) will be conditioned on the written certification of the Committee in each case that the Performance Criteria and any other material conditions were satisfied.

(b) To the extent that Section 409A is applicable, (i) performance-based compensation will also be contingent on the satisfaction of pre-established organizational or individual Performance Criteria relating to a performance period of at least 12 consecutive months in which the Participant performs services and (ii) Performance Criteria will be established not later than 90 calendar days after the beginning of any performance period to which the Performance Criteria relate, *provided* that the outcome is substantially uncertain at the time the criteria are established.

2.21. "Performance Stock Awards" means an award of Common Stock granted to an Eligible Recipient pursuant to Section 8 of the Plan and that is subject to the future achievement of Performance Criteria.

2.22. "Previously Acquired Shares" means shares of Common Stock that are already owned by the Participant.

2.23. "Restricted Stock Award" means an award of Common Stock granted to an Eligible Recipient pursuant to Section 7 of the Plan that is subject to the restrictions on transferability and the risk of forfeiture imposed by the provisions of Section 7 of the Plan and which may be subject to the future achievement of Performance Criteria.

2.24. "Restricted Stock Unit" or "RSU" means a notional account established pursuant to an Award granted to an Eligible Recipient, as described in Section 7 of the Plan, that is (a) valued solely by reference to shares of Common Stock, (b) subject to restrictions specified in the agreement evidencing the Award, and (c) payable in shares of Common Stock within 30 days of the lapse of such restrictions. The RSUs awarded to the Eligible Recipient will vest according to the time-based or performance based criteria specified in the agreement evidencing the Award.

2.25. "Section 162(m)" means Code section 162(m) and the Treasury Regulations and other guidance promulgated thereunder.

2.26. "Section 409A" means Code section 409A and the Treasury Regulations and other guidance promulgated thereunder.

2.27. "Securities Act" means the Securities Act of 1933, as amended.

2.28. "Stock Appreciation Right" means a right to receive payment, in cash or Common Stock, equal to the excess of the Fair Market Value or other specified valuation of a specified number of shares of Common Stock on the date the right is exercised over a specified base price, all as determined by the Committee in its discretion.

2.29. "Subsidiary" means any entity that is directly or indirectly controlled by Conn's or any entity in which Conn's has a significant equity interest, as determined by the Committee.

3. Plan Administration.

3.1. The Committee. The Plan will be administered by the Board or by a committee of the Board. So long as Conn's has a class of its equity securities registered under Section 12 of the Exchange Act, any committee administering the Plan will consist solely of two or more members of the Board who are "non-employee directors" within the meaning of Rule 16b-3 under the Exchange Act. If necessary for relief from the limitation under Section 162(m) and that relief is sought by the Company, the committee administering the Plan will consist of "outside directors" within the meaning of Section 162(m). Such a committee, if established, will act by majority approval of the members (unanimous approval with respect to action by written consent), and a majority of the members of such a committee will constitute a quorum. As used in the Plan, "Committee" will refer to the Board or to such a committee, if established. To the extent consistent with applicable corporate law of Delaware and except as required for compliance with Section 162(m), the Committee may delegate to any officers of Conn's the duties, power and authority of the Committee under the Plan pursuant to such conditions or limitations as the Committee may establish; *provided, however*, that only the Committee may exercise such duties, power and authority with respect to Eligible Recipients who are subject to Section 16 of the Exchange Act. The Committee may exercise its duties, power and authority under the Plan in its sole and absolute discretion without the consent of any Participant or other party, unless the Plan specifically provides otherwise. Each determination, interpretation or other action made or taken by the Committee pursuant to the provisions of the Plan will be conclusive and binding for all purposes and on all persons, and no member of the Committee will be liable for any action or determination made in good faith with respect to the Plan or any Award granted under the Plan.

3.2. Authority of the Committee.

(a) In accordance with and subject to the provisions of the Plan, the Committee will have the authority to determine all provisions of Awards as the Committee may deem necessary or desirable and as consistent with the terms of the Plan, including, without limitation, the following: (i) the Eligible Recipients to be selected as Participants; (ii) the nature and extent of the Awards to be made to each Participant (including the number of shares of Common Stock to be subject to each Award, any exercise price, the manner in which Awards will vest or become exercisable and whether Awards will be granted in tandem with other Awards) and the form of written agreement, if any, evidencing each such Award; (iii) the time or times when Awards will be granted; (iv) the duration of each Award; and (v) the restrictions and other conditions to which the payment or vesting of Awards may be subject. In addition, the Committee will have the authority under the Plan in its sole discretion to pay the economic value of any Award in the form of cash, Common Stock or any combination of both.

(b) Subject to Section 3.2(d), below, the Committee will have the authority under the Plan to amend or modify the terms of any outstanding Award in any manner, including, without limitation, the authority to modify the number of shares or other terms and conditions of an Award, extend the term of an Award, accelerate the exercisability or vesting or otherwise terminate any restrictions relating to an Award, accept the surrender of any outstanding Award or, to the extent not previously exercised or vested, authorize the grant of new Awards in substitution for surrendered Awards; *provided, however*, that the amended or modified terms are permitted by the Plan as then in effect and that any Participant adversely affected by such amended or modified terms has consented to such amendment or modification.

(c) In the event of (i) any reorganization, merger, consolidation, recapitalization, liquidation, reclassification, stock dividend, stock split, combination of shares, rights offering,

extraordinary dividend or divestiture (including a spin-off) or any other change in corporate structure or shares; (ii) any purchase, acquisition, sale, disposition or write-down of a significant amount of assets or a significant business; (iii) any change in accounting principles or practices, tax laws or other such laws or provisions affecting reported results; or (iv) any other similar change, in each case with respect to the Company or any other entity whose performance is relevant to the grant, vesting, or payment of an Award, the Committee may, without the consent of any affected Participant, amend or modify the vesting or payment criteria (including Performance Criteria) of any outstanding Award that is based in whole or in part on the financial performance of the Company (or any Subsidiary, segment, division or other subunit thereof) or such other entity so as equitably to reflect such event, with the desired result that the criteria for evaluating such financial performance of the Company or such other entity will be substantially the same (in the sole discretion of the Committee) following such event as prior to such event and make any such other adjustments to any outstanding Awards that the Committee deems appropriate, including, without limitation, accelerating vesting, substituting Awards, or assuming Awards; *provided, however*, that the amended or modified terms are permitted by the Plan as then in effect and that the amended or modified terms do not violate the provisions of Section 162(m), Section 409A, or, to the extent applicable, Code section 424.

(d) Notwithstanding any other provision of the Plan other than Section 4.3, the Committee may not, without prior approval of the Company's stockholders, seek to effect any re-pricing of any previously granted Options or Stock Appreciation Rights.

4. Shares Available for Issuance.

4.1. Maximum Number of Shares Available; Certain Restrictions on Awards. Subject to adjustment as provided in Section 4.3 of the Plan, the maximum number of shares of Common Stock that will be available for issuance under the Plan will be 1,200,000, of which 1,200,000 shares may be available for use in connection with Incentive Stock Options. The aggregate number of shares with respect to which an Award or Awards may be granted to any one Participant in any one taxable year of the Company may not exceed 300,000 shares of Common Stock. The shares available for issuance under the Plan may, at the election of the Committee, be either treasury shares or shares authorized but unissued, and, if treasury shares are used, all references in the Plan to the issuance of shares will, for corporate law purposes, be deemed to mean the transfer of shares from treasury.

4.2. Accounting for Awards. Shares of Common Stock that are issued under the Plan or that are subject to outstanding Awards will be applied to reduce the maximum number of shares of Common Stock remaining available for issuance under the Plan; *provided, however*, that shares subject to an Award that lapses, expires, is forfeited (including issued shares forfeited under a Restricted Stock Award) or for any reason is terminated unexercised or unvested or is settled or paid in cash or any form other than shares of Common Stock will automatically again become available for issuance under the Plan. To the extent that the exercise price of any Option, or withholding or employment-related tax obligations associated with an Option or other Award, are paid by tender or attestation as to ownership of Previously Acquired Shares or by holding back shares pursuant to a Net-Share Payment, only the number of shares of Common Stock issued net of the number of shares tendered, attested to or held back will be applied to reduce the maximum number of shares of Common Stock remaining available for issuance under the Plan. To the extent that an Award can only be settled in cash, it will not reduce the number of shares available under the Plan.

4.3. Adjustments to Shares and Awards. In the event of any reorganization, merger, consolidation, recapitalization, liquidation, reclassification, stock dividend, stock split, combination of shares, rights offering, extraordinary dividend, or divestiture (including a spin-off) or any other change in the corporate structure or shares of the Company, the Committee, acting in its sole discretion, may make such adjustment as to the number and kind of securities or other property (including cash) available for issuance or payment under the Plan and, in order to prevent dilution or enlargement of the rights of Participants, the number and kind of securities or other property (including cash) subject to outstanding Awards and the exercise price of outstanding Options and base price of outstanding Stock Appreciation Rights.

5. Participation.

Participants in the Plan will be those Eligible Recipients who, in the judgment of the Committee, have contributed, are contributing or are expected to contribute to the achievement of objectives of the Company. Eligible Recipients may be granted from time to time one or more Awards, singly or in combination or in tandem with other Awards, as may be determined by the Committee in its sole discretion. Awards will be deemed to be granted as of the date specified in the grant resolution of the Committee, which date will be the date of any related agreement with the Participant.

6. Options.

6.1. Grant. An Eligible Recipient may be granted one or more Options under the Plan, and such Options will be subject to such terms and conditions, including the satisfaction of Performance Criteria, consistent with the other provisions of the Plan, as may be determined by the Committee in its sole discretion. The Committee may designate whether an Option is to be considered an Incentive Stock Option or a Non-Statutory Stock Option. To the extent that any Option that is intended to be an Incentive Stock Option fails or ceases for any reason to qualify as an "incentive stock option" for purposes of Section 422 of the Code, such Option will continue to be outstanding for purposes of the Plan but will be deemed to be a Non-Statutory Stock Option.

6.2. Exercise Price. The per share price to be paid by a Participant upon exercise of an Option will be determined by the Committee in its discretion at the time of the Option grant; *provided, however*, that such price will not be less than 100% of the Fair Market Value of one share of Common Stock on the date of grant (110% of the Fair Market Value with respect to an Incentive Stock Option if, at the time such Incentive Stock Option is granted, the Participant owns, directly or indirectly, more than 10%

of the total combined voting power of all classes of stock of Conn's or any parent or subsidiary corporation of Conn's).

6.3. Exercisability and Duration. An Option will become exercisable at such times and in such installments and upon such terms and conditions as may be determined by the Committee in its sole discretion (including without limitation (i) the achievement of one or more of the Performance Criteria and/or (ii) that the Participant remain in the continuous employ or service of the Company for a certain period); *provided, however*, that no Option may be exercisable after 10 years from its date of grant (five years from its date of grant in the case of an Incentive Stock Option if, at the time the Incentive Stock Option is granted, the Participant owns, directly or indirectly, more than 10% of the total combined voting power of all classes of stock of the Company or any parent or subsidiary corporation of the Company).

6.4. Payment of Exercise Price. The total purchase price of the shares to be purchased upon exercise of an Option will be paid entirely in cash (including check, bank draft or money order); provided, however, that the Committee, in its sole discretion and upon terms and conditions established by the Committee, may allow such payments to be made, in whole or in part, by tender of a Broker Exercise Notice, by Net-Share Payment, by tender or attestation as to ownership of Previously Acquired Shares that have been held for the period of time necessary to avoid a charge to Conn's earnings for financial reporting purposes and that are otherwise acceptable to the Committee, or by a combination of such methods. For purposes of such payment, Previously Acquired Shares tendered or covered by an attestation and shares held back pursuant to a Net-Share Payment will be valued at their Fair Market Value on the exercise date.

6.5. Manner of Exercise. An Option may be exercised by a Participant in whole or in part from time to time, subject to the conditions contained in the Plan and in the agreement evidencing such Option, by delivery in person, by facsimile or electronic transmission or through the mail of written notice of exercise to Conn's at its principal executive office and by paying in full the total exercise price for the shares of Common Stock to be purchased in accordance with Section 6.4 of the Plan.

7. Restricted Stock Awards and Restricted Stock Units.

7.1. Grant. An Eligible Recipient may be granted one or more Restricted Stock Awards or Restricted Stock Units under the Plan, and such Awards will be subject to such terms and conditions, consistent with the other provisions of the Plan, as may be determined by the Committee in its sole discretion. The Committee may impose such restrictions or conditions, not inconsistent with the provisions of the Plan, to the vesting of such Restricted Stock Awards and RSUs as it deems appropriate, including, without limitation, (i) the achievement of one or more of the Performance Criteria and/or (ii) that the Participant remain in the continuous employ or service of the Company for a certain period.

7.2. Rights as a Stockholder; Transferability. Except as provided in Sections 7.1, 7.3, 7.4 and 14.3 of the Plan, a Participant will have all voting, dividend, liquidation and other rights with respect to shares of Common Stock issued to the Participant as a Restricted Stock Award under this Section 7 upon the Participant becoming the holder of record of such shares as if such Participant were a holder of record of shares of unrestricted Common Stock. A Participant will have no voting, dividend, liquidation and other rights with respect to shares of Common Stock subject to the Participant's RSUs until the Participant becomes the holder of record of such shares.

7.3. Dividends and Distributions. Unless the Committee determines otherwise in its sole discretion (either in the agreement evidencing the Restricted Stock Award at the time of grant or at any time

after the grant of the Restricted Stock Award), any dividends or distributions (other than regular quarterly cash dividends) paid with respect to shares of Common Stock subject to the unvested portion of a Restricted Stock Award will be subject to the same restrictions as the shares to which such dividends or distributions relate. The Committee will determine in its sole discretion whether any interest will be paid on such dividends or distributions.

7.4. Enforcement of Restrictions. To enforce the restrictions referred to in this Section 7, the Committee may place a legend on the stock certificates referring to such restrictions and may require the Participant, until the restrictions have lapsed, to keep the stock certificates, together with duly endorsed stock powers, in the custody of Conn's or its transfer agent, or to maintain evidence of stock ownership, together with duly endorsed stock powers, in a certificateless book-entry stock account with Conn's transfer agent.

8. Performance Stock Awards.

8.1. Grant. An Eligible Recipient may be granted one or more Performance Stock Awards under the Plan, and the issuance of shares of Common Stock pursuant to such Performance Stock Awards will be subject to such terms and conditions as are consistent with the other provisions of the Plan, as may be determined by the Committee in its sole discretion, including, but not limited to, the achievement of one or more of the Performance Criteria.

8.2. Restrictions on Transfers. The right to receive shares of Performance Stock Awards on a deferred basis may not be sold, assigned, transferred, pledged or otherwise encumbered, other than by will or the laws of descent and distribution.

9. Unrestricted Stock Awards.

The Committee may, in its sole discretion, grant an Award of shares of Common Stock free from any restrictions under this Plan to any Eligible Recipient.

10. Stock Appreciation Rights.

10.1. Grant. An Eligible Recipient may be granted one or more Stock Appreciation Rights under the Plan subject to such terms and conditions, if any, consistent with the other provisions of the Plan, as may be determined by the Committee in its sole discretion, including, but not limited to, the achievement of one or more of the Performance Criteria.

10.2. Exercise. A Participant may exercise a vested Stock Appreciation Right by giving written notice of the exercise to Conn's stating the number of shares subject to the exercise. Upon receipt of the notice and subject to the Committee's election to pay cash as provided in Section 10.3, Conn's will deliver a certificate or certificates for Common Stock and/or a cash payment in accordance with Section 10.3.

10.3. Number of Shares or Amount of Cash. The Committee may provide that a Stock Appreciation Right will be settled in cash or Common Stock. If the Committee does not specify that a Stock Appreciation Right can be settled in cash, that Stock Appreciation Right will be settled in shares of Common Stock except as determined by the Committee in its discretion. The amount of Common Stock that may be issued pursuant to the exercise of a Stock Appreciation Right will be determined by dividing (a) the total number of shares of Common Stock as to which the Stock Appreciation Right is exercised, multiplied by the amount by which the Fair Market Value (or other specified valuation) of the Common Stock on the exercise date exceeds the base price (which may not be less than the Fair

Market Value of the Common Stock on the date of grant) by (b) the Fair Market Value of the Common Stock on the exercise date; *provided* that fractional shares will not be issued and will instead be paid in cash. In lieu of issuing Common Stock upon the exercise of a Stock Appreciation Right, the Committee in its sole discretion may elect to pay the cash equivalent of the Fair Market Value of the Common Stock on the exercise date for any or all of the shares of Common Stock that would otherwise be issuable upon the exercise of the Stock Appreciation Right.

11. Effect of Termination of Employment or Other Service.

11.1. Termination Due to Death or Disability. Subject to Sections 11.3 and 11.4 of the Plan, in the event a Participant's employment or other service with the Company is terminated by reason of death or Disability:

(a) All outstanding Options and Stock Appreciation Rights then held by the Participant will, to the extent exercisable as of such termination, remain exercisable in full for a period of six months after such termination (but in no event after the expiration date of any such Option or Stock Appreciation Right). Options and Stock Appreciation Rights not exercisable as of such termination will be forfeited and terminate;

(b) All Restricted Stock Awards and RSUs then held by the Participant that have not vested as of such termination will be terminated and forfeited; and

(c) All outstanding Performance Stock Awards then held by the Participant that have not vested as of such termination will be terminated and forfeited.

11.2. Termination for Reasons Other than Death or Disability. Subject to Sections 11.3 and 11.4 of the Plan, in the event a Participant's employment or other service with the Company is terminated for any reason other than death or Disability, or a Participant is in the employ of a Subsidiary and the Subsidiary ceases to be a Subsidiary of Conn's (unless the Participant continues in the employ of Conn's or another Subsidiary):

(a) All outstanding Options and Stock Appreciation Rights then held by the Participant will, to the extent exercisable as of such termination, remain exercisable in full for a period of three months after such termination or such shorter period as may be specified in the agreement evidencing the Award (but in no event after the expiration date of any such Option or Stock Appreciation Right). Options and Stock Appreciation Rights not exercisable as of such termination will terminate and be forfeited;

(b) All Restricted Stock Awards and RSUs then held by the Participant that have not vested as of such termination will terminate and be forfeited; and

(c) All outstanding Performance Stock Awards then held by the Participant that have not vested as of such termination will terminate and be forfeited.

11.3. Modification of Rights Upon Termination. Notwithstanding the other provisions of this Section 11, upon a Participant's termination of employment or other service with the Company, the Committee may, in its sole discretion (which may be exercised at any time on or after the date of grant, including following such termination), cause Options and Stock Appreciation Rights (or any part thereof) then held by such Participant to become or continue to become exercisable and/or remain exercisable following such termination of employment or service, and Restricted Stock Awards, RSUs and Performance Stock Awards then held by such Participant to vest and/or continue to vest or

become free of restrictions and conditions to issuance, as the case may be, following such termination of employment or service, in each case in the manner determined by the Committee.

11.4. Effects of Actions Constituting Cause. Notwithstanding anything in the Plan to the contrary, in the event that a Participant is determined by the Committee, acting in its sole discretion, to have committed any action which would constitute Cause as defined in Section 2.4, irrespective of whether such action or the Committee's determination occurs before or after termination of such Participant's employment or service with the Company, all rights of the Participant under the Plan and any agreements evidencing an Award then held by the Participant shall terminate and be forfeited without notice of any kind. The Company may defer the exercise of any Option or Stock Appreciation Right or the vesting of any Restricted Stock Award or Performance Stock Award for a period of up to 45 days in order for the Committee to make any determination as to the existence of Cause.

11.5. Determination of Termination of Employment or Other Service. Unless the Committee otherwise determines in its sole discretion, a Participant's employment or other service will, for purposes of the Plan, be deemed to have terminated on the date recorded on the personnel or other records of the Company for which the Participant provides employment or service, as determined by the Committee in its sole discretion based upon such records.

11.6. Vesting During Unpaid Leave of Absence. Unless otherwise determined in the sole discretion of the Committee, either before or after the grant or before or after the leave of absence begins, vesting of Awards granted hereunder shall be suspended during any unpaid leave of absence.

12. Payment of Withholding and Employment-Related Tax Obligations.

12.1. General Rules. The Company is entitled to (a) withhold and deduct from future wages of the Participant (or from other amounts that may be due and owing to the Participant from the Company), or make other arrangements for the collection of, all legally required amounts necessary to satisfy any and all federal, foreign, state and local withholding and employment-related tax requirements attributable to an Award, including, without limitation, the grant, exercise or vesting of, or payment of dividends with respect to, an Award or a disqualifying disposition of stock received upon exercise of an Incentive Stock Option, or (b) require the Participant promptly to remit the amount of such withholding to the Company before taking any action, including issuing any shares of Common Stock, with respect to an Award.

12.2. Special Rules. The Committee may, in its sole discretion and upon terms and conditions established by the Committee, permit or require a Participant to satisfy, in whole or in part, any withholding or employment-related tax obligation described in Section 12.1 of the Plan by electing to tender or by attestation as to ownership of Previously Acquired Shares that have been held for the period of time necessary to avoid a charge to Conn's earnings for financial reporting purposes and that are otherwise acceptable to the Committee, by delivery of a Broker Exercise Notice, by Net-Share Payment, or a combination of such methods. For purposes of satisfying a Participant's withholding or employment-related tax obligation, Previously Acquired Shares tendered or covered by an attestation and shares held back pursuant to a Net-Share Payment will be valued at their Fair Market Value on the date of tender, attestation, or holding back.

13. Change in Control.

13.1. Change in Control Definitions. For purposes of this Section:

(a) “Bona Fide Underwriter” means an entity engaged in business as an underwriter of securities that acquires securities of Conn’s through such entity’s participation in good faith in a firm commitment underwriting until the expiration of 40 days after the date of such acquisition.

(b) “Continuity Directors” mean any individuals who are members of the Board on February 1, 2011, and any individual who subsequently becomes a member of the Board whose election, or nomination for election by Conn’s stockholders, was approved by a vote of at least a majority of the Continuity Directors (either by specific vote or by approval of Conn’s proxy statement in which such individual is named as a nominee for director without objection to such nomination); *provided, however*, that any individual whose initial assumption of office occurs as a result of either an actual or threatened election contest or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board, a default on any financial instrument, or a default on any dividends will not be considered a Continuity Director.

(c) “Outstanding Securities” are those outstanding securities ordinarily having the right to vote at elections of directors.

(d) “Successor” means any individual, entity, group, or other person (as such term is used in Section 13(d) or Section 14(d) of the Exchange Act), other than Conn’s, any “affiliate” (as defined below) or any benefit plan(s) sponsored by Conn’s or any affiliate, that succeeds to, or has the practical ability to control (either immediately or solely with the passage of time), Conn’s business directly, by merger, consolidation or other form of business combination, or indirectly, by purchase of Conn’s Outstanding Securities or all or substantially all of its assets or otherwise. For this purpose, an “affiliate” is (i) any corporation at least a majority of whose Outstanding Securities are owned directly or indirectly by Conn’s or (ii) any other form of business entity in which Conn’s, by virtue of a direct or indirect ownership interest, has the right to elect a majority of the members of such entity’s governing body.

13.2. A “Change in Control” shall be deemed to have occurred if an event described in any one of the following paragraphs has occurred:

(a) the sale, lease, exchange or other transfer, directly or indirectly, of all or substantially all of the assets of Conn’s (in one transaction or in a series of related transactions) to any Successor;

(b) any Successor other than a Bona Fide Underwriter becomes the beneficial owner, directly or indirectly, of (i) 20% or more, but less than 50%, of the combined voting power of Conn’s Outstanding Securities, unless the transaction resulting in such ownership has been approved in advance by the Continuity Directors, or (ii) 50% or more of the combined voting power of Conn’s Outstanding Securities (regardless of any approval by the Continuity Directors);

(c) a merger or consolidation to which Conn’s is a party (a “Transaction”) if Conn’s stockholders immediately prior to the effective date of the Transaction have beneficial ownership of securities of the surviving corporation immediately following the effective date

of the Transaction representing (i) 50% or more, but not more than 80%, of the combined voting power of the surviving corporation's then Outstanding Securities, unless the Transaction has been approved in advance by the Continuity Directors, or (ii) less than 50% of the combined voting power of the surviving corporation's then Outstanding Securities (regardless of any approval by the Continuity Directors); or

(d) the Continuity Directors cease for any reason to constitute at least 50% or more of the Board.

13.3. Acceleration of Vesting. Without limiting the authority of the Committee under Sections 3.2 and 4.3 of the Plan, if a Change in Control occurs, then: (a) all Options and Stock Appreciation Rights that have been outstanding for at least six months will become immediately exercisable in full and will remain exercisable in accordance with their terms; (b) all Restricted Stock Awards and RSUs that have been outstanding for at least six months will become immediately fully vested and non-forfeitable; and (c) any conditions to the issuance of shares of Common Stock pursuant to Performance Stock Awards that have been outstanding for at least six months will lapse. All other Awards will terminate and be forfeited upon the Change in Control.

13.4. Settlement or Adjustment of Awards. Unless otherwise provided by the Committee, if a Change in Control of Conn's occurs, any Options or Stock Appreciation Rights that, as of the effective date of the Change in Control, are "underwater" will terminate and be forfeited as of the effective date of the Change in Control. The Committee may determine that if a Change in Control of Conn's occurs:

(a) Some or all Participants holding outstanding Options or Stock Appreciation Rights will receive, with respect to some or all of the shares of Common Stock subject to such Awards ("Award Shares"), either (i) as of the effective date of any such Change in Control, cash in an amount equal to the excess of the Change in Control Price over the aggregate exercise price or base price of such Awards, (ii) immediately prior to such Change of Control, a number of shares of Common Stock having an aggregate Fair Market Value equal to the excess of the Change in Control Price over the aggregate exercise price or base price of such Awards, or (iii) any combination of cash or shares of Common Stock with the amount of each component to be determined by the Committee not inconsistent with the foregoing clauses (i) and (ii), as proportionally adjusted; and/or

(b) Some or all outstanding Options or Stock Appreciation Rights be adjusted, as the Committee deems appropriate, to reflect such Change in Control, including, but not be limited to, modifying the Options or Stock Appreciation Rights such that the holder of the Award shall be entitled to purchase or receive (in lieu of the total shares or other consideration that the holder would otherwise be entitled to purchase or receive under the Award (the "Total Consideration")), the number of shares of stock, other securities, cash or property to which the Total Consideration would have been entitled to in connection with the Change in Control at an aggregate exercise price equal to the exercise price that would have been payable if the Award Shares had been purchased upon the exercise of the Award immediately before the Change in Control.

13.5. Change in Control Price. The "Change in Control Price" shall equal the amount determined in clause (i), (ii), (iii), (iv) or (v), whichever is applicable, as follows: (i) the per share price offered to holders of shares of Common Stock in any merger or consolidation, (ii) the per share value of the Common Stock immediately before the Change in Control without regard to assets sold in the Change

in Control and assuming the Company has received the consideration paid for the assets in the case of a sale of the assets, (iii) the amount distributed per share of Common Stock in a dissolution transaction, (iv) the price per share offered to holders of Common Stock in any tender offer or exchange offer whereby a Change in Control takes place, or (v) if such Change in Control occurs other than pursuant to a transaction described in clauses (i), (ii), (iii), or (iv), the Fair Market Value per share of the shares of Common Stock that may otherwise be obtained with respect to such Awards or to which such Awards track, as determined by the Committee. In the event that the consideration offered to stockholders of the Company in any transaction described in this Section 13 consists of anything other than cash, the Committee shall determine the fair cash equivalent of the portion of the non-cash consideration offered.

13.6. Limitation on Change in Control Payments. Unless otherwise provided by the Committee or by a separate agreement and notwithstanding anything in Sections 13.2(d) or 13.4 of the Plan to the contrary, if, with respect to a Participant, the acceleration of the exercisability of an Option or vesting of an Award as provided in Section 13.2(d) or the payment of cash or shares of Common Stock in exchange for all or part of an Option or other Award as provided in Section 13.4 (which acceleration could be deemed a “payment” within the meaning of Section 280G(b)(2) of the Code), together with any other “payments” that such Participant has the right to receive from Conn’s or any corporation that is a member of an “affiliated group” (as defined in Section 1504(a) of the Code without regard to Section 1504(b) of the Code) of which Conn’s is a member, would constitute a “parachute payment” (as defined in Section 280G(b)(2) of the Code), then the “payments” to such Participant pursuant to Section 13.2(d) or 13.4 of the Plan will be reduced to the largest amount as will result in no portion of such “payments” being subject to the excise tax imposed by Section 4999 of the Code.

14. Rights of Eligible Recipients and Participants; Transferability.

14.1. Employment or Service. Nothing in the Plan will interfere with or limit in any way the right of the Company to terminate the employment or service of any Eligible Recipient or Participant at any time, nor confer upon any Eligible Recipient or Participant any right to continue in the employ or service of the Company.

14.2. Rights as a Stockholder. As a holder of Awards (other than Restricted Stock Awards), a Participant will have no rights as a stockholder unless and until such Awards are exercised for, or paid in the form of, shares of Common Stock and the Participant becomes the holder of record of such shares. Except as otherwise provided in the Plan, no adjustment will be made for dividends or distributions with respect to such Awards as to which there is a record date preceding the date the Participant becomes the holder of record of such shares, except as the Committee may determine in its discretion.

14.3. Restrictions on Transfer.

(a) Except pursuant to testamentary will or the laws of descent and distribution or as otherwise expressly permitted by subsections (b) and (c) below, no right or interest of any Participant in an Award prior to the exercise (in the case of Options or Stock Appreciation Rights) or vesting (in the case of Restricted Stock Awards, RSUs or Performance Stock Awards) of such Award will be assignable or transferable, or subjected to any lien, during the lifetime of the Participant, either voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise.

(b) A Participant will be entitled to designate a beneficiary to receive an Award upon such Participant’s death, and in the event of such Participant’s death, payment of any amounts due

under the Plan will be made to, and exercise of any Options or Stock Appreciation Rights (to the extent permitted pursuant to Section 11 of the Plan) may be made by, such beneficiary. If a deceased Participant has failed to designate a beneficiary, or if a beneficiary designated by the Participant fails to survive the Participant, payment of any amounts due under the Plan will be made to, and exercise of any Options or Stock Appreciation Rights (to the extent permitted pursuant to Section 10 of the Plan) may be made by, the Participant's legal representatives, heirs, devisees and legatees. If a deceased Participant has designated a beneficiary and such beneficiary survives the Participant but dies before complete payment of all amounts due under the Plan or exercise of all exercisable Options and Stock Appreciation Rights, then such payments will be made to, and the exercise of such Options and Stock Appreciation Rights may be made by, the legal representatives, heirs, devisees and legatees of the beneficiary.

(c) Upon a Participant's request, the Committee may, in its sole discretion, permit a transfer of all or a portion of a Non-Statutory Stock Option or Stock Appreciation Right, other than for value, to such Participant's child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, a trust in which any of the foregoing have more than 50% of the beneficial interests, a foundation in which any of the foregoing (or the Participant) control the management of assets, and any other entity in which these persons (or the Participant) own more than 50% of the voting interests. Any permitted transferee will remain subject to all the terms and conditions applicable to the Participant prior to the transfer. A permitted transfer may be conditioned upon such requirements as the Committee may, in its sole discretion, determine, including, but not limited to execution and/or delivery of appropriate acknowledgements, opinion of counsel, or other documents by the transferee.

14.4. Non-Exclusivity of the Plan. Nothing contained in the Plan is intended to modify or rescind any previously approved compensation plans or programs of the Company or create any limitations on the power or authority of the Board to adopt such additional or other compensation arrangements as the Board may deem necessary or desirable.

15. Securities Laws and Other Restrictions.

Notwithstanding any other provision of the Plan or any agreements entered into pursuant to the Plan, the Company will not be required to issue any shares of Common Stock under the Plan, and a Participant may not sell, assign, transfer or otherwise dispose of shares of Common Stock issued pursuant to Awards granted under the Plan, unless (a) there is in effect with respect to such shares a registration statement under the Securities Act and any applicable securities laws of a state or foreign jurisdiction or an exemption from such registration under the Securities Act and applicable state or foreign securities laws, and (b) there has been obtained any other consent, approval or permit from any other U.S. or foreign regulatory body which the Committee, in its sole discretion, deems necessary or advisable. The Company may condition such issuance, sale or transfer upon the receipt of any representations or agreements from the parties involved, and the placement of any legends on certificates representing shares of Common Stock, as may be deemed necessary or advisable by the Company in order to comply with such securities laws or other restrictions.

16. Plan Amendment, Modification and Termination.

The Board may suspend or terminate the Plan or any portion thereof at any time, and may amend the Plan from time to time in such respects as the Board may deem advisable in order that Awards under the Plan will conform to any change in applicable laws or regulations or in any other respect the Board

may deem to be in the best interests of the Company; *provided, however*, that no such amendments to the Plan will be effective without approval of the Company's stockholders if: (i) stockholder approval of the amendment is then required pursuant to Section 422 of the Code or the rules of any stock exchange, The NASDAQ Global Select Market, or similar regulatory body; or (ii) such amendment seeks to modify Section 3.2(d) hereof. No termination, suspension or amendment of the Plan may adversely affect any outstanding Award without the consent of the affected Participant; *provided, however*, that this sentence will not impair the right of the Committee to take whatever action it deems appropriate under Sections 3.2(c), 4.3, 12 and 13 of the Plan.

17. Duration of the Plan.

The Plan will terminate at midnight on March 29, 2021, and may be terminated prior to such time by Board action. No Award will be granted after termination of the Plan. Awards outstanding upon termination of the Plan may continue to be exercised, or become free of restrictions, according to their terms.

18. Miscellaneous.

18.1. Governing Law. Except to the extent expressly provided herein or in connection with other matters of corporate governance and authority (all of which shall be governed by the laws of the State of Delaware, the validity, construction, interpretation, administration and effect of the Plan and any rules, regulations and actions relating to the Plan will be governed by and construed exclusively in accordance with the laws of the State of Delaware notwithstanding the conflicts of laws principles of any jurisdictions.

18.2. Shareholder Approval. This Plan must be approved by a majority of the votes cast at a duly held shareholder's meeting at which a quorum representing a majority of all outstanding voting shares of Common Stock is, either in person or by proxy, present and voting on the Plan within twelve (12) months after the date this Plan is adopted by the Board. If the shareholders fail to approve adoption of this Plan, all Awards granted under this Plan shall terminate and be forfeited.

18.3. Compliance with Section 409A. Each Award issued under the Plan is intended to be exempt from or comply with Section 409A and will be interpreted accordingly. Where payment of an Award to a "specified employee" is triggered by a "separation from service" (terms as defined in Section 409A), payment will be delayed for six months following the specified employee's separation from service.

18.4. Successors and Assigns. The Plan will be binding upon and inure to the benefit of the successors and permitted assigns of the Company and the Participants.

RESTRICTED STOCK AWARD AGREEMENT**CONN'S, INC.
2011 OMNIBUS INCENTIVE PLAN**

THIS RESTRICTED STOCK AWARD AGREEMENT (this "Agreement") is made by and between CONN'S, INC., a Delaware corporation (the "Company"), and _____ ("Recipient") as of _____, 20____, pursuant to the Company's 2011 Omnibus Incentive Plan (the "Plan"), which is incorporated by reference herein in its entirety.

RECITALS

The Committee, acting on behalf of the Company, wishes to grant Recipient _____ shares of the Company's \$0.01 par value common stock ("Common Stock") on the terms and subject to the conditions set forth below and in the Plan.

Capitalized terms used in this Agreement and not otherwise defined in this Agreement will have the meaning assigned to them in the Plan.

AGREEMENT

It is hereby agreed as follows:

1. **Grant of Restricted Stock.** Effective as of _____ (the "Grant Date"), the Company will cause _____ shares of Common Stock (the "Restricted Stock") to be issued in the Recipient's name subject to any prohibitions and restrictions set forth in this Agreement with respect to the sale or other disposition of the Restricted Stock and the obligation to forfeit and surrender the Restricted Stock to the Company in accordance with the terms of this Agreement and the Plan (the "Forfeiture Restrictions").

2. **Evidence of Ownership.**

2.1 Evidence of the issuance of the Restricted Stock pursuant to this Agreement may be accomplished in any manner that the Company or its authorized representatives deem appropriate including, without limitation, electronic registration, book-entry registration or issuance of a stock certificate or certificates in the name of the Recipient. Any stock certificate issued for the Restricted Stock will bear an appropriate legend with respect to the Forfeiture Restrictions applicable to the Restricted Stock. The Company may retain, at its option, the physical custody of any stock certificate representing any Restricted Stock during the restriction period or require that the certificates evidencing Restricted Stock be placed in escrow or trust, along with a stock power endorsed in blank, until all Forfeiture Restrictions are removed or lapse. If the issuance of the Restricted Stock is documented or recorded electronically, the Company and its authorized representatives will ensure that the Recipient is prohibited from selling,

assigning, pledging, exchanging, hypothecating or otherwise transferring the Restricted Stock while it is still subject to the Forfeiture Restrictions.

2.2 Upon the lapse of the Forfeiture Restrictions, the Company or, at the Company's instruction, its authorized representative will release the Restricted Stock with respect to which the Forfeiture Restrictions have lapsed. The lapse of the Forfeiture Restrictions and the release of the Restricted Stock shall be evidenced in any manner that the Company and its authorized representatives deem appropriate under the circumstances.

2.3 At the Company's request, the Recipient must execute and deliver, as necessary, a blank stock power with respect to the Restricted Stock, and the Company may, as necessary, exercise that stock power in the event of forfeiture of the Restricted Stock pursuant to this Agreement, or as may otherwise be required in order for the Company to withhold the Restricted Stock necessary to satisfy any applicable federal, state and local income and employment tax withholding obligations pursuant to Section 7 of this Agreement.

3. **Forfeiture Restrictions.** The Restricted Stock may not be sold or otherwise transferred prior to the lapse of the Forfeiture Restrictions set forth in this Section and the lapse of any other Forfeiture Restrictions imposed by this Agreement or the Plan.[Choose one of the following provisions.]

[Option 1]

3.1 *Forfeiture Restriction 1.* **[Determined by Committee – these can be performance criteria or a combination of time-based restrictions and performance criteria.]**

[Option 2]

The Restricted Stock will be subject to forfeiture in accordance with the following schedule:

Date Time-Based Forfeiture Restriction Lapses	Percentage of Original Grant Becoming Non-Forfeitable	Cumulative Percentage of Original Grant not Subject to Forfeiture Restriction
		100%

Notwithstanding the foregoing, to the extent any Forfeiture Restrictions apply to the Restricted Stock as of a Change in Control of the Company occurring on or after the date that is six (6) months after the Grant Date, any remaining Forfeiture Restrictions will lapse upon the Change in Control.

4. **Effect of Termination of Employment or Other Service.** If a Recipient's employment or other service with the Company terminates, the effect of the termination on the Recipient's Restricted Stock under this Agreement will be as set forth in Section 11 of the Plan.

5. **Restrictions on Transfer of Restricted Stock.** The Restricted Stock will not be transferable, either voluntarily or by operation of law, except as provided in Section 14.3 of the Plan.

6. **Rights as a Stockholder.** Subject to the Forfeiture Restrictions and other terms and conditions of this Agreement and the Plan, the Recipient will have all the rights of a stockholder with respect to the Restricted Stock, including the right to vote the Restricted Stock. Regular, ordinary dividends paid with respect to the Restricted Stock in cash will be paid to the Recipient currently. All other dividends and distributions, whether paid in cash, equity securities of the Company, rights to acquire equity securities of the Company or any other property will be subject to the same Forfeiture Restrictions as the Restricted Stock, unless the Committee, in its sole discretion, determines that those other dividends or distributions should be paid to the Recipient currently.

7. **Tax Matters.** The lapsing of the Forfeiture Restrictions will be subject to the satisfaction of all applicable federal, state and local income and employment tax withholding requirements (the "Required Withholding"), if any. By execution of this Agreement, the Recipient authorizes the Company, to the extent permissible, to withhold sufficient Restricted Stock with respect to which the Forfeiture Restrictions have lapsed as may be necessary to satisfy the Recipient's Required Withholding, if any. The amount of the Required Withholding and the number of shares of Restricted Stock required to satisfy the Recipient's Required Withholding, if any, as well as the amount reflected on tax reports filed by the Company, will be based on the Fair Market Value of the Common Stock on the day the Forfeiture Restrictions lapse. Notwithstanding the foregoing, the Committee may require that the Recipient satisfy the Recipient's Required Withholding, if any, by any other means the Committee, in its sole discretion, considers reasonable. The obligations of the Company under this Agreement are conditioned on the satisfaction of the Required Withholding, if any.

8. **No Right to Employment.** Nothing contained in this Agreement obligates the Company to employ or have another relationship with Recipient for any period or interfere in any way with the right of the Company to reduce Recipient's compensation or to terminate the employment of or relationship with Recipient at any time.

9. **Miscellaneous.**

9.1 **Binding Effect, Successors.** This Agreement shall bind and inure to the benefit of the successors, assigns, transferees, agents, personal representatives, heirs and legatees of the respective parties.

9.2 **Further Acts.** Each party will perform any further acts and execute and deliver any documents which may be necessary to carry out the provisions of this Agreement and to comply with applicable law.

9.3 *Amendment.* This Agreement may be amended at any time by the written agreement of the Company and the Recipient.

9.4 *Choice of Law and Severability.* This Agreement shall be construed, enforced and governed by the laws of the State of Delaware. The invalidity of any provision of this Agreement will not affect any other provision of this Agreement, which will remain in full force and effect.

9.5 *Notices.* All notices and demands to Recipient or the Company may be given to them at the following addresses:

If to Recipient:

Fax: _____

Electronic Mail: _____

If to Company:

Conn's, Inc.
Attn: _____
3295 College St.
Beaumont, TX 77701
Fax: _____
Electronic Mail: _____

The parties may designate in writing from time to time such other place or places that notices and demands may be given.

9.6 *Entire Agreement.* This Agreement, as governed by and interpreted in accordance with the Plan, and the Plan constitute the entire agreement between the parties hereto pertaining to the subject matter hereof, this Agreement supersedes all prior and contemporaneous agreements and understandings of the parties, and there are no warranties, representations or other agreements between the parties in connection with the subject matter hereof except as set forth or referred to herein. No supplement, modification or waiver or termination of this Agreement shall be binding unless executed in writing by the party to be bound thereby. No waiver of any of the provisions of this Agreement shall constitute a waiver of any other provision hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

9.7 *Grant Subject to Terms of Plan and this Agreement.* The Recipient acknowledges and agrees that the grant of the Restricted Stock is made pursuant to and governed by the terms of the Plan and this Agreement. Recipient, by execution of this Agreement, acknowledges having received a copy of the Plan. The provisions of this Agreement will be interpreted as to be consistent with the Plan, and any ambiguities in this Agreement will be interpreted by reference to the Plan. In the case of a conflict between the terms of the Plan and this Agreement, the terms of the Plan will control.

IN WITNESS WHEREOF, the parties have entered into this Agreement as of the date first set forth above.

“COMPANY”

CONN’S, INC.,
a Delaware corporation

By: _____
[Name]

“RECIPIENT”

[Name]

CONN'S, INC.

NON-EMPLOYEE DIRECTOR RESTRICTED STOCK PLAN

1. Purpose of Plan.

The purpose of the Conn's, Inc. Non-Employee Director Restricted Stock Plan (the "Plan") is to aid in the attracting and retaining of persons of outstanding competence to serve on the Board of Directors of Conn's, Inc. (the "Company") who are not employed by the Company. This Plan is intended to enable such persons to acquire or increase ownership interests in the Company on a basis that will encourage them to use their best efforts to contribute to the Company's achievement of its objectives. Consistent with these objectives, the Plan provides for the award of shares of Restricted Stock and Restricted Stock Units to Non-Employee Directors on the terms and subject to the conditions set forth below.

2. Definitions.

The following terms will have the meanings set forth below, unless the context clearly otherwise requires:

2.1. "Annual Grant" has the meaning set forth in Section 5.2.

2.2. "Award" means an award of shares of Restricted Stock or RSUs to a Non-Employee Director.

2.3. "Board" means the Company's board of directors.

2.4. "Change in Control" means an event described in Section 8.2 of the Plan.

2.5. "Code" means the Internal Revenue Code of 1986, as amended.

2.6. "Committee" means the group of individuals administering the Plan, as provided in Section 3 of the Plan.

2.7. "Common Stock" means the common stock of the Company, par value \$0.01 per share. The number and kind of shares of stock or other securities into which such Common Stock may be changed in accordance with Section 4.3 of the Plan.

2.8. "Disability" means the permanent and total disability of the Participant within the meaning of Section 22(e)(3) of the Code.

2.9. "Exchange Act" means the Securities Exchange Act of 1934, as amended.

2.10. "Fair Market Value" means, with respect to the Common Stock, as of any date: (i) the closing sale price of the Common Stock at the end of the regular trading session if the Common Stock is listed, admitted to unlisted trading privileges, or reported on the primary national securities exchange (including The NASDAQ Global Select Market and NASDAQ Global Market) on which the Common Stock is traded on such date (or, if no shares were traded on such day, as of the next preceding day on which there was such a trade); or (ii) if the Common Stock is not so listed, admitted to unlisted trading privileges, or reported on any national securities exchange, the closing bid price as of such date at the end of the regular trading session, as reported by The NASDAQ Capital Market, OTC Bulletin Board,

Pink Sheets LLC, or other comparable service; or (iii) if the Common Stock is not so listed or reported, such price as the Committee determines in good faith in the exercise of its reasonable discretion.

2.11. “Non-Employee Director” means a member of the Board who, as of the date of grant of an Award, is not an officer or employee of the Company or any Subsidiary.

2.12. “Participant” means a Non-Employee Director who receives one or more Awards under the Plan.

2.13. “Performance Criteria” means the performance criteria that may be used by the Committee in granting Awards where vesting of the Award is contingent upon achievement of such performance goals as the Committee may determine in its sole discretion. The Committee may select one criterion or multiple criteria for measuring performance, and the measurement may be based upon Company, segment, Subsidiary, division, business unit or subunit or asset group performance, either absolute or by relative comparison to other companies, or any other external measure of the selected criteria.

(a) The Committee may determine that any Award granted pursuant to the Plan to a Participant will be conditioned on any of the following performance goals:

(i) Net income measures (including but not limited to earnings, net earnings, operating earnings, earnings before taxes, EBIT (earnings before interest and taxes), EBITA (earnings before interest, taxes, and amortization) EBITDA (earnings before interest, taxes, depreciation, and amortization), EBITDAR (earnings before interest, taxes, depreciation, amortization and rent) and earnings per share);

(ii) Stock price measures (including but not limited to growth measures and total stockholder return (stock price plus reinvested dividends) relative to a defined comparison group or target and price-earnings multiples);

(iii) Cash flow measures (including but not limited to net cash flow, net cash flow before financing activities, economic value added (or equivalent metric), debt reduction, debt to equity ratio, or establishment or material modification of a credit facility);

(iv) Return measures (including but not limited to return on equity, return on average assets, return on capital, risk-adjusted return on capital, return on investors’ capital and return on average equity);

(v) Operating measures (including operating income, cash from operations, after-tax operating income, sales volumes, same store sales, production volumes, credit portfolio delinquency rate, credit portfolio net charge-off rate, gross margins and production efficiency);

(vi) Expense measures (including but not limited to overhead cost and general and administrative expense);

(vii) Asset measures (including but not limited to a specified target, or target growth in sales, stores or credit portfolio, market capitalization or market value, proceeds from dispositions, strategic acquisitions, or raising capital);

(viii) Relative performance measures (including but not limited to relative performance to a comparison group or index designated by the Committee and market share);

(ix) Corporate values measures (including but not limited to ethics, customer satisfaction, legal, enterprise risk management, regulatory, and safety); and

(x) Any combination of the above.

If an Award is made on this basis, the Committee will establish goals prior to the beginning of the period for which the Performance Criteria relate (but not later than 90 days after the commencement of the period of services to which the Performance Criteria relate). The Committee has the right for any reason to reduce (but not increase) the Award, notwithstanding the achievement of a specified goal. Any settlement of an Award granted with Performance Criteria under this subparagraph (a) will be conditioned on the written certification of the Committee in each case that the Performance Criteria and any other material conditions were satisfied.

(b) To the extent that Section 409A is applicable, (i) performance-based compensation will also be contingent on the satisfaction of pre-established organizational or individual Performance Criteria relating to a performance period of at least 12 consecutive months in which the Participant performs services and (ii) Performance Criteria will be established not later than 90 calendar days after the beginning of any performance period to which the Performance Criteria relate, *provided* that the outcome is substantially uncertain at the time the criteria are established.

2.14. “Restricted Stock” means shares of Common Stock granted to an Non-Employee Director pursuant to Section 5 of the Plan that is subject to the restrictions on transferability and the risk of forfeiture imposed by the provisions of Section 5.

2.15. “Restricted Stock Unit” or “RSU” means a notional account established pursuant to an Award granted to an Eligible Recipient, as described in Section 5 of the Plan, that is (a) valued solely by reference to shares of Common Stock, (b) subject to restrictions specified in the agreement evidencing the Award, and (c) payable in shares of Common Stock within 30 days of the lapse of such restrictions. The RSUs awarded to the Eligible Recipient will vest according to the time-based or performance based criteria specified in the agreement evidencing the Award.

2.16. “Securities Act” means the Securities Act of 1933, as amended.

2.17. “Subsidiary” means any entity that is directly or indirectly controlled by the Company or any entity in which the Company has a significant equity interest, as determined by the Committee.

3. Plan Administration.

The Plan will be administered by the Board or by a committee of the Board. Such a committee, if established, will act by majority approval of the members (unanimous approval with respect to action by written consent), and a majority of the members of such a committee will constitute a quorum. As used in the Plan, “Committee” will refer to the Board or to such a committee, if established. The Committee may exercise its duties, power and authority under the Plan in its sole and absolute discretion without the consent of any Participant or other party, unless the Plan specifically provides otherwise. Each determination, interpretation

or other action made or taken by the Committee pursuant to the provisions of the Plan will be conclusive and binding for all purposes and on all persons, and no member of the Committee will be liable for any action or determination made in good faith with respect to the Plan or any Award granted under the Plan.

4. Shares Available for Issuance.

4.1. Maximum Number of Shares Available; Restrictions. Subject to adjustment as provided in Section 4.3 of the Plan, the maximum number of shares of Common Stock that will be available for issuance under the Plan will be 300,000. The shares available for issuance under the Plan may, at the election of the Committee, be either treasury shares or shares authorized but unissued, and, if treasury shares are used, all references in the Plan to the issuance of shares will, for corporate law purposes, be deemed to mean the transfer of shares from treasury.

4.2. Accounting for Awards. Shares of Common Stock that are issued under the Plan or that are subject to outstanding Awards will be applied to reduce the maximum number of shares of Common Stock remaining available for issuance under the Plan; *provided, however*, that shares forfeited under an Award will automatically again become available for issuance under the Plan.

4.3. Adjustments to Awards. In the event of any reorganization, merger, consolidation, recapitalization, liquidation, reclassification, stock dividend, stock split, combination of shares, rights offering, extraordinary dividend, or divestiture (including a spin-off) or any other change in the corporate structure or shares of the Company, the Committee shall make such adjustment to outstanding Awards to prevent dilution or enlargement of the rights of Participants.

5. Awards.

5.1. Annual Grant. Each year, on the first day following the Company's annual stockholders meeting, each individual elected, re-elected or continuing as a Non-Employee Director automatically will receive, in consideration for service as a director, an Award having the number of shares of Restricted Stock as determined by the Company's Committee (the "Annual Grant").

5.2. Discretionary Grants. A Non-Employee Director may be granted one or more Awards under the Plan (the "Discretionary Grants") in addition to the Annual Grant(s), including, but not limited to, a *pro rata* Annual Grant in connection with such Non-Employee Director's initial election or appointment to the Board. Discretionary Grants will be subject to such terms and conditions, consistent with the other provisions of the Plan, as may be determined by the Committee in its sole discretion.

5.3. Vesting of Awards. The Committee may impose such restrictions or conditions, not inconsistent with the provisions of the Plan, to the vesting of such Awards as it deems appropriate, including, without limitation, that the Participant remain in the continuous service of the Company for a certain period or achievement of one or more of the Performance Criteria. Unless otherwise stated in an agreement evidencing an Award, an Award shall vest, subject to the other terms of the Plan, in four equal annual installments beginning on the first anniversary of the date of grant.

5.4. Rights as a Stockholder. Except as provided in Sections 5.5, 5.6 and 9.1 of the Plan, or in the award agreement evidencing an Award of Restricted Stock, a Participant will have all voting, dividend, liquidation and other rights with respect to shares of Restricted Stock upon the Participant becoming the holder of record of such shares as if such Participant were a holder of record of shares of unrestricted Common Stock. A Participant will have no voting, dividend, liquidation and other rights

with respect to shares of Common Stock subject to the Participant's RSUs until the Participant becomes the holder of record of such shares.

5.5. Dividends and Distributions. Unless the Committee determines otherwise in its sole discretion (either in the agreement evidencing the Award of Restricted Stock at the time of grant or at any time after the grant of the Award of Restricted Stock), any dividends or distributions (other than regular quarterly cash dividends) paid with respect to shares of Restricted Stock subject to the unvested portion of an Award will be subject to the same restrictions as the shares of Restricted Stock to which such dividends or distributions relate. The Committee will determine in its sole discretion whether any interest will be paid on such dividends or distributions.

5.6. Enforcement of Restrictions. To enforce the restrictions referred to in this Section 5, the Committee may place a legend on the stock certificates referring to such restrictions and may require the Participant, until the restrictions have lapsed, to keep the stock certificates, together with duly endorsed stock powers, in the custody of the Company or its transfer agent, or to maintain evidence of stock ownership, together with duly endorsed stock powers, in a certificateless book-entry stock account with the Company's transfer agent.

5.7. Settlement of Awards. If and when the restriction period expires with respect to a share of Restricted Stock or a RSU, the Company will, subject to Section 8, deliver a share of Common Stock free of restriction to or for the account of the Participant, the Participant's estate, or beneficiary, as applicable.

6. Effect of Termination of Service.

6.1. Termination Due to Death or Disability. Subject to Section 6.3 of the Plan, in the event a Participant's ceases to be a member of the Board by reason of his or her death or Disability, all shares of Restricted Stock and RSUs then held by or credited to the Participant that have not vested as of such date will be forfeited.

6.2. Termination for Reasons Other than Death or Disability. Subject to Sections 6.3 of the Plan, in the event a Participant ceases to be a member of the Board for any reason other than death or Disability, all shares of Restricted Stock and RSUs then held by or credited to the Participant that have not vested as of such termination will be forfeited.

6.3. Modification of Rights Upon Termination. Notwithstanding the other provisions of this Section 6, upon a Participant's ceasing to be a member of the Board, the Committee may, in its sole discretion (which may be exercised at any time on or after the date of grant, including following such cessation), cause one or more shares of Restricted Stock or RSUs then held by or credited to such Participant to vest and/or continue to vest following such cessation of membership on the Board, in each case in the manner determined by the Committee.

7. Payment of Withholding and Employment-Related Tax Obligations.

The Company is entitled to withhold and deduct from future compensation of the Participant (or from other amounts that may be due and owing to the Participant from the Company), or make other arrangements for the collection of, all legally required amounts necessary to satisfy any and all federal, foreign, state and local withholding and employment-related tax requirements attributable to an Award, including, without limitation, the grant, vesting, or payment of dividends with respect to, an Award.

8. Change in Control.

8.1. Change in Control Definitions. For purposes of this Section:

(a) “Bona Fide Underwriter” means an entity engaged in business as an underwriter of securities that acquires securities of the Company through such entity’s participation in good faith in a firm commitment underwriting until the expiration of 40 days after the date of such acquisition.

(b) “Continuity Directors” mean any individuals who are members of the Board on February 1, 2011, and any individual who subsequently becomes a member of the Board whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least a majority of the Continuity Directors (either by specific vote or by approval of the Company’s proxy statement in which such individual is named as a nominee for director without objection to such nomination); *provided, however*, that any individual whose initial assumption of office occurs as a result of either an actual or threatened election contest or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board, a default on any financial instrument, or a default on any dividends will not be considered a Continuity Director.

(c) “Outstanding Securities” are those outstanding securities ordinarily having the right to vote at elections of directors.

(d) “Successor” means any individual, entity, group, or other person (as such term is used in Section 13(d) or Section 14(d) of the Exchange Act), other than the Company, any “affiliate” (as defined below) or any benefit plan(s) sponsored by the Company or any affiliate, that succeeds to, or has the practical ability to control (either immediately or solely with the passage of time), the Company’s business directly, by merger, consolidation or other form of business combination, or indirectly, by purchase of the Company’s Outstanding Securities or all or substantially all of its assets or otherwise. For this purpose, an “affiliate” is (i) any corporation at least a majority of whose Outstanding Securities are owned directly or indirectly by the Company or (ii) any other form of business entity in which the Company, by virtue of a direct or indirect ownership interest, has the right to elect a majority of the members of such entity’s governing body.

8.2. A “Change in Control” shall be deemed to have occurred if an event described in any one of the following paragraphs has occurred:

(a) the sale, lease, exchange or other transfer, directly or indirectly, of all or substantially all of the assets of the Company (in one transaction or in a series of related transactions) to any Successor;

(b) any Successor other than a Bona Fide Underwriter becomes the beneficial owner, directly or indirectly, of (i) 20% or more, but less than 50%, of the combined voting power of the Company's Outstanding Securities, unless the transaction resulting in such ownership has been approved in advance by the Continuity Directors, or (ii) 50% or more of the combined voting power of the Company's Outstanding Securities (regardless of any approval by the Continuity Directors);

(c) a merger or consolidation to which the Company is a party (a "Transaction") if the Company's stockholders immediately prior to the effective date of the Transaction have beneficial ownership of securities of the surviving corporation immediately following the effective date of the Transaction representing (i) 50% or more, but not more than 80%, of the combined voting power of the surviving corporation's then Outstanding Securities, unless the Transaction has been approved in advance by the Continuity Directors, or (ii) less than 50% of the combined voting power of the surviving corporation's then Outstanding Securities (regardless of any approval by the Continuity Directors); or

(d) the Continuity Directors cease for any reason to constitute at least 50% or more of the Board.

8.3. Acceleration of Vesting. Without limiting the authority of the Committee under Section 4.3 of the Plan, if a Change in Control occurs, then, if approved by the Committee in its sole discretion either in an agreement evidencing an Award at the time of grant or at any time after the grant of an Award, all Awards that have been outstanding for at least six months will become immediately fully vested and non-forfeitable. All other Awards will terminate and be forfeited upon the Change in Control.

9. Transferability.

9.1. Restrictions on Transfer.

(a) Except pursuant to testamentary will or the laws of descent and distribution or as otherwise expressly permitted by subsection (b) below, no right or interest of any Participant in shares of Restricted Stock or RSUs prior to vesting of such Restricted Stock or RSUs will be assignable or transferable, or subjected to any lien, during the lifetime of the Participant, either voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise.

(b) A Participant will be entitled to designate a beneficiary to receive shares of Restricted Stock or RSUs upon such Participant's death, and in the event of such Participant's death, settlement of any Restricted Stock or RSUs will be made to such beneficiary. If a deceased Participant has failed to designate a beneficiary, or if a beneficiary designated by the Participant fails to survive the Participant, settlement of any Restricted Stock or RSUs will be made to the Participant's legal representatives, heirs, devisees and legatees. If a deceased Participant has designated a beneficiary and such beneficiary survives the Participant but dies before complete settlement of his or her Awards, then such settlement will be made to the legal representatives, heirs, devisees and legatees of the beneficiary.

9.2. Non-Exclusivity of the Plan. Nothing contained in the Plan is intended to modify or rescind any previously approved compensation plans or programs of the Company or create any limitations on the power or authority of the Board to adopt such additional or other compensation arrangements as the Board may deem necessary or desirable.

10. Securities Laws and Other Restrictions.

Notwithstanding any other provision of the Plan or any agreements entered into pursuant to the Plan, a Participant may not sell, assign, transfer or otherwise dispose of shares of Common Stock issued pursuant to Awards granted under the Plan, unless (a) there is in effect with respect to such shares a registration statement under the Securities Act and any applicable securities laws of a state or foreign jurisdiction or an exemption from such registration under the Securities Act and applicable state or foreign securities laws, and (b) there has been obtained any other consent, approval or permit from any other U.S. or foreign regulatory body which the Committee, in its sole discretion, deems necessary or advisable. The Company may condition such issuance, sale or transfer upon the receipt of any representations or agreements from the parties involved, and the placement of any legends on certificates representing shares of Common Stock, as may be deemed necessary or advisable by the Company in order to comply with such securities laws or other restrictions.

11. Plan Amendment, Modification and Termination.

The Board may suspend or terminate the Plan or any portion thereof at any time, and may amend the Plan from time to time in such respects as the Board may deem advisable in order that Awards under the Plan will conform to any change in applicable laws or regulations or in any other respect the Board may deem to be in the best interests of the Company; *provided, however*, that no such amendments to the Plan will be effective without approval of the Company's stockholders if stockholder approval of the amendment is then required pursuant to the rules of any stock exchange, The NASDAQ Global Select Market, or similar regulatory body. No termination, suspension or amendment of the Plan may adversely affect any outstanding Award without the consent of the affected Participant; *provided, however*, that this sentence will not impair the right of the Committee to take whatever action it deems appropriate under Sections, 4.3, 7 and 8 of the Plan.

12. Duration of the Plan.

The Plan will terminate at midnight on March 29, 2021, and may be terminated prior to such time by Board action. No Award will be granted after termination of the Plan. Awards outstanding upon termination of the Plan may continue to become free of restrictions, according to their terms.

13. Miscellaneous.

13.1. Governing Law. Except to the extent expressly provided herein or in connection with other matters of corporate governance and authority (all of which shall be governed by the laws of the Company's jurisdiction of incorporation), the validity, construction, interpretation, administration and effect of the Plan and any rules, regulations and actions relating to the Plan will be governed by and construed exclusively in accordance with the laws of the State of Delaware notwithstanding the conflicts of laws principles of any jurisdictions.

13.2. Shareholder Approval. This Plan must be approved by a majority of the votes cast at a duly held shareholder's meeting at which a quorum representing a majority of all outstanding voting shares of Common Stock is, either in person or by proxy, present and voting on the Plan within twelve (12) months after the date this Plan is adopted by the Board. If the shareholders fail to approve adoption of this Plan, all Awards granted under this Plan shall terminate and be forfeited.

13.3. Compliance with Section 409A. Each Award issued under the Plan is intended to be exempt from Section 409A and will be interpreted accordingly.

13.4. Successors and Assigns. The Plan will be binding upon and inure to the benefit of the successors and permitted assigns of the Company and the Participants.

RESTRICTED STOCK AWARD AGREEMENT**CONN'S, INC.****NON-EMPLOYEE DIRECTOR RESTRICTED STOCK PLAN**

THIS RESTRICTED STOCK AWARD AGREEMENT (this "Agreement") is made by and between CONN'S, INC., a Delaware corporation (the "Company"), and _____ ("Recipient") as of _____, 20____, pursuant to the Company's Non-Employee Restricted Stock Plan (the "Plan"), which is incorporated by reference herein in its entirety.

RECITALS

The Committee, acting on behalf of the Company, wishes to grant Recipient _____ shares of the Company's \$0.01 par value common stock ("Common Stock") on the terms and subject to the conditions set forth below and in the Plan.

Capitalized terms used in this Agreement and not otherwise defined in this Agreement will have the meaning assigned to them in the Plan.

AGREEMENT

It is hereby agreed as follows:

1. **Grant of Restricted Stock.** Effective as of _____ (the "Grant Date"), the Company will cause _____ shares of Common Stock (the "Restricted Stock") to be issued in the Recipient's name subject to any prohibitions and restrictions set forth in this Agreement with respect to the sale or other disposition of the Restricted Stock and the obligation to forfeit and surrender the Restricted Stock to the Company in accordance with the terms of this Agreement and the Plan (the "Forfeiture Restrictions").

2. **Evidence of Ownership.**

2.1 Evidence of the issuance of the Restricted Stock pursuant to this Agreement may be accomplished in any manner that the Company or its authorized representatives deem appropriate including, without limitation, electronic registration, book-entry registration or issuance of a stock certificate or certificates in the name of the Recipient. Any stock certificate issued for the Restricted Stock will bear an appropriate legend with respect to the Forfeiture Restrictions applicable to the Restricted Stock. The Company may retain, at its option, the physical custody of any stock certificate representing any Restricted Stock during the restriction period or require that the certificates evidencing Restricted Stock be placed in escrow or trust, along with a stock power endorsed in blank, until all Forfeiture Restrictions are removed or lapse. If the issuance of the Restricted Stock is documented or recorded electronically, the Company and its authorized representatives will ensure that the Recipient is prohibited from selling,

assigning, pledging, exchanging, hypothecating or otherwise transferring the Restricted Stock while it is still subject to the Forfeiture Restrictions.

2.2 Upon the lapse of the Forfeiture Restrictions, the Company or, at the Company’s instruction, its authorized representative will release the Restricted Stock with respect to which the Forfeiture Restrictions have lapsed. The lapse of the Forfeiture Restrictions and the release of the Restricted Stock shall be evidenced in any manner that the Company and its authorized representatives deem appropriate under the circumstances.

2.3 At the Company’s request, the Recipient must execute and deliver, as necessary, a blank stock power with respect to the Restricted Stock, and the Company may, as necessary, exercise that stock power in the event of forfeiture of the Restricted Stock pursuant to this Agreement, or as may otherwise be required in order for the Company to withhold the Restricted Stock necessary to satisfy any applicable federal, state and local income and employment tax withholding obligations pursuant to Section 7 of this Agreement.

3. **Forfeiture Restrictions.** The Restricted Stock may not be sold or otherwise transferred prior to the lapse of the Forfeiture Restrictions set forth in this Section and the lapse of any other Forfeiture Restrictions imposed by this Agreement or the Plan. **[Choose one of the following provisions.]**

[Option 1]

3.1 **Forfeiture Restriction 1. [Determined by Committee – these can be performance criteria or a combination of time-based restrictions and performance criteria.]**

[Option 2]

The Restricted Stock will be subject to forfeiture in accordance with the following schedule:

Date Time-Based Forfeiture Restriction Lapses	Percentage of Original Grant Becoming Non- Forfeitable
	100%

Notwithstanding the foregoing, to the extent any Forfeiture Restrictions apply to the Restricted Stock as of a Change in Control of the Company occurring on or after the date that is six (6) months after the Grant Date, any remaining Forfeiture Restrictions will lapse upon the Change in Control.

4. **Effect of Termination of Employment or Other Service.** If a Recipient’s employment or other service with the Company terminates, the effect of the termination on the Recipient’s Restricted Stock under this Agreement will be as set forth in Section 6 of the Plan.

5. **Restrictions on Transfer of Restricted Stock.** The Restricted Stock will not be transferable, either voluntarily or by operation of law, except as provided in Section 9.1 of the Plan.

6. **Rights as a Stockholder.** Subject to the Forfeiture Restrictions and other terms and conditions of this Agreement and the Plan, the Recipient will have all the rights of a stockholder with respect to the Restricted Stock, including the right to vote the Restricted Stock. Regular, ordinary dividends paid with respect to the Restricted Stock in cash will be paid to the Recipient currently. All other dividends and distributions, whether paid in cash, equity securities of the Company, rights to acquire equity securities of the Company or any other property will be subject to the same Forfeiture Restrictions as the Restricted Stock, unless the Committee, in its sole discretion, determines that those other dividends or distributions should be paid to the Recipient currently.

7. **Tax Matters.** The lapsing of the Forfeiture Restrictions will be subject to the satisfaction of all applicable federal, state and local income and employment tax withholding requirements (the "Required Withholding"), if any. By execution of this Agreement, the Recipient authorizes the Company, to the extent permissible, to withhold sufficient Restricted Stock with respect to which the Forfeiture Restrictions have lapsed as may be necessary to satisfy the Recipient's Required Withholding, if any. The amount of the Required Withholding and the number of shares of Restricted Stock required to satisfy the Recipient's Required Withholding, if any, as well as the amount reflected on tax reports filed by the Company, will be based on the Fair Market Value of the Common Stock on the day the Forfeiture Restrictions lapse. Notwithstanding the foregoing, the Committee may require that the Recipient satisfy the Recipient's Required Withholding, if any, by any other means the Committee, in its sole discretion, considers reasonable. The obligations of the Company under this Agreement are conditioned on the satisfaction of the Required Withholding, if any.

8. **No Right to Employment.** Nothing contained in this Agreement obligates the Company to employ or have another relationship with Recipient for any period or interfere in any way with the right of the Company to reduce Recipient's compensation or to terminate the employment of or relationship with Recipient at any time.

9. **Miscellaneous.**

9.1 **Binding Effect, Successors.** This Agreement shall bind and inure to the benefit of the successors, assigns, transferees, agents, personal representatives, heirs and legatees of the respective parties.

9.2 **Further Acts.** Each party will perform any further acts and execute and deliver any documents which may be necessary to carry out the provisions of this Agreement and to comply with applicable law.

9.3 **Amendment.** This Agreement may be amended at any time by the written agreement of the Company and the Recipient.

9.4 **Choice of Law and Severability.** This Agreement shall be construed, enforced and governed by the laws of the State of Delaware. The invalidity of any

provision of this Agreement will not affect any other provision of this Agreement, which will remain in full force and effect.

9.5 *Notices.* All notices and demands to Recipient or the Company may be given to them at the following addresses:

If to Recipient:

Fax: _____

Electronic Mail: _____

If to Company:

Conn's, Inc.
Attn: _____
3295 College St.
Beaumont, TX 77701
Fax: _____

Electronic Mail: _____

The parties may designate in writing from time to time such other place or places that notices and demands may be given.

9.6 *Entire Agreement.* This Agreement, as governed by and interpreted in accordance with the Plan, and the Plan constitute the entire agreement between the parties hereto pertaining to the subject matter hereof, this Agreement supersedes all prior and contemporaneous agreements and understandings of the parties, and there are no warranties, representations or other agreements between the parties in connection with the subject matter hereof except as set forth or referred to herein. No supplement, modification or waiver or termination of this Agreement shall be binding unless executed in writing by the party to be bound thereby. No waiver of any of the provisions of this Agreement shall constitute a waiver of any other provision hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

9.7 *Grant Subject to Terms of Plan and this Agreement.* The Recipient acknowledges and agrees that the grant of the Restricted Stock is made pursuant to and governed by the terms of the Plan and this Agreement. Recipient, by execution of this Agreement, acknowledges having received a copy of the Plan. The provisions of this Agreement will be interpreted as to be consistent with the Plan, and any ambiguities in this Agreement will be interpreted by reference to the Plan. In the case of a conflict between the terms of the Plan and this Agreement, the terms of the Plan will control.

IN WITNESS WHEREOF, the parties have entered into this Agreement as of the date first set forth above.

“COMPANY”

CONN’S, INC.,
a Delaware corporation

By: _____
[Name]

“RECIPIENT”

[Name]

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

	Three Months Ended April 31,	
	2010	2011
Income before income taxes	\$ 9,398	\$ 6,552
Fixed charges	9,021	10,676
Capitalized interest	(12)	—
Total earnings	<u>\$ 18,407</u>	<u>\$ 17,228</u>
Interest expense (including capitalized interest)	\$ 4,796	\$ 6,810
Amortized premiums and expenses	998	747
Estimated interest within rent expense	3,227	3,119
Total fixed charges	<u>\$ 9,021</u>	<u>\$ 10,676</u>
Ratio of earnings to fixed charges	2.04	1.61

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

I, Theodore M. Wright, 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/ Theodore M. Wright

Theodore M. Wright

Interim Chief Executive Officer and President

Date: May 25, 2011

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

I, Michael J. Poppe, certify that:

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

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

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

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

- (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Michael J. Poppe

Michael J. Poppe

Executive Vice President and Chief Financial Officer

Date: May 25, 2011

**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 April 30, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "**Report**"), we, Theodore M. Wright, Interim Chief Executive Officer and President of the Company and Michael J. Poppe, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Theodore M. Wright

Theodore M. Wright

Interim Chief Executive Officer and President

/s/ Michael J. Poppe

Michael J. Poppe

Executive Vice President and Chief Financial Officer

Dated: May 25, 2011

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.