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

FORM 10-Q

(Mark One)

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

For the quarterly period ended July 31, 2016

or

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

For the transition period from to

Commission File Number 001-34956

CONN'S, INC.
(Exact name of registrant as specified in its charter)

Delaware	**06-1672840**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
4055 Technology Forest Blvd, Suite 210, The Woodlands, TX	**77381**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(936) 230-5899**

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

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

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

Large accelerated filer	☒		Accelerated filer	o
Non-accelerated filer	o	(Do not check if a smaller reporting company)	Smaller reporting company	o

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of September 1, 2016:

Class	Outstanding
Common stock, $0.01 par value per share	30,778,299

CONN'S, INC. AND SUBSIDIARIES

FORM 10-Q
FOR THE FISCAL QUARTER ENDED JULY 31, 2016

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

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

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	July 31, 2016	January 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 15,535	$ 12,254
Restricted cash (all held by VIEs)	70,981	64,151
Customer accounts receivable, net of allowances (includes balances for VIEs of $499,385 and $390,150, respectively)	733,718	743,931
Other accounts receivable	82,924	95,404
Inventories	191,642	201,969
Income taxes recoverable	19,700	10,774
Prepaid expenses and other current assets	16,482	20,092
Total current assets	**1,130,982**	**1,148,575**
Long-term portion of customer accounts receivable, net of allowances (includes balances for VIEs of $276,967 and $331,254, respectively)	586,870	631,645
Long-term restricted cash (all held by VIEs)	25,002	14,425
Property and equipment, net	174,815	151,483
Deferred income taxes	70,919	70,219
Other assets	8,590	8,953
Total assets	**$ 1,997,178**	**$ 2,025,300**
Liabilities and Stockholders' Equity		
Current liabilities:		
Current maturities of capital lease obligations	$ 761	$ 799
Accounts payable	117,628	86,797
Accrued compensation and related expenses	12,140	9,337
Accrued expenses	34,363	30,037
Income taxes payable	1,692	2,823
Deferred revenues and other credits	19,701	16,332
Total current liabilities	**186,285**	**146,125**
Deferred rent	88,452	74,559
Long-term debt and capital lease obligations (includes balances of VIEs of $662,011 and $699,515, respectively)	1,181,948	1,248,879
Other long-term liabilities	20,853	17,456
Total liabilities	**1,477,538**	**1,487,019**
Commitments and contingencies		
Stockholders' equity:		
Preferred stock ($0.01 par value, 1,000 shares authorized; none issued or outstanding)	—	—
Common stock ($0.01 par value, 100,000 shares authorized; 30,775 and 30,630 shares issued, respectively)	308	306
Additional paid-in capital	88,239	85,209
Retained earnings	431,093	452,766
Total stockholders' equity	**519,640**	**538,281**
Total liabilities and stockholders' equity	**$ 1,997,178**	**$ 2,025,300**

See notes to condensed consolidated financial statements.

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

	Three Months Ended July 31,		Six Months Ended July 31,	
	2016	**2015**	**2016**	**2015**
Revenues:				
Product sales	$ 299,723	$ 293,739	$ 586,213	$ 565,365
Repair service agreement commissions	28,310	27,756	56,495	51,552
Service revenues	3,966	3,451	7,833	6,508
Total net sales	331,999	324,946	650,541	623,425
Finance charges and other revenues	66,158	71,104	136,729	137,701
Total revenues	**398,157**	**396,050**	**787,270**	**761,126**
Costs and expenses:				
Cost of goods sold	208,869	202,461	413,335	389,594
Selling, general and administrative expenses	119,846	104,832	233,093	200,507
Provision for bad debts	60,196	51,646	118,414	99,189
Charges and credits	2,895	1,013	3,421	1,632
Total costs and expenses	**391,806**	**359,952**	**768,263**	**690,922**
Operating income	**6,351**	**36,098**	**19,007**	**70,204**
Interest expense	24,138	10,055	50,034	19,483
Income (loss) before income taxes	**(17,787)**	**26,043**	**(31,027)**	**50,721**
Provision (benefit) for income taxes	(5,863)	9,505	(9,354)	18,506
Net income (loss)	**$ (11,924)**	**$ 16,538**	**$ (21,673)**	**$ 32,215**
Earnings (loss) per share:				
Basic	$ (0.39)	$ 0.45	$ (0.71)	$ 0.88
Diluted	$ (0.39)	$ 0.45	$ (0.71)	$ 0.87
Weighted average common shares outstanding:				
Basic	30,731	36,466	30,696	36,416
Diluted	30,731	37,042	30,696	36,967

See notes to condensed consolidated financial statements.

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

	Six Months Ended July 31,	
	2016	**2015**
Cash flows from operating activities:		
Net income (loss)	$ (21,673)	$ 32,215
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Depreciation	13,773	10,579
Impairments of long-lived assets	1,385	—
Amortization of debt issuance costs	13,812	1,666
Provision for bad debts and uncollectible interest	133,084	116,217
Stock-based compensation expense	2,886	1,805
Excess tax benefits from stock-based compensation	(1)	(474)
Charges, net of credits, for store and facility closures	—	425
Deferred income taxes	(700)	(10,346)
Gain on sale of property and equipment	(180)	(517)
Tenant improvement allowances received from landlords	18,860	7,212
Change in operating assets and liabilities:		
Customer accounts receivable	(78,096)	(183,881)
Other accounts receivable	5,751	(7,580)
Inventories	10,327	(14,509)
Other assets	(1,213)	201
Accounts payable	28,831	23,658
Accrued expenses	6,782	507
Income taxes	(10,489)	10,086
Deferred rent, revenues and other credits	8,759	(710)
Net cash provided by (used in) operating activities	**131,898**	**(13,446)**
Cash flows from investing activities:		
Purchase of property and equipment	(32,020)	(29,656)
Proceeds from sale of property	686	35
Net cash used in investing activities	**(31,334)**	**(29,621)**
Cash flows from financing activities:		
Proceeds from issuance of asset-backed notes	493,540	—
Payments on asset-backed notes	(537,819)	—
Changes in restricted cash balances	(17,406)	—
Borrowings from revolving credit facility	405,378	220,246
Payments on revolving credit facility	(435,085)	(184,450)
Payment of debt issuance costs and amendment fees	(6,089)	—
Proceeds from stock issued under employee benefit plans	618	1,688
Excess tax benefits from stock-based compensation	1	474
Other	(421)	(246)
Net cash provided by (used in) financing activities	**(97,283)**	**37,712**
Net change in cash and cash equivalents	**3,281**	**(5,355)**
Cash and cash equivalents, beginning of period	12,254	12,223
Cash and cash equivalents, end of period	**$ 15,535**	**$ 6,868**
Non-cash investing and financing activities:		
Capital lease asset additions and related obligations	$ —	$ 1,720
Property and equipment purchases not yet paid	$ 6,476	$ 3,406
Supplemental cash flow data:		
Cash interest paid	$ 38,403	$ 17,838
Cash income taxes paid, net	$ 1,816	$ 18,330

See notes to condensed consolidated financial statements.

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

1. Summary of Significant Accounting Policies

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

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

Basis of Presentation. The accompanying unaudited, condensed consolidated financial statements of Conn's, Inc. and its wholly-owned subsidiaries, including the VIEs (as defined below), have been prepared by management in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, we do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. The accompanying financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. All such adjustments are of a normal recurring nature. The condensed consolidated financial position, results of operations and cash flows for these interim periods are not necessarily indicative of the results that may be expected in future periods. The balance sheet at January 31, 2016 has been derived from the audited financial statements at that date. The financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K for the fiscal year ended January 31, 2016, filed with the United States Securities and Exchange Commission (the "SEC") on March 29, 2016.

Variable Interest Entities. In September 2015, we securitized $1.4 billion of customer accounts receivables by transferring the receivables to a bankruptcy-remote variable-interest entity (the "2015 VIE"). The 2015 VIE issued asset-backed notes at a face amount of $1.12 billion secured by the transferred portfolio balance, which resulted in net proceeds to us of approximately $1.08 billion, net of transaction costs and restricted cash held by the 2015 VIE. The net proceeds were used to pay down the outstanding balance on our revolving credit facility, to repurchase shares of the Company's common stock and Senior Notes, and for other general corporate purposes.

In March 2016, we securitized $705.1 million of customer accounts receivables by transferring the receivables to a new bankruptcy-remote variable-interest entity (the "2016 VIE" or together with the 2015 VIE, the "VIEs"). The 2016 VIE issued two classes of asset-backed notes at a total face amount of $493.5 million secured by the transferred customer accounts receivables. This resulted in net proceeds to us of approximately $478.0 million, net of transaction costs and restricted cash held by the 2016 VIE. The net proceeds were used to pay down the outstanding balance on our revolving credit facility and for other general corporate purposes.

We currently hold the residual equity of the VIEs as well as a third class of asset-backed notes of the 2016 VIE, of which we may elect to retain all or a portion of these interests if that is determined to be in our best economic interest. In addition, we retain the servicing of the securitized portfolios. We determined that we have a variable interest in both VIEs and we are the primary beneficiary because (i) our servicing responsibilities for the securitized portfolios give us the power to direct the activities that most significantly impact the performance of the VIEs, and (ii) our variable interest in the VIEs gives us the obligation to absorb losses and the right to receive residual returns that could potentially be significant. As a result, so long as we hold all or a significant portion of the residual equity of the VIEs and the third class of asset-backed notes of the 2016 VIE, we will consolidate the VIEs within our financial statements. If we sell all or a significant portion of our interest, we will assess if the transaction achieves sale treatment for accounting purposes, which may result in deconsolidation of one or both of the VIEs. There is no assurance that we will complete a sale of all or a portion of our interest in the VIEs, and there is no assurance we will achieve sale treatment. As a result, we have determined that the securitized portfolios do not meet the criteria for treatment as an asset held for sale, which would require recording at the lower of cost, net of allowances, or fair value. We have not made an adjustment to the customer accounts receivable balance as a result of the transaction or in anticipation of any gain or loss that may occur should a sale of our interest in the VIEs be completed.

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

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

Accounting Policies. The complete summary of significant accounting policies is included in the notes to the consolidated financial statements as presented in our Annual Report on Form 10-K for the fiscal year ended January 31, 2016.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The allowance for doubtful accounts, allowances for no-interest option credit programs, and deferred interest are particularly sensitive given the size of our customer portfolio balance. During the three months ended July 31, 2016, we revised our methods for calculating these estimates and recorded the following adjustments as a result of changes to our estimates:

- Allowance for doubtful accounts – We adjusted our allowances for doubtful accounts in two respects in connection with changes in estimates to our sales tax recovery for charged-off accounts. First, we revised our estimate of the amount of sales tax recovery for previously charged-off accounts that we expect to claim with particular taxing jurisdictions, based on updated financial information. We reduced our sales tax receivable by $3.9 million, which resulted in higher net charge-offs and an increase to our provision for bad debts. Second, we updated our estimate of the amount of sales tax recovery associated with expected charge-offs over the next twelve months in estimating our allowance for doubtful accounts and recorded an additional allowance of $1.1 million with an increase in our provision for bad debts.
- Allowances for no-interest option credit programs – We revised our estimate of the interest income to be waived for customers that we expect will comply with our no-interest option credit programs based on specific customer loan information rather than information from pooled loans by origination. We recorded an increase in the allowance for no-interest option credit programs of $4.7 million with a corresponding decrease in interest income and fees.
- Deferred interest – We revised our estimate of the timing of the benefit we recognize to interest income related to our assumptions regarding future prepayments based on our historical experience of the timing of expected prepayments over the remaining life of pooled loans. We changed our estimate to consider a greater number of pools based on origination terms and recorded an increase in deferred interest of $3.5 million with a corresponding decrease in interest income and fees.

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

	Three Months Ended July 31,		Six Months Ended July 31,	
(in thousands)	**2016**	**2015**	**2016**	**2015**
Weighted average common shares outstanding - Basic	30,731	36,466	30,696	36,416
Dilutive effect of stock based awards	—	576	—	551
Weighted average common shares outstanding - Diluted	30,731	37,042	30,696	36,967

For the three months ended July 31, 2016 and 2015, the weighted average number of shares from stock based awards not included in the calculation due to their anti-dilutive effect was approximately 1.3 million and 69,000 shares, respectively. For the six months ended July 31, 2016 and 2015, the weighted average number of shares from stock based awards not included in the calculation due to their anti-dilutive effect was approximately 1.0 million and 0.2 million shares, respectively.

Restricted Cash. The restricted cash balance as of July 31, 2016 and January 31, 2016 includes $71.0 million and $64.2 million, respectively, of cash we collected as servicer on the securitized receivables that was remitted to the VIEs and $25.0 million and $14.4 million, respectively, of cash held by the VIEs as additional collateral for the asset-backed notes.

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

In an effort to mitigate losses on our accounts receivable, we may make loan modifications to a borrower experiencing financial difficulty. In our role as servicer, we may also make modifications to loans held by the VIEs. The loan modifications are intended to maximize net cash flow after expenses and avoid the need to repossess collateral or exercise legal remedies available to us. We may extend or "re-age" a portion of our customer accounts, which involve modifying the payment terms to defer a portion of the cash payments due. Our re-aging of customer accounts does not change the interest rate or the total amount due from the customer and typically does not reduce the monthly contractual payments. To a much lesser extent, we may provide the customer the ability to re-age their obligation by refinancing the account, which does not change the interest rate or the total amount due from the customer but does reduce the monthly contractual payments and extends the term. We consider accounts that have been re-aged in excess of three months or refinanced as Troubled Debt Restructurings ("TDR" or "Restructured Accounts").

Allowance for doubtful accounts. We establish an allowance for doubtful accounts, including estimated uncollectible interest, to cover probable and estimable losses on our customer accounts receivable resulting from the failure of customers to make contractual payments. Our customer portfolio balance consists of a large number of relatively small, homogeneous accounts. None of our accounts are large enough to warrant individual evaluation for impairment.

We record an allowance for doubtful accounts for our non-TDR customer accounts receivable that we expect to charge-off over the next twelve months based on our historical cash collection and net loss experience. In addition to pre-charge-off cash collections and charge-off information, estimates of post-charge-off recoveries, including cash payments from customers, amounts realized from the repossession of the products financed, sales tax recoveries from taxing jurisdictions, and payments received under credit insurance policies are also considered.

We determine allowances for those accounts that are TDR based on the discounted present value of cash flows expected to be collected over the life of those accounts. The excess of the carrying amount over the discounted cash flow amount is recorded as an allowance for loss on those accounts.

Interest income on customer accounts receivable. Interest income is accrued using the interest method for installment contracts and is reflected in finance charges and other revenues. Typically, interest income is accrued until the customer account is paid off or charged-off, and we provide an allowance for estimated uncollectible interest. Interest income on installment contracts with our customers is based on the rule of 78s. In order to convert the interest income recognized to the interest method, we have recorded the excess earnings of rule of 78s over the interest method as deferred revenue on our balance sheets. Our calculation of interest income also includes an estimate of the benefit from future prepayments based on our historical experience of the timing of expected prepayments over the remaining life of pooled loans. At July 31, 2016 and January 31, 2016, there were $8.9 million and $5.2 million, respectively, of deferred interest included in deferred revenues and other credits and other long-term liabilities. The deferred interest will ultimately be brought into income as the accounts pay off or charge-off.

We offer 12-month, no-interest finance programs. If the customer is delinquent in making a scheduled monthly payment or does not repay the principal in full by the end of the no-interest program period (grace periods are provided), the account does not qualify for the no-interest provision and none of the interest earned is waived. Interest income is recognized based on estimated accrued interest earned to date on all 12-month, no-interest finance programs with an offsetting reserve for those customers expected to satisfy the requirements of the program based on our historical experience.

We previously offered 18- and 24-month equal-payment, no-interest finance programs to certain higher credit quality borrowers, which were discounted to their present value at origination, resulting in a reduction in sales and customer receivables, and the discount amount is amortized into finance charges and other revenues over the term of the contract. If a customer is delinquent in making a scheduled monthly payment (grace periods are provided), the account begins accruing interest based on the contract rate from the date of the last payment made.

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

We typically only place accounts in non-accrual status when legally required. Payments received on non-accrual loans will be applied to principal and reduce the amount of the loan. Interest accrual is resumed on those accounts once a legally-mandated settlement arrangement is reached or other payment arrangements are made with the customer. At July 31, 2016 and January 31,

2016, customer receivables carried in non-accrual status were $24.4 million and $20.6 million, respectively. At July 31, 2016 and January 31, 2016, customer receivables that were past due 90 days or more and still accruing interest totaled $104.7 million and $115.1 million, respectively.

Income Taxes. For the six months ended July 31, 2016, we utilized the estimated annual effective tax rate in determining income tax expense rather than the actual effective tax rate (discrete method), which we used for the three months ended April 30, 2016, based on our updated estimated fiscal 2017 pre-tax income.

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

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

The fair value of cash and cash equivalents, restricted cash, and accounts payable approximate their carrying amounts because of the short maturity of these instruments. The fair value of customer accounts receivables, determined using a Level 3 discounted cash flow analysis, approximates their carrying amount. The fair value of our revolving credit facility approximates carrying value based on the current borrowing rate for similar types of borrowing arrangements. At July 31, 2016, the fair value of our Senior Notes, which was determined using Level 1 inputs, was $175.9 million as compared to the carrying value of $227.0 million, excluding the impact of the related discount. At July 31, 2016, the fair value of the VIE's Class A Notes and Class B Notes, which were determined using Level 2 inputs based on inactive trading activity, approximates their carrying value.

Reclassifications. Certain reclassifications have been made to prior fiscal year amounts to conform to the presentation in the current fiscal year. On the consolidated balance sheets, as of January 31, 2016, we reclassified cash held by the VIEs as additional collateral for the asset-backed notes out of current restricted cash and separately presented as long-term restricted cash. These reclassifications did not impact consolidated operating income or net income.

Recent Accounting Pronouncements. In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, which provides a single comprehensive accounting standard for revenue recognition for contracts with customers and supersedes current guidance. Upon adoption of ASU 2014-09, entities are required to recognize revenue using the following comprehensive model: (1) identify contracts with customers, (2) identify the performance obligations in contracts, (3) determine transaction price, (4) allocate the transaction price to the performance obligations, and (5) recognize revenue as each performance obligation is satisfied. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers: Deferral of Effective Date*, which defers the effective date of ASU 2014-09 by one year and allows early adoption on a limited basis. ASU 2014-09 is now effective for us beginning in the first quarter of fiscal year 2019 and will result in retrospective application, either in the form of recasting all prior periods presented or a cumulative adjustment to equity in the period of adoption. We are currently assessing the impact the new standard will have on our financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which will change how lessees account for leases. For most leases, a liability will be recorded on the balance sheet based on the present value of future lease obligations with a corresponding right-of-use asset. Primarily for those leases currently classified by us as operating leases, we will recognize a single lease cost on a straight line basis based on the combined amortization of the lease obligation and the right-of-use asset. Other leases will be required to be accounted for as financing arrangements similar to how we currently account for capital leases. On transition, we will recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The standard is effective for us beginning in the first quarter of fiscal year 2020. We are currently assessing the impact the new standard will have on our financial statements.

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*, which modifies the accounting for excess tax benefits and tax deficiencies associated with share-based payments, the accounting for forfeitures, and the classification of certain items on the statement of cash flows. ASU 2016-09 eliminates the requirement to recognize excess tax benefits in additional paid-in capital ("APIC"), and the requirement to evaluate tax deficiencies for APIC or income tax expense classification, and provides for these benefits or deficiencies to be recorded as an income tax expense or benefit in the income statement. With these changes, tax-related cash flows resulting from share-based payments will be classified as operating activities as opposed to financing, as currently presented. The standard is effective for us in the first quarter of fiscal year 2018, although early adoption is permitted. We are currently assessing the impact the new standard will have on our financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses*. ASU 2016-13 requires that financial assets measured at amortized cost should be presented at the net amount expected to be collected through an allowance for credit losses that is deducted from the amortized cost basis. The allowance for credit losses should reflect management's current estimate of credit losses that are expected to occur over the remaining life of a financial asset. The standard is effective for us in the first quarter of fiscal year 2021, and earlier adoption is permitted beginning in the first quarter of fiscal year 2020. We are currently assessing the impact the new standard will have on our financial statements.

2. Charges and Credits

Charges and credits consisted of the following:

	Three Months Ended July 31,		Six Months Ended July 31,	
(in thousands)	**2016**	**2015**	**2016**	**2015**
Store and facility closure costs	$ —	$ —	$ —	$ 425
Impairments from disposals	1,385	—	1,385	—
Legal and professional fees related to the exploration of strategic alternatives and securities-related litigation	135	1,013	589	1,207
Employee severance	1,213	—	1,213	—
Executive management transition costs	162	—	234	—
	$ 2,895	$ 1,013	$ 3,421	$ 1,632

During the three and six months ended July 31, 2016, we had costs associated with impairments from disposals, legal and professional fees related to our securities-related litigation, charges for severance and transition costs due to changes in the executive management team. The impairments from disposals included the write-off of leasehold improvements for one store we relocated prior to the end of its useful life and incurred costs for a terminated store project prior to starting construction. During the three and six months ended July 31, 2015, we had costs associated with legal and professional fees related to our exploration of strategic alternatives and our securities-related litigation. During the six months ended July 31, 2015, we also had charges related to the closing of under-performing retail locations.

3. Finance Charges and Other Revenues

Finance charges and other revenues consisted of the following:

	Three Months Ended July 31,		Six Months Ended July 31,	
(in thousands)	**2016**	**2015**	**2016**	**2015**
Interest income and fees	$ 54,502	$ 57,383	$ 115,123	$ 112,802
Insurance commissions	11,219	13,062	20,675	24,091
Other revenues	437	659	931	808
	$ 66,158	$ 71,104	$ 136,729	$ 137,701

Interest income and fees and insurance commissions are derived from the credit segment operations, whereas other revenues are derived from the retail segment operations. During the three months ended July 31, 2016, we decreased interest income and fees by $8.2 million as a result of changes in estimates to our allowance for no-interest option credit programs and deferred interest as described in Note 1, *Summary of Significant Accounting Policies.* For the three months ended July 31, 2016 and 2015, interest income and fees was reduced by provisions for uncollectible interest of $10.2 million and $8.9 million, respectively. For the six months ended July 31, 2016 and 2015, interest income and fees was reduced by provisions for uncollectible interest of $20.2 million and $17.4 million, respectively. For the three months ended July 31, 2016 and 2015, the amount included in interest income and fees related to TDR accounts was $4.2 million and $3.3 million, respectively. For the six months ended July 31, 2016 and 2015, the amount included in interest income and fees related to TDR accounts was $8.3 million and $6.5 million, respectively.

4. Customer Accounts Receivable

Customer accounts receivable consisted of the following:

	Total Outstanding Balance					
	Customer Accounts Receivable		60 Days Past Due [(1)]		Re-aged [(1)]	
(in thousands)	July 31, 2016	January 31, 2016	July 31, 2016	January 31, 2016	July 31, 2016	January 31, 2016
Customer accounts receivable	$ 1,415,728	$ 1,470,205	$ 115,316	$ 127,400	$ 108,242	$ 112,221
Restructured accounts	128,611	117,651	33,558	30,323	128,611	117,651
Total customer portfolio balance	1,544,339	1,587,856	$ 148,874	$ 157,723	$ 236,853	$ 229,872
Allowance for uncollectible accounts	(201,176)	(190,990)				
Allowances for no-interest option credit programs	(22,575)	(21,290)				
Total customer accounts receivable, net	1,320,588	1,375,576				
Short-term portion of customer accounts receivable, net	(733,718)	(743,931)				
Long-term portion of customer accounts receivable, net	$ 586,870	$ 631,645				
Securitized receivables held by the VIE	$ 922,994	$ 870,684	$ 129,466	$ 135,800	$ 216,215	$ 204,594
Receivables not held by the VIE	621,345	717,172	19,408	21,923	20,638	25,278
Total customer portfolio balance	$ 1,544,339	$ 1,587,856	$ 148,874	$ 157,723	$ 236,853	$ 229,872

(1) Due to the fact that an account can become past due after having been re-aged, accounts could be represented as both past due and re-aged. As of July 31, 2016 and January 31, 2016, the amounts included within both past due and re-aged were $58.1 million and $55.2 million, respectively. As of July 31, 2016 and January 31, 2016, the total customer portfolio balance past due one day or greater was $381.3 million and $387.3 million, respectively. These amounts include the 60 days past due balances shown.

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

	Six Months Ended July 31, 2016			Six Months Ended July 31, 2015		
(in thousands)	Customer Accounts Receivable	Restructured Accounts	Total	Customer Accounts Receivable	Restructured Accounts	Total
Allowance at beginning of period	$ 149,226	$ 41,764	$ 190,990	$ 118,786	$ 28,196	$ 146,982
Provision [(1)]	108,333	29,768	138,101	91,821	24,396	116,217
Principal charge-offs [(2)]	(91,261)	(20,969)	(112,230)	(71,280)	(14,190)	(85,470)
Interest charge-offs	(15,384)	(3,544)	(18,928)	(13,056)	(2,599)	(15,655)
Recoveries [(2)]	2,636	607	3,243	1,881	375	2,256
Allowance at end of period	$ 153,550	$ 47,626	$ 201,176	$ 128,152	$ 36,178	$ 164,330
Average total customer portfolio balance	$ 1,428,396	$ 123,451	$ 1,551,847	$ 1,297,951	$ 95,652	$ 1,393,603

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

(2) Charge-offs include the principal amount of losses (excluding accrued and unpaid interest). Recoveries include principal collections of previously charged-off balances. Net charge-offs are calculated as the net of principal charge-offs and recoveries. During the three months ended July 31, 2016, we increased provision for bad debts by $5.0 million as a result of changes in estimates as it relates to sales tax recovery on previously charged-off accounts as described in Note 1, *Summary of Significant Accounting Policies.*

5. Accrual for Store Closures

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

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

	Six Months Ended July 31,	
(in thousands)	**2016**	**2015**
Balance at beginning of period	$ 1,866	$ 2,556
Accrual for additional closures	—	318
Adjustments	23	(32)
Cash payments, net of sublease income	(339)	(698)
Balance at end of period	1,550	2,144
Current portion, included in accrued expenses	(643)	(640)
Long-term portion, included in other long-term liabilities	$ 907	$ 1,504

6. Debt and Capital Lease Obligations

Debt and capital lease obligations consisted of the following:

(in thousands)	**July 31, 2016**	**January 31, 2016**
Revolving credit facility	$ 299,500	$ 329,207
Senior Notes	227,000	227,000
2015-A Class A Notes	195,518	551,383
2015-A Class B Notes	165,900	165,900
2016-A Class A Notes	241,077	—
2016-A Class B Notes	70,510	—
Capital lease obligations	2,065	2,488
Total debt and capital lease obligations	1,201,570	1,275,978
Less:		
Unamortized discounts and debt issuance costs	(18,861)	(26,300)
Current maturities of capital lease obligations	(761)	(799)
Long-term debt and capital lease obligations	$ 1,181,948	$ 1,248,879

Senior Notes. On July 1, 2014, we issued $250.0 million of unsecured Senior Notes due July 2022 bearing interest at 7.250%, pursuant to an indenture dated July 1, 2014 (the "Indenture") among Conn's, Inc., its subsidiary guarantors (the "Guarantors") and U.S. Bank National Association, as trustee. During the year ended January 31, 2016, we repurchased $23.0 million of face value of the Senior Notes for $22.9 million. The effective interest rate of the Senior Notes after giving effect to offering fees and debt discount is 7.7%.

The Indenture, as amended, restricts the Company's and certain of its subsidiaries' ability to: (i) incur indebtedness; (ii) pay dividends or make other distributions in respect of, or repurchase or redeem, our capital stock ("restricted payments"); (iii) prepay, redeem or repurchase debt that is junior in right of payment to the notes; (iv) make loans and certain investments; (v) sell assets; (vi) incur liens; (vii) enter into transactions with affiliates; and (viii) consolidate, merge or sell all or substantially all of our assets. These covenants are subject to a number of important exceptions and qualifications. Specifically, limitations for restricted payments are triggered only if one or more of the following occurred: (1) a default were to exist under the indenture, (2) if we could not satisfy a debt incurrence test, and (3) if the aggregate amount of restricted payments would exceed an amount tied to the consolidated net income. These limitations, however, are subject to two exceptions: (1) an exception that permits the payment of up to $375.0 million in restricted payments, and (2) an exception that permits restricted payments regardless of dollar amount so long as, after giving pro forma effect to the dividends and other restricted payments, we would have a leverage ratio, as defined under the

Indenture, less than or equal to 2.50 to 1.00. Thus, as of July 31, 2016, $190.2 million would have been free from the dividend restriction. However, as a result of the revolving credit facility dividend restrictions, which are further described below, no amount was available for dividends. During any time when the Senior Notes are rated investment grade by either of Moody's Investors Service, Inc. or Standard & Poor's Ratings Services and no default (as defined in the Indenture) has occurred and is continuing, many of such covenants will be suspended and we will cease to be subject to such covenants during such period.

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

Asset-backed Notes. In September 2015, the 2015 VIE issued asset-backed notes secured by the transferred customer accounts receivables and restricted cash held by the 2015 VIE. The asset-backed notes consist of the following securities:

- Asset-backed Fixed Rate Notes, Class A, Series 2015-A ("2015-A Class A Notes") in aggregate principal amount of $952.1 million that bear interest at a fixed annual rate of 4.565% and mature on September 15, 2020. The effective interest rate of the 2015-A Class A Notes after giving effect to offering fees is 6.8%.
- Asset-backed Fixed Rate Notes, Class B, Series 2015-A ("2015-A Class B Notes") in aggregate principal amount of $165.9 million that bear interest at a fixed annual rate of 8.500% and mature on September 15, 2020. The effective interest rate of the 2015-A Class B Notes after giving effect to offering fees is 12.8%.

The 2015-A Class A Notes and 2015-A Class B Notes were offered and sold to qualified institutional buyers pursuant to the exemptions from registration provided by Rule 144A under the Securities Act. If an event of default were to occur under the indenture that governs the notes, the payment of the outstanding amounts would be accelerated, in which event the cash proceeds of the receivables that otherwise might be released to us as the holder of the residual equity would instead be directed entirely toward repayment of the 2015-A Class A Notes and 2015-A Class B Notes. The holders of the notes have no recourse to assets outside of the 2015 VIE. Events of default include, but are not limited to, failure to make required payments on the notes or specified bankruptcy-related events.

In March 2016, the 2016 VIE issued asset-backed notes secured by the transferred customer accounts receivables and restricted cash held by the 2016 VIE. The asset-backed notes consist of the following securities:

- Asset-backed Fixed Rate Notes, Class A, Series 2016-A ("2016-A Class A Notes") in aggregate principal amount of $423.0 million that bear interest at a fixed annual rate of 4.680% and mature on April 16, 2018. The effective interest rate of the 2016-A Class A Notes after giving effect to offering fees is 6.8%.
- Asset-backed Fixed Rate Notes, Class B, Series 2016-A ("2016-A Class B Notes") in aggregate principal amount of $70.5 million that bear interest at a fixed annual rate of 8.960% and mature on August 15, 2018. The effective interest rate of the 2016-A Class B Notes after giving effect to offering fees is 9.8%.

The 2016-A Class A Notes and 2016-A Class B Notes were offered and sold to qualified institutional buyers pursuant to the exemptions from registration provided by Rule 144A under the Securities Act. If an event of default were to occur under the indenture that governs the notes, the payment of the outstanding amounts would be accelerated, in which event the cash proceeds of the receivables that otherwise might be released to us as the holder of a third class of asset-backed notes issued by the 2016 VIE ("2016-A Class C Notes") and the residual equity would instead be directed entirely toward repayment of the 2016-A Class A Notes and 2016-A Class B Notes. The holders of the notes have no recourse to assets outside of the 2016 VIE. Events of default include, but are not limited to, failure to make required payments on the notes or specified bankruptcy-related events.

Revolving Credit Facility. On October 30, 2015, Conn's, Inc. and certain of its subsidiaries (the "Borrowers") entered into the Third Amended and Restated Loan and Security Agreement with a syndicate of banks that provides for an $810.0 million asset-based revolving credit facility (the "revolving credit facility") under which availability is subject to a borrowing base. The revolving credit facility matures on October 30, 2018.

On February 16, 2016, the Borrowers entered into a first amendment to the revolving credit facility, which resulted in various changes, including:

- Excluding non-cash deferred amortization of debt related transaction costs from interest coverage ratio; and
- Extending from 6 months to 18 months the time frame subsequent to the closing of a securitization transaction in which the Cash Recovery Percent covenant will be determined.

On May 18, 2016, the Borrowers entered into a second amendment to the revolving credit facility, which resulted in various changes, including:

- Amending the minimum interest coverage ratio covenant, so long as the borrowing base reduction discussed below is in effect, to:
    - Reduce the minimum interest coverage ratio covenant to 1.0x for the second quarter of fiscal 2017 through the first quarter of fiscal 2018; and
    - Reduce the minimum interest coverage ratio covenant to 1.25x for the second quarter of fiscal 2018 through the third quarter of fiscal 2019.
- Modifying the conditions for repurchases of the Company's common stock, including the addition of a requirement to achieve a minimum interest coverage ratio of 2.5x for two consecutive quarters; and
- Reducing the borrowing base by $15.0 million beginning on May 31, 2016, reducing the borrowing base by $10.0 million for any month beginning with July 31, 2017 so long as the interest coverage ratio is at least 1.25x, and no borrowing base reduction at any time the interest coverage ratio is at least 2.0x for two consecutive quarters.

As of July 31, 2016, loans under the revolving credit facility bear interest, at our option, at a rate of LIBOR plus a margin ranging from 2.5% to 3.0% per annum (depending on quarterly average net availability under the borrowing base) or the alternate base rate plus a margin ranging from 1.5% to 2.0% per annum (depending on quarterly average net availability under the borrowing base). Pursuant to the second amendment, the margins increased by 25 basis points subsequent to July 31, 2016. The alternate base rate is the greater of the prime rate announced by Bank of America, N.A., the federal funds rate plus 0.5%, or LIBOR for a 30-day interest period plus 1.0%. The effective interest rate on borrowings outstanding under the revolving credit facility after giving effect to offering fees is 5.5%. We also pay an unused fee on the portion of the commitments that are available for future borrowings or letters of credit at a rate ranging from 0.25% to 0.75% per annum, depending on the outstanding balance and letters of credit of the revolving credit facility.

The revolving credit facility provides funding based on a borrowing base calculation that includes customer accounts receivable and inventory, and provides for a $40.0 million sub-facility for letters of credit to support obligations incurred in the ordinary course of business. The obligations under the revolving credit facility are secured by substantially all assets of the Company, excluding the assets of the VIEs. As of July 31, 2016, we had immediately available borrowing capacity of $97.7 million under our revolving credit facility, net of standby letters of credit issued of $5.3 million. We also had $407.5 million that may become available under our revolving credit facility if we grow the balance of eligible customer receivables and our total eligible inventory balances.

The revolving credit facility places restrictions on our ability to incur additional indebtedness, grant liens on assets, make distributions on equity interests, dispose of assets, make loans, pay other indebtedness, engage in mergers, and other matters. The revolving credit facility restricts our ability to make dividends and distributions unless no event of default exists and a liquidity test is satisfied. Subsidiaries of the Company may make dividends and distributions to the Company and other obligors under the revolving credit facility without restriction. As of July 31, 2016, under the revolving credit facility, as amended, no amount was available for dividends. The revolving credit facility contains customary default provisions, which, if triggered, could result in acceleration of all amounts outstanding under the revolving credit facility.

Debt covenants. We were in compliance with our debt covenants, as amended, at July 31, 2016. A summary of the significant financial covenants that govern our revolving credit facility, as amended, compared to our actual compliance status at July 31, 2016 is presented below:

	Actual	Required Minimum/ Maximum
Interest Coverage Ratio must equal or exceed minimum	1.03:1.00	1.00:1.00
Leverage Ratio must not exceed maximum	2.63:1.00	4.00:1.00
ABS Excluded Leverage Ratio must not exceed maximum	1.52:1.00	2.00:1.00
Cash Recovery Percent must exceed stated amount	4.77%	4.50%
Capital Expenditures, net, must not exceed maximum	$26.0 million	$75.0 million

All capitalized terms in the above table are defined by the revolving credit facility, as amended, and may or may not agree directly with the financial statement captions in this document. Compliance with the covenants is calculated quarterly, except for the Cash Recovery Percent, which is calculated monthly on a trailing three-month basis, and Capital Expenditures, which is calculated for a period of four consecutive fiscal quarters, as of the end of each fiscal quarter. The revolving credit facility provides for 18 months subsequent to the closing of a securitization transaction in which the Cash Recovery Percent will be determined based on the portfolio of contracts subject to the (i) securitization facilities; and (ii) a lien under the revolving credit facility.

7. Contingencies

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

On June 30, 2015, the Court held a hearing on the defendants' motion to dismiss plaintiffs' complaint. At the hearing, the Court dismissed Brian Taylor, a former executive officer, and certain other aspects of the complaint. The Court ordered the plaintiffs to further amend their complaint in accordance with its ruling, and the plaintiffs filed their Fourth Consolidated Amended Complaint on July 21, 2015. The remaining defendants filed a motion to dismiss on August 28, 2015. The briefing on the defendants' motion to dismiss was fully briefed and the Court held a hearing on defendants' motion over the course of two days, on March 25 and 29, 2016. On May 6, 2016, the Court granted in part and denied in part defendants' motion to dismiss the plaintiffs' complaint. Thereafter, the defendants filed a motion requesting the Court's decision be certified for interlocutory appeal to the United States Fifth Circuit Court of Appeals, which the Court denied on June 13, 2016. On June 24, 2016, the defendant’s filed their answer to the Consolidated Securities Action, denying liability and raising numerous affirmative defenses to the claims asserted against them.

The parties have negotiated a scheduling order, which has not yet been entered by the Court, and discovery is proceeding.

The defendants intend to vigorously defend against all of these claims. It is not possible at this time to predict the timing or outcome of any of this litigation, and we cannot reasonably estimate the possible loss or range of possible loss from these claims.

Derivative Litigation. On December 1, 2014, an alleged shareholder, purportedly on behalf of the Company, filed a derivative shareholder lawsuit against us and certain of our current and former directors and executive officers in the Court, captioned as Robert Hack, derivatively on behalf of Conn's, Inc., v. Theodore M. Wright (former executive officer and former director), Bob L. Martin, Jon E.M. Jacoby (former director), Kelly M. Malson, Douglas H. Martin, David Schofman, Scott L. Thompson (former director), Brian Taylor (former executive officer) and Michael J. Poppe and Conn's, Inc., Case No. 4:14-cv-03442 (the "Original Derivative Action"). The complaint asserts claims for breach of fiduciary duty, unjust enrichment, gross mismanagement, and insider trading based on substantially similar factual allegations as those asserted in the Consolidated Securities Action. The plaintiff seeks unspecified damages against these persons and does not request any damages from us. Setting forth substantially similar claims against the same defendants, on February 25, 2015, an additional federal derivative action, captioned 95250 Canada LTEE, derivatively on Behalf of Conn's, Inc. v. Wright et al., Cause No. 4:15-cv-00521, was filed in the Court, which has been consolidated with the Original Derivative Action.

The Court previously approved a stipulation among the parties to stay the action pending resolution of the motion to dismiss in the Consolidated Securities Action. The parties are currently discussing next steps in the litigation process.

Another derivative action was filed on January 27, 2015, captioned as Richard A. Dohn v. Wright, et al., Cause No. 2015-04405, filed in the 281st Judicial District Court, Harris County, Texas. This action makes substantially similar allegations to the Original Derivative Action against the same defendants. On July 28, 2016, the court entered an order extending the stay for an additional 90 days (until October 26, 2016). On May 19, 2016, an alleged shareholder, purportedly on behalf of the Company, filed a lawsuit against us and certain of our current and former directors and executive officers in the 55th Judicial District Court, Harris County, Texas, captioned as Robert J. Casey II, derivatively on behalf of Conn's, Inc., v. Theodore M. Wright (former executive officer and former director), Michael J. Poppe, Brian Taylor (former executive officer), Bob L. Martin, Jon E.M. Jacoby (former director), Kelly M. Malson, Douglas H. Martin, David Schofman, Scott L. Thompson (former director) and William E. Saunders Jr., and Conn's, Inc., Cause No. 2016-33135. The complaint asserts claims for breach of fiduciary duties and unjust enrichment based on substantially similar factual allegations as those asserted in the Original Derivative Action. The complaint does not specify the amount of damages sought.

None of the plaintiffs in any of the derivative actions made a demand on our Board of Directors prior to filing their respective lawsuits. The defendants in the derivative actions intend to vigorously defend against these claims. We cannot reasonably estimate the possible loss or range of possible loss from these claims.

Regulatory Matters. We are continuing to cooperate with the SEC's investigation, which began on or around November 2014, which generally relates to our underwriting policies and bad debt provisions. The investigation is a non-public, fact-finding inquiry, and the SEC has stated that the investigation does not mean that any violations of law have occurred.

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

8. Variable Interest Entities

The VIEs have issued asset-backed notes secured by the transferred customer accounts receivables and restricted cash held by the VIEs. Under the terms of the securitization transactions, the customer receivable principal and interest payment cash flows will go first to the servicer and the holders of issued notes, and then to us as the holder of the 2016-A Class C Notes and residual equities. We retain the servicing of the securitized portfolios and are receiving a monthly fee of 4.75% (annualized) based on the outstanding balance of the securitized receivables. In addition, we, rather than the VIEs, will retain all credit insurance income together with certain recoveries related to credit insurance and repair service agreements on charge-offs of the securitized receivables, which will continue to be reflected as a reduction of net charge-offs on a consolidated basis for as long as we consolidate the VIEs. The following presents the assets and liabilities held by the VIEs and that are included in our consolidated balance sheet (for legal purposes, the assets and liabilities of the VIEs will remain distinct from Conn's, Inc.):

(in thousands)	**July 31, 2016**	**January 31, 2016**
Assets:		
Restricted cash	$ 95,983	$ 78,576
Due from Conn's, Inc.	4,226	3,405
Customer accounts receivable:		
Customer accounts receivable	803,815	763,278
Restructured accounts	119,179	107,406
Allowance for uncollectible accounts	(131,719)	(136,325)
Allowances for no-interest option credit programs	(14,923)	(12,955)
Total customer accounts receivable, net	776,352	721,404
Total assets	**$ 876,561**	**$ 803,385**
Liabilities:		
Accrued interest	$ 1,693	$ 1,636
Deferred interest income	5,387	3,042
Long-term debt:		
2015-A Class A Notes	195,518	551,383
2015-A Class B Notes	165,900	165,900
2016-A Class A Notes	241,077	—
2016-A Class B Notes	70,510	—
	673,005	717,283
Less unamortized discounts and debt issuance costs	(10,994)	(17,768)
Total long-term debt	662,011	699,515
Total liabilities	**$ 669,091**	**$ 704,193**

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

9. Segment Reporting

Financial information by segment is presented in the following tables:

	Three Months Ended July 31, 2016			Three Months Ended July 31, 2015		
(in thousands)	**Retail**	**Credit**	**Total**	**Retail**	**Credit**	**Total**
Revenues:						
Furniture and mattress	$ 105,562	$ —	$ 105,562	$ 98,882	$ —	$ 98,882
Home appliance	101,359	—	101,359	97,260	—	97,260
Consumer electronic	65,735	—	65,735	69,682	—	69,682
Home office	21,701	—	21,701	22,940	—	22,940
Other	5,366	—	5,366	4,975	—	4,975
Product sales	299,723	—	299,723	293,739	—	293,739
Repair service agreement commissions	28,310	—	28,310	27,756	—	27,756
Service revenues	3,966	—	3,966	3,451	—	3,451
Total net sales	331,999	—	331,999	324,946	—	324,946
Finance charges and other revenues	437	65,721	66,158	659	70,445	71,104
Total revenues	**332,436**	**65,721**	**398,157**	**325,605**	**70,445**	**396,050**
Costs and expenses:						
Cost of goods sold	208,869	—	208,869	202,461	—	202,461
Selling, general and administrative expenses [1]	84,838	35,008	119,846	76,683	28,149	104,832
Provision for bad debts	127	60,069	60,196	324	51,322	51,646
Charges and credits	2,895	—	2,895	1,013	—	1,013
Total costs and expense	**296,729**	**95,077**	**391,806**	**280,481**	**79,471**	**359,952**
Operating income (loss)	**35,707**	**(29,356)**	**6,351**	**45,124**	**(9,026)**	**36,098**
Interest expense	—	24,138	24,138	—	10,055	10,055
Income (loss) before income taxes	**$ 35,707**	**$ (53,494)**	**$ (17,787)**	**$ 45,124**	**$ (19,081)**	**$ 26,043**

	Six Months Ended July 31, 2016			Six Months Ended July 31, 2015		
(in thousands)	**Retail**	**Credit**	**Total**	**Retail**	**Credit**	**Total**
Revenues:						
Furniture and mattress	$ 210,868	$ —	$ 210,868	$ 188,384	$ —	$ 188,384
Home appliance	189,263	—	189,263	181,362	—	181,362
Consumer electronic	131,600	—	131,600	141,112	—	141,112
Home office	44,174	—	44,174	44,925	—	44,925
Other	10,308	—	10,308	9,582	—	9,582
Product sales	586,213	—	586,213	565,365	—	565,365
Repair service agreement commissions	56,495	—	56,495	51,552	—	51,552
Service revenues	7,833	—	7,833	6,508	—	6,508
Total net sales	650,541	—	650,541	623,425	—	623,425
Finance charges and other revenues	931	135,798	136,729	808	136,893	137,701
Total revenues	**651,472**	**135,798**	**787,270**	**624,233**	**136,893**	**761,126**
Costs and expenses:						
Cost of goods sold	413,335	—	413,335	389,594	—	389,594
Selling, general and administrative expenses (1)	164,821	68,272	233,093	144,910	55,597	200,507
Provision for bad debts	525	117,889	118,414	393	98,796	99,189
Charges and credits	3,421	—	3,421	1,632	—	1,632
Total costs and expense	**582,102**	**186,161**	**768,263**	**536,529**	**154,393**	**690,922**
Operating income (loss)	**69,370**	**(50,363)**	**19,007**	**87,704**	**(17,500)**	**70,204**
Interest expense	—	50,034	50,034	—	19,483	19,483
Income (loss) before income taxes	**$ 69,370**	**$ (100,397)**	**$ (31,027)**	**$ 87,704**	**$ (36,983)**	**$ 50,721**

(1) Selling, general and administrative expenses include the direct expenses of the retail and credit operations, allocated overhead expenses and a charge to the credit segment to reimburse the retail segment for expenses it incurs related to occupancy, personnel, advertising and other direct costs of the retail segment that benefit the credit operations by sourcing credit customers and collecting payments. The reimbursement received by the retail segment from the credit segment is estimated using an annual rate of 2.5% times the average portfolio balance for each applicable period. For the three months ended July 31, 2016 and 2015, the amount of overhead allocated to each segment was $6.5 million and $3.4 million, respectively. For the six months ended July 31, 2016 and 2015, the amount of overhead allocated to each segment was $12.2 million and $6.9 million, respectively. For the three months ended July 31, 2016 and 2015, the amount of reimbursements made to the retail segment by the credit segment were $9.6 million and $8.9 million, respectively. For the six months ended July 31, 2016 and 2015, the amount of reimbursements made to the retail segment by the credit segment were $19.4 million and $17.4 million, respectively.

10. Guarantor Financial Information

Conn's, Inc. is a holding company with no independent assets or operations other than its investments in its subsidiaries. The Senior Notes, which were issued by Conn's, Inc., are fully and unconditionally guaranteed on a joint and several senior unsecured basis by the Guarantors. The direct or indirect subsidiaries of Conn's, Inc. that are not Guarantors are the VIE and minor subsidiaries. Prior to transferring the securitized customer receivables to the 2015 VIE in September 2015, the only direct or indirect subsidiaries of Conn's, Inc. that were not Guarantors were minor subsidiaries. There are no restrictions under the Indenture on the ability of any of the Guarantors to transfer funds to Conn's, Inc. in the form of loans, advances or dividends, except as provided by applicable law. The following financial information presents the condensed consolidated balance sheet, statement of operations, and statement of cash flows for Conn's, Inc. (the issuer of the Senior Notes), the Guarantor Subsidiaries, and the Non-guarantor Subsidiaries, together with certain eliminations.

Condensed Consolidated Balance Sheet as of July 31, 2016.

(in thousands)	Conn's, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	$ —	$ 15,535	$ —	$ —	$ 15,535
Restricted cash	—	—	70,981	—	70,981
Customer accounts receivable, net of allowance	—	234,333	499,385	—	733,718
Other accounts receivable	—	82,924	—	—	82,924
Inventories	—	191,642	—	—	191,642
Other current assets	19,700	16,482	4,226	(4,226)	36,182
Total current assets	**19,700**	**540,916**	**574,592**	**(4,226)**	**1,130,982**
Investment in and advances to subsidiaries	648,840	203,244	—	(852,084)	—
Long-term portion of customer accounts receivable, net of allowance	—	309,903	276,967	—	586,870
Long-term restricted cash	—	—	25,002	—	25,002
Property and equipment, net	—	174,815	—	—	174,815
Deferred income taxes	70,919	—	—	—	70,919
Other assets	—	8,590	—	—	8,590
Total assets	**$ 739,459**	**$ 1,237,468**	**$ 876,561**	**$ (856,310)**	**$ 1,997,178**
Liabilities and Stockholders' Equity					
Current liabilities:					
Current maturities of capital lease obligations	$ —	$ 761	$ —	$ —	$ 761
Accounts payable	—	117,628	—	—	117,628
Accrued expenses	686	44,124	1,693	—	46,503
Other current liabilities	—	17,963	3,430	—	21,393
Total current liabilities	**686**	**180,476**	**5,123**	**—**	**186,285**
Deferred rent	—	88,452	—	—	88,452
Long-term debt and capital lease obligations	219,133	300,804	662,011	—	1,181,948
Other long-term liabilities	—	18,896	1,957	—	20,853
Total liabilities	**219,819**	**588,628**	**669,091**	**—**	**1,477,538**
Total stockholders' equity	**519,640**	**648,840**	**207,470**	**(856,310)**	**519,640**
Total liabilities and stockholders' equity	**$ 739,459**	**$ 1,237,468**	**$ 876,561**	**$ (856,310)**	**$ 1,997,178**

Condensed Consolidated Balance Sheet as of January 31, 2016.

(in thousands)	Conn's, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	$ —	$ 12,254	$ —	$ —	$ 12,254
Restricted cash	—	—	64,151	—	64,151
Customer accounts receivable, net of allowance	—	353,781	390,150	—	743,931
Other accounts receivable	—	95,404	—	—	95,404
Inventories	—	201,969	—	—	201,969
Other current assets	10,774	20,092	3,405	(3,405)	30,866
Total current assets	**10,774**	**683,500**	**457,706**	**(3,405)**	**1,148,575**
Investment in and advances to subsidiaries	676,492	95,787	—	(772,279)	—
Long-term portion of customer accounts receivable, net of allowance	—	300,391	331,254	—	631,645
Long-term restricted cash	—	—	14,425	—	14,425
Property and equipment, net	—	151,483	—	—	151,483
Deferred income taxes	70,219	—	—	—	70,219
Other assets	—	8,953	—	—	8,953
Total assets	**$ 757,485**	**$ 1,240,114**	**$ 803,385**	**$ (775,684)**	**$ 2,025,300**
Liabilities and Stockholders' Equity					
Current liabilities:					
Current maturities of capital lease obligations	$ —	$ 799	$ —	$ —	$ 799
Accounts payable	—	86,797	—	—	86,797
Accrued expenses	736	37,002	1,636	—	39,374
Other current liabilities	—	17,510	1,645	—	19,155
Total current liabilities	**736**	**142,108**	**3,281**	**—**	**146,125**
Deferred rent	—	74,559	—	—	74,559
Long-term debt and capital lease obligations	218,468	330,896	699,515	—	1,248,879
Other long-term liabilities	—	16,059	1,397	—	17,456
Total liabilities	**219,204**	**563,622**	**704,193**	**—**	**1,487,019**
Total stockholders' equity	**538,281**	**676,492**	**99,192**	**(775,684)**	**538,281**
Total liabilities and stockholders' equity	**$ 757,485**	**$ 1,240,114**	**$ 803,385**	**$ (775,684)**	**$ 2,025,300**

Condensed Consolidated Statement of Operations for the three months ended July 31, 2016.

(in thousands)	Conn's, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Revenues:					
Total net sales	$ —	$ 331,999	$ —	$ —	$ 331,999
Finance charges and other revenues	—	33,062	33,096	—	66,158
Servicing fee revenue	—	13,176	—	(13,176)	—
Total revenues	**—**	**378,237**	**33,096**	**(13,176)**	**398,157**
Costs and expenses:					
Cost of goods sold	—	208,869	—	—	208,869
Selling, general and administrative expenses	—	119,846	13,176	(13,176)	119,846
Provision for bad debts	—	20,830	39,366	—	60,196
Charges and credits	—	2,895	—	—	2,895
Total costs and expenses	**—**	**352,440**	**52,542**	**(13,176)**	**391,806**
Operating income	**—**	**25,797**	**(19,446)**	**—**	**6,351**
Loss (income) from consolidated subsidiaries	9,066	23,293	—	(32,359)	—
Interest expense	4,397	3,352	16,389	—	24,138
Income (loss) before income taxes	**(13,463)**	**(848)**	**(35,835)**	**32,359**	**(17,787)**
Provision (benefit) for income taxes	(1,539)	8,218	(12,542)	—	(5,863)
Net income (loss)	**$ (11,924)**	**$ (9,066)**	**$ (23,293)**	**$ 32,359**	**$ (11,924)**

Condensed Consolidated Statement of Operations for the six months ended July 31, 2016.

(in thousands)	Conn's, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Revenues:					
Total net sales	$ —	$ 650,541	$ —	$ —	$ 650,541
Finance charges and other revenues	—	63,234	73,495	—	136,729
Servicing fee revenue	—	30,311	—	(30,311)	—
Total revenues	**—**	**744,086**	**73,495**	**(30,311)**	**787,270**
Costs and expenses:					
Cost of goods sold	—	413,335	—	—	413,335
Selling, general and administrative expenses	—	233,093	30,311	(30,311)	233,093
Provision for bad debts	—	56,412	62,002	—	118,414
Charges and credits	—	3,421	—	—	3,421
Total costs and expenses	**—**	**706,261**	**92,313**	**(30,311)**	**768,263**
Operating income	**—**	**37,825**	**(18,818)**	**—**	**19,007**
Loss (income) from consolidated subsidiaries	15,925	34,703	—	(50,628)	—
Interest expense	8,843	6,620	34,571	—	50,034
Income (loss) before income taxes	**(24,768)**	**(3,498)**	**(53,389)**	**50,628**	**(31,027)**
Provision (benefit) for income taxes	(3,095)	12,427	(18,686)	—	(9,354)
Net income (loss)	**$ (21,673)**	**$ (15,925)**	**$ (34,703)**	**$ 50,628**	**$ (21,673)**

Condensed Consolidated Statement of Cash Flows for the six months ended July 31, 2016.

(in thousands)	Conn's, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by (used in) operating activities	**$ (29,362)**	**$ (383,378)**	**$ 544,638**	**$ —**	**$ 131,898**
Cash flows from investing activities:					
Purchase of customer accounts receivables	—	—	(478,080)	478,080	—
Sale of customer accounts receivables	—	478,080	—	(478,080)	—
Purchase of property and equipment	—	(32,020)	—	—	(32,020)
Proceeds from sales of property	—	686	—	—	686
Net change in intercompany	28,743			(28,743)	—
Net cash provided by (used in) investing activities	**28,743**	**446,746**	**(478,080)**	**(28,743)**	**(31,334)**
Cash flows from financing activities:					
Proceeds from issuance of asset-backed notes	—	—	493,540	—	493,540
Payments on asset-backed notes	—	—	(537,819)	—	(537,819)
Changes in restricted cash balances	—	—	(17,406)	—	(17,406)
Borrowings from revolving credit facility	—	405,378	—	—	405,378
Payments on revolving credit facility	—	(435,085)	—	—	(435,085)
Payment of debt issuance costs and amendment fees	—	(1,216)	(4,873)	—	(6,089)
Proceeds from stock issued under employee benefit plans	618	—	—	—	618
Net change in intercompany	—	(28,743)		28,743	—
Other	1	(421)	—	—	(420)
Net cash provided by (used in) financing activities	**619**	**(60,087)**	**(66,558)**	**28,743**	**(97,283)**
Net change in cash and cash equivalents	**—**	**3,281**	**—**	**—**	**3,281**
Cash and cash equivalents, beginning of period	—	12,254	—	—	12,254
Cash and cash equivalents, end of period	**$ —**	**$ 15,535**	**$ —**	**$ —**	**$ 15,535**

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

Forward-Looking Statements

This report contains forward-looking statements within the meaning of the federal securities laws, including but not limited to, the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. Such forward-looking statements include information concerning our future financial performance, business strategy, plans, goals and objectives. Statements containing the words "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "project," "should," or the negative of such terms or other similar expressions are generally forward-looking in nature and not historical facts. We can give no assurance that such statements will prove to be correct, and actual results may differ materially. A wide variety of potential risks, uncertainties, and other factors could materially affect our ability to achieve the results either expressed or implied by our forward-looking statements including, but not limited to: general economic conditions impacting our customers or potential customers; our ability to execute periodic securitizations of future originated customer loans including the sale of any remaining residual equity on favorable terms; our ability to continue existing customer financing programs or to offer new customer financing programs; changes in the delinquency status of our credit portfolio; unfavorable developments in ongoing litigation; increased regulatory oversight; higher than anticipated net charge-offs in the credit portfolio; the success of our planned opening of new stores; technological and market developments and sales trends for our major product offerings; our ability to protect against cyber-attacks or data security breaches and to protect the integrity and security of individually identifiable data of our customers and employees; our ability to fund its operations, capital expenditures, debt repayment and expansion from cash flows from operations, borrowings from our revolving credit facility, and proceeds from accessing debt or equity markets; the ability to continue the repurchase program; and other risks detailed in Part I, Item 1A, Risk Factors, in our Annual Report on Form 10-K for the fiscal year ended January 31, 2016 and other reports filed with the SEC. If one or more of these or other risks or uncertainties materialize (or the consequences of such a development changes), or should our underlying assumptions prove incorrect, actual outcomes may vary materially from those reflected in our forward-looking statements. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. We disclaim any intention or obligation to update publicly or revise such statements, whether as a result of new information, future events or otherwise. All forward-looking statements attributable to us, or to persons acting on our behalf, are expressly qualified in their entirety by these cautionary statements.

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

Overview

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

Executive Summary

Total revenues increased to $398.2 million for the three months ended July 31, 2016, compared to $396.1 million for the three months ended July 31, 2015. The increase in retail revenue was primarily driven by new store growth, partially offset by a decrease in same store sales of 5.1%. Excluding the impact of our April 2015 decision to exit video game products, digital cameras, and certain tablets, same store sales for the quarter decreased 4.6%. Slower sales growth was also impacted by underwriting changes made in the fourth quarter of fiscal 2016 and in the first quarter of fiscal 2017. The decrease in credit revenue was due to a yield rate of 14.0%, 210 basis points lower than a year ago, which included the negative impact of adjustments of $8.2 million as a result of changes in estimates for amounts of allowances for no-interest option credit programs and deferred interest, partially offset by growth in the average balance of the customer receivable portfolio of 8.7%. Excluding the impact of the changes in estimates, yield was up 10 basis points to the prior year period.

Retail gross margin for the three months ended July 31, 2016 was 37.1%, a decrease of 60 basis points versus the 37.7% reported in the comparable quarter last year. The decrease in retail gross margin was driven by the impact softer sales have on our fixed warehouse and delivery costs, partially offset by the favorable shift in product mix towards the furniture and mattress category.

Selling, general and administrative expenses ("SG&A") for the three months ended July 31, 2016 was $119.8 million, an increase of $15.0 million, or 14.3%, over the same prior year period. The SG&A increase in the retail segment was primarily due to higher new store occupancy, advertising and compensation. The increase in SG&A for the credit segment was driven by the additional investments in credit personnel to improve long-term credit performance. Total SG&A was also impacted by investments we are making in IT and other personnel to support long-term performance improvement initiatives.

Provision for bad debts for the three months ended July 31, 2016 was $60.2 million, an increase of $8.6 million from the same prior year period. The increase was impacted by the following:

- During the three months ended July 31, 2016, provision for bad debts increased by $5.0 million as a result of changes in estimates as it relates to sales tax recovery on previously charged-off accounts (excluding the impact of the changes in estimates, provision for bad debts as a percent of average portfolio balance was down 20 basis points to the prior year period);
- An 8.7% increase in the average receivable portfolio balance resulting from new store openings over the past 12 months; and
- The balance of customer receivables accounted for as troubled debt restructurings increased to $128.6 million, or 8.3% of the total portfolio balance, driving $1.9 million of additional provision for bad debts.

Interest expense increased to $24.1 million for the three months ended July 31, 2016, compared to $10.1 million for the three months ended July 31, 2015, reflecting the increase in outstanding debt and an increase in our effective interest rate due to the asset-backed notes issued by our consolidated VIEs.

Net loss for the three months ended July 31, 2016 was $11.9 million, or $0.39 loss per diluted share, which included the pre-tax impact of changes in estimates of $13.2 million, or $0.29 per diluted share, and net pre-tax charges of $2.9 million, or $0.06 per diluted share, primarily from impairments from disposals of two real estate assets, legal and professional fees related to our securities-related litigation, charges for severance and transition costs due to changes in the executive management team. This compares to net income for the three months ended July 31, 2015 of $16.5 million, or $0.45 earnings per diluted share, which included net pre-tax charges of $1.0 million, or $0.02 per diluted share, primarily related to legal and professional fees related to the exploration of strategic alternatives and securities-related litigation.

Company Initiatives

We are positioning ourselves to execute long-term growth strategies and reduce risk while enhancing shareholder value. As a result, we expect fiscal 2017 to be a transitional year as we work on improving the performance of our credit operation while moderating our retail growth plan. Our plans include:

- Completing implementation of an updated underwriting strategy and continuing to review and modify our underwriting analysis and standards to improve the overall quality of our credit portfolio by quickly adapting to changes in consumer behavior, the regulatory environment, and portfolio performance;
- Targeting the implementation of our new direct consumer loan program, at a higher interest rate of up to 30%, across all Texas locations by the end of this fiscal year, followed by the implementation of the program in other states with similar regulatory frameworks;
- In states where regulations do not generally limit the interest rate charged, we recently increased our rates to 29.99%.
- During the first quarter of fiscal 2017, we made changes to our no-interest programs to improve returns on capital that should increase the yield on our portfolio over the next few quarters, including reducing the availability of short-term no-interest programs to higher risk customers and moving all long-term no-interest programs to a third-party;
- Focusing on further improvement of execution within our collection operations to reduce delinquency rates and future charge-offs;
- Focusing on quality, branded products to improve operating performance;
- Reducing warehouse and delivery costs;
- Optimizing our product offering; and
- During the six months ended July 31, 2016, we opened nine new stores in Alabama (1), Louisiana (2), Mississippi (1), Nevada (1), North Carolina (1), South Carolina (1) and Tennessee (2), and we plan to open one additional new store for a total of 10 new stores for fiscal 2017, compared to 15 stores in fiscal 2016.

Outlook

The broad appeal of the Conn's store to our geographically diverse core demographic, the historical unit economics and current retail real estate market conditions provide substantial opportunity to expand towards a national retail platform. There are many markets in the United States with similar demographic characteristics to our current successful store base. We plan to continue to improve our operating results by leveraging our existing infrastructure and seeking to continually optimize the efficiency of our marketing, merchandising, sourcing, distribution and credit operations. As we penetrate new and existing markets, we expect to increase our purchase volumes, achieve distribution efficiencies and strengthen our relationships with our key vendors. We also expect our increased store base and higher net sales to further leverage our existing corporate and regional infrastructure.

Results of Operations

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

Consolidated:	Three Months Ended July 31,			Six Months Ended July 31,		
(in thousands)	**2016**	**2015**	**Change**	**2016**	**2015**	**Change**
Revenues:						
Total net sales	$ 331,999	$ 324,946	$ 7,053	$ 650,541	$ 623,425	$ 27,116
Finance charges and other revenues	66,158	71,104	(4,946)	136,729	137,701	(972)
Total revenues	**398,157**	**396,050**	**2,107**	**787,270**	**761,126**	**26,144**
Costs and expenses:						
Cost of goods sold	208,869	202,461	6,408	413,335	389,594	23,741
Selling, general and administrative expenses	119,846	104,832	15,014	233,093	200,507	32,586
Provision for bad debts	60,196	51,646	8,550	118,414	99,189	19,225
Charges and credits	2,895	1,013	1,882	3,421	1,632	1,789
Total costs and expenses	**391,806**	**359,952**	**31,854**	**768,263**	**690,922**	**77,341**
Operating income	**6,351**	**36,098**	**(29,747)**	**19,007**	**70,204**	**(51,197)**
Interest expense	24,138	10,055	14,083	50,034	19,483	30,551
Income (loss) before income taxes	**(17,787)**	**26,043**	**(43,830)**	**(31,027)**	**50,721**	**(81,748)**
Provision (benefit) for income taxes	(5,863)	9,505	(15,368)	(9,354)	18,506	(27,860)
Net income (loss)	**$ (11,924)**	**$ 16,538**	**$ (28,462)**	**$ (21,673)**	**$ 32,215**	**$ (53,888)**

Retail Segment:	Three Months Ended July 31,			Six Months Ended July 31,		
(in thousands)	**2016**	**2015**	**Change**	**2016**	**2015**	**Change**
Revenues:						
Product sales	$ 299,723	$ 293,739	$ 5,984	$ 586,213	$ 565,365	$ 20,848
Repair service agreement commissions	28,310	27,756	554	56,495	51,552	4,943
Service revenues	3,966	3,451	515	7,833	6,508	1,325
Total net sales	331,999	324,946	7,053	650,541	623,425	27,116
Other revenues	437	659	(222)	931	808	123
Total revenues	**332,436**	**325,605**	**6,831**	**651,472**	**624,233**	**27,239**
Costs and expenses:						
Cost of goods sold	208,869	202,461	6,408	413,335	389,594	23,741
Selling, general and administrative expenses [1]	84,838	76,683	8,155	164,821	144,910	19,911
Provision for bad debts	127	324	(197)	525	393	132
Charges and credits	2,895	1,013	1,882	3,421	1,632	1,789
Total costs and expenses	**296,729**	**280,481**	**16,248**	**582,102**	**536,529**	**45,573**
Operating income	**$ 35,707**	**$ 45,124**	**$ (9,417)**	**$ 69,370**	**$ 87,704**	**$ (18,334)**
Number of stores:						
Beginning of period	108	91		103	90	
Open	4	4		9	7	
Closed	—	—		—	(2)	
End of period	112	95		112	95	

Credit Segment:	Three Months Ended July 31,			Six Months Ended July 31,		
(in thousands)	2016	2015	Change	2016	2015	Change
Revenues -						
Finance charges and other revenues	**$ 65,721**	**$ 70,445**	**$ (4,724)**	**$ 135,798**	**$ 136,893**	**$ (1,095)**
Costs and expenses:						
Selling, general and administrative expenses [(1)]	35,008	28,149	6,859	68,272	55,597	12,675
Provision for bad debts	60,069	51,322	8,747	117,889	98,796	19,093
Total cost and expenses	**95,077**	**79,471**	**15,606**	**186,161**	**154,393**	**31,768**
Operating loss	**(29,356)**	**(9,026)**	**(20,330)**	**(50,363)**	**(17,500)**	**(32,863)**
Interest expense	24,138	10,055	14,083	50,034	19,483	30,551
Loss on extinguishment of debt	—	—	—	—	—	—
Loss before income taxes	**$ (53,494)**	**$ (19,081)**	**$ (34,413)**	**$ (100,397)**	**$ (36,983)**	**$ (63,414)**

(1) Selling, general and administrative expenses include the direct expenses of the retail and credit operations, allocated overhead expenses and a charge to the credit segment to reimburse the retail segment for expenses it incurs related to occupancy, personnel, advertising and other direct costs of the retail segment that benefit the credit operations by sourcing credit customers and collecting payments. The reimbursement received by the retail segment from the credit segment is estimated using an annual rate of 2.5% times the average portfolio balance for each applicable period. For the three months ended July 31, 2016 and 2015, the amount of overhead allocated to each segment was $6.5 million and $3.4 million, respectively. For the six months ended July 31, 2016 and 2015, the amount of overhead allocated to each segment was $12.2 million and $6.9 million, respectively. For the three months ended July 31, 2016 and 2015, the amount of reimbursements made to the retail segment by the credit segment were $9.6 million and $8.9 million, respectively. For the six months ended July 31, 2016 and 2015, the amount of reimbursements made to the retail segment by the credit segment were $19.4 million and $17.4 million, respectively.

Three months ended July 31, 2016 compared to three months ended July 31, 2015

Revenues

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

	Three Months Ended July 31,					%	Same store
(dollars in thousands)	2016	% of Total	2015	% of Total	Change	Change	% change
Furniture and mattress	$ 105,562	31.8%	$ 98,882	30.4%	$ 6,680	6.8 %	(3.5)%
Home appliance	101,359	30.5	97,260	29.9	4,099	4.2	(2.3)
Consumer electronic	65,735	19.8	69,682	21.5	(3,947)	(5.7)	(11.6)
Home office	21,701	6.6	22,940	7.1	(1,239)	(5.4)	(9.6)
Other	5,366	1.6	4,975	1.5	391	7.9	(1.8)
Product sales	299,723	90.3	293,739	90.4	5,984	2.0	(5.5)
Repair service agreement commissions	28,310	8.5	27,756	8.5	554	2.0	(2.4)
Service revenues	3,966	1.2	3,451	1.1	515	14.9	
Total net sales	$ 331,999	100.0%	$ 324,946	100.0%	$ 7,053	2.2 %	(5.1)%

Excluding the impact of our April 2015 decision to exit video game products, digital cameras, and certain tablets, same store sales for the quarter decreased 4.6%. Slower sales growth was impacted by underwriting changes made in the fourth quarter of fiscal 2016 and in the first quarter of fiscal 2017. The following provides a summary of the performance of our product categories during the quarter compared to the prior year period:

- Furniture unit volume increased 4.8%, and average selling price increased 4.5%;
- Mattress unit volume increased 4.3%, partially offset by a 3.2% decrease in average selling price;
- Home appliance unit volume increased 5.2% with average selling price flat. Total sales for refrigeration increased 7.1%, laundry increased 3.9%, and cooking was flat;

- Consumer electronic unit volume decreased 10.1%, partially offset by a 5.1% increase in average selling price. Television sales decreased 4.0% as unit volume decreased 11.6%, partially offset by an 8.5% increase in average selling price. Excluding the impact from exiting video game products and digital cameras, consumer electronics same store sales decreased 10.4%;
- Home office unit volume decreased 9.7%, partially offset by a 5.4% increase in average selling price. Excluding the impact from exiting certain tablets, home office same store sales decreased 7.6%; and
- The increase in repair service agreement commissions was driven by increased retail sales partially offset by lower retrospective commissions.

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

	Three Months Ended July 31,		
(in thousands)	**2016**	**2015**	**Change**
Interest income and fees	$ 54,502	$ 57,383	$ (2,881)
Insurance commissions	11,219	13,062	(1,843)
Other revenues	437	659	(222)
Finance charges and other revenues	$ 66,158	$ 71,104	$ (4,946)

The decrease in interest income and fees was due to a yield rate of 14.0%, 210 basis points lower than the prior year period, which included the negative impact of adjustments of $8.2 million as a result of changes in estimates of amounts for allowances for no-interest option credit programs and deferred interest, partially offset by growth in the average balance of the customer receivable portfolio of 8.7%. Excluding the impact of the changes in estimates, yield was up 10 basis points to the prior year period. Insurance commissions decreased over the prior year period primarily due to the decline in the number of loans with insurance products. Insurance commissions were also impacted by the growth of sales in states that have lower premium requirements.

The following table provides key portfolio performance information:

	Three Months Ended July 31,		
(dollars in thousands)	**2016**	**2015**	**Change**
Interest income and fees	$ 54,502	$ 57,383	$ (2,881)
Net charge-offs	(55,192)	(41,564)	(13,628)
Interest expense	(24,138)	(10,055)	(14,083)
Net portfolio yield	$ (24,828)	$ 5,764	$ (30,592)
Average portfolio balance	$ 1,540,224	$ 1,417,100	$ 123,124
Interest income and fees yield (annualized)	14.0%	16.1%	
Net charge-off % (annualized)	14.3%	11.7%	

Cost of Goods Sold and Retail Gross Margin

	Three Months Ended July 31,		
(dollars in thousands)	**2016**	**2015**	**Change**
Cost of goods sold	$ 208,869	$ 202,461	$ 6,408
Retail gross margin	37.1%	37.7%	

The decrease in retail gross margin was driven by the impact softer sales have on our fixed warehouse and delivery costs, partially offset by the favorable shift in product mix towards the furniture and mattress category.

Selling, General and Administrative Expenses

(dollars in thousands)	Three Months Ended July 31, 2016	2015	Change
Selling, general and administrative expenses:			
Retail segment	$ 84,838	$ 76,683	$ 8,155
Credit segment	35,008	28,149	6,859
Selling, general and administrative expenses - Consolidated	$ 119,846	$ 104,832	$ 15,014
Selling, general and administrative expenses as a percent of total revenues	30.1%	26.5%	

The increase in SG&A for the retail segment was primarily due to higher new store occupancy, advertising and compensation, which resulted in an increase as a percent of segment revenues of 190 basis points as compared to the prior year period. The increase in SG&A for the credit segment was driven by the additional investments in credit personnel to improve long-term credit performance. As a percent of average total customer portfolio balance (annualized), SG&A for the credit segment in the current period increased 120 basis points as compared to the prior year period. Total SG&A was also impacted by investments we are making in IT and other personnel to support long-term performance improvement initiatives.

Provision for Bad Debts

(dollars in thousands)	Three Months Ended July 31, 2016	2015	Change
Provision for bad debts:			
Retail segment	$ 127	$ 324	$ (197)
Credit segment	60,069	51,322	8,747
Provision for bad debts - Consolidated	$ 60,196	$ 51,646	$ 8,550
Provision for bad debts - Credit segment, as a percent of average portfolio balance (annualized)	15.6%	14.5%	

The year-over-year increase in the credit segment provision for bad debts was impacted by the following:

- During the three months ended July 31, 2016, provision for bad debts increased by $5.0 million as a result of changes in estimates as it relates to sales tax recovery on previously charged-off accounts (excluding the impact of the changes in estimates, provision for bad debts as a percent of average portfolio balance was down 20 basis points to the prior year period);
- An 8.7% increase in the average receivable portfolio balance resulting from new store openings over the past 12 months; and
- The balance of customer receivables accounted for as troubled debt restructurings increased to $128.6 million, or 8.3% of the total portfolio balance, driving $1.9 million of additional provision for bad debts.

Charges and Credits

(in thousands)	Three Months Ended July 31, 2016	2015	Change
Impairments from disposals	$ 1,385	$ —	$ 1,385
Legal and professional fees related to the exploration of strategic alternatives and securities-related litigation	135	1,013	(878)
Employee severance	1,213	—	1,213
Executive management transition costs	162	—	162
	$ 2,895	$ 1,013	$ 1,882

During the three months ended July 31, 2016, we had costs associated with impairments from disposals of two real estate assets, legal and professional fees related to our securities-related litigation, charges for severance and transition costs due to changes in the executive management team. The impairments from disposals included the write-off of leasehold improvements for one store

we relocated prior to the end of its useful life and incurred costs for a terminated store project prior to starting construction. During the three months ended July 31, 2015, we had costs associated with legal and professional fees related to our exploration of strategic alternatives and our securities-related litigation.

Interest Expense

For the three months ended July 31, 2016, net interest expense increased by $14.1 million from the prior year comparative period primarily reflecting the increase in outstanding debt and an increase in our effective interest rate due to the asset-backed notes issued by our consolidated VIEs.

Provision for Income Taxes

	Three Months Ended July 31,		
(dollars in thousands)	**2016**	**2015**	**Change**
Provision (benefit) for income taxes	$ (5,863)	$ 9,505	$ (15,368)
Effective tax rate	33.0%	36.5%	

The decrease in the income tax rate for the three months ended July 31, 2016 was impacted by tax expense from state taxes offsetting the federal income tax benefit.

Six months ended July 31, 2016 compared to six months ended July 31, 2015

Revenues

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

	Six Months Ended July 31,					%	Same store
(dollars in thousands)	**2016**	**% of Total**	**2015**	**% of Total**	**Change**	**Change**	**% change**
Furniture and mattress	$ 210,868	32.4%	$ 188,384	30.2%	$ 22,484	11.9 %	0.7 %
Home appliance	189,263	29.1	181,362	29.1	7,901	4.4	(2.8)
Consumer electronic	131,600	20.2	141,112	22.6	(9,512)	(6.7)	(12.4)
Home office	44,174	6.8	44,925	7.2	(751)	(1.7)	(6.6)
Other	10,308	1.6	9,582	1.5	726	7.6	(0.7)
Product sales	586,213	90.1	565,365	90.6	20,848	3.7	(4.3)
Repair service agreement commissions	56,495	8.7	51,552	8.3	4,943	9.6	0.1
Service revenues	7,833	1.2	6,508	1.1	1,325	20.4	
Total net sales	$ 650,541	100.0%	$ 623,425	100.0%	$ 27,116	4.3 %	(3.8)%

Excluding the impact of our April 2015 decision to exit video game products, digital cameras, and certain tablets, same store sales for the six months ended July 31, 2016 decreased 2.5%. Slower sales growth was also impacted by underwriting changes made in the fourth quarter of fiscal 2016 and in the first quarter of fiscal 2017. The following provides a summary of the performance of our product categories during the quarter compared to the prior year period:

- Furniture unit volume increased 12.8%, and average selling price increased 1.1%;
- Mattress unit volume increased 12.7%, partially offset by a 4.1% decrease in average selling price;
- Home appliance unit volume increased 5.3% with average selling price flat. Total sales for refrigeration increased 7.0%, laundry increased 3.3%, and cooking increased 4.0%;
- Consumer electronic unit volume decreased 10.3%, partially offset by a 4.5% increase in average selling price. Television sales decreased 2.8% as unit volume decreased 9.9%, partially offset by an 7.9% increase in average selling price. Excluding the impact from exiting video game products and digital cameras, consumer electronics same store sales decreased 9.1%;
- Home office unit volume decreased 8.5%, partially offset by a 8.1% increase in average selling price. Excluding the impact from exiting certain tablets, home office same store sales decreased 2.6%; and
- The increase in repair service agreement commissions was driven by increased retail sales.

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

(in thousands)	Six Months Ended July 31, 2016	Six Months Ended July 31, 2015	Change
Interest income and fees	$ 115,123	$ 112,802	$ 2,321
Insurance commissions	20,675	24,091	(3,416)
Other revenues	931	808	123
Finance charges and other revenues	$ 136,729	$ 137,701	$ (972)

Interest income and fees of the credit segment increased over the prior year primarily driven by a 11.4% increase in the average balance of the portfolio, partially offset by a yield rate of 14.9%, 140 basis points lower than the prior year period, which included the negative impact of adjustments of $8.2 million as a result of changes in estimates of amounts for allowances for no-interest option credit programs and deferred interest resulting. Excluding the impact of the changes in estimates, yield was down 30 basis points compared to the prior year period. Insurance commissions decreased over the prior year period primarily due to the decline in the number of loans with insurance products and due to the decline in retrospective commissions on insurance agreements as a result of higher charge-offs. Insurance commissions were also impacted by the growth of sales in states that have lower premium requirements.

The following table provides key portfolio performance information:

(dollars in thousands)	Six Months Ended July 31, 2016	Six Months Ended July 31, 2015	Change
Interest income and fees	$ 115,123	$ 112,802	$ 2,321
Net charge-offs	(108,987)	(83,214)	(25,773)
Interest expense	(50,034)	(19,483)	(30,551)
Net portfolio yield	$ (43,898)	$ 10,105	$ (54,003)
Average portfolio balance	$ 1,551,847	$ 1,393,603	158,244
Interest income and fee yield % (annualized)	14.9%	16.3%	
Net charge-off % (annualized)	14.0%	11.9%	

Cost of Goods Sold and Retail Gross Margin

(dollars in thousands)	Six Months Ended July 31, 2016	Six Months Ended July 31, 2015	Change
Cost of goods sold	$ 413,335	$ 389,594	$ 23,741
Retail gross margin	36.5%	37.5%	

The decrease in retail gross margin was driven by the impact softer sales have on our fixed warehouse and delivery costs and higher inventory shrink, partially offset by the favorable shift in product mix towards the furniture and mattress category.

Selling, General and Administrative Expenses

(dollars in thousands)	Six Months Ended July 31, 2016	Six Months Ended July 31, 2015	Change
Selling, general and administrative expenses:			
Retail segment	$ 164,821	$ 144,910	$ 19,911
Credit segment	68,272	55,597	12,675
Selling, general and administrative expenses - Consolidated	$ 233,093	$ 200,507	$ 32,586
As a percent of total revenues	29.6%	26.3%	

The increase in SG&A for the retail segment was primarily due to higher new store occupancy, advertising and compensation, which resulted in an increase as a percent of segment revenues of 210 basis points as compared to the prior year period. The increase in SG&A for the credit segment was driven by the additional investments in credit personnel to improve long-term credit performance. As a percent of average total customer portfolio balance (annualized), SG&A for the credit segment in the current period increased 80 basis points as compared to the prior year period. Total SG&A was also impacted by investments we are making in IT and other personnel to support long-term performance improvement initiatives.

Provision for Bad Debts

	Six Months Ended July 31,		
(dollars in thousands)	**2016**	**2015**	**Change**
Provision for bad debts:			
Retail segment	$ 525	$ 393	$ 132
Credit segment	117,889	98,796	19,093
Provision for bad debts - Consolidated	$ 118,414	$ 99,189	$ 19,225
Provision for bad debts - Credit segment, as a percent of average portfolio balance (annualized)	15.2%	14.2%	

The year-over-year increase in the credit segment provision for bad debts was impacted by the following:

- During the six months ended July 31, 2016, provision for bad debts increased by $5.0 million as a result of changes in estimates as it relates to sales tax recovery on previously charged-off accounts (excluding the impact of the changes in estimates, provision for bad debts as a percent of average portfolio balance was up 40 basis points to the prior year period);
- An 11.4% increase in the average receivable portfolio balance resulting from new store openings over the past 12 months; and
- The balance of customer receivables accounted for as troubled debt restructurings increased to $128.6 million, or 8.3% of the total portfolio balance, driving $3.4 million of additional provision for bad debts.

Charges and Credits

	Six Months Ended July 31,		
(in thousands)	**2016**	**2015**	**Change**
Store and facility closure costs	$ —	$ 425	$ (425)
Impairments from disposals	1,385	—	1,385
Legal and professional fees related to the exploration of strategic alternatives and securities-related litigation	589	1,207	(618)
Employee severance	1,213	—	1,213
Executive management transition costs	234	—	234
	$ 3,421	$ 1,632	$ 1,789

During the six months ended July 31, 2016, we had costs associated with impairments from disposals of two real estate assets, legal and professional fees related to our securities-related litigation, charges for severance and transition costs due to changes in the executive management team. The impairments from disposals included the write-off of leasehold improvements for one store we relocated prior to the end of its useful life and incurred costs for a terminated store project prior to starting construction. During the six months ended July 31, 2015, we had charges related to the closing of under-performing retail locations and costs associated with legal and professional fees related to our exploration of strategic alternatives and our securities-related litigation.

Interest Expense

For the six months ended July 31, 2016, net interest expense increased by $30.6 million from the prior year comparative period primarily reflecting the increase in outstanding debt and an increase in our effective interest rate due to the asset-backed notes issued by our consolidated VIEs.

Provision for Income Taxes

	Six Months Ended July 31,		
(dollars in thousands)	**2016**	**2015**	**Change**
Provision (benefit) for income taxes	$ (9,354)	$ 18,506	$ (27,860)
Effective tax rate	30.1%	36.5%	

The decrease in the income tax rate for the six months ended July 31, 2016 was impacted by tax expense from state taxes offsetting the federal income tax benefit.

Customer Receivable Portfolio

We provide in-house financing to individual consumers on a short-term basis (maximum initial contractual term is 32 months) for the purchase of durable products for the home. A significant portion of our customer credit portfolio is due from customers that are considered higher-risk, subprime borrowers. Our financing is executed using an installment contract, which requires a fixed monthly payment over a fixed term. We maintain a secured interest in the product financed. If a payment is delayed, missed or paid only in part, the account becomes delinquent. Our collection personnel attempt to contact a customer once their account becomes delinquent. Our loan contracts generally provide for interest at the maximum rate allowed by the respective regulations in the states in which we operate, which generally range between 18% and 21%. We are working to fully implement our new direct loan program across all Texas locations by the end of this fiscal year. The state of Texas represents approximately 70% of our recent originations, which under our current offering has a maximum equivalent interest rate of approximately 21%, compared to 30% under our new direct loan program. Additionally, we are working through the regulatory framework to raise our interest rates in certain other states that represent 14% of our originations. In states where regulations do not generally limit the interest rate charged, we recently increased our rates to 29.99%.

We offer 12-month, no-interest finance programs. If the customer is delinquent in making a scheduled monthly payment or does not repay the principal in full by the end of the no-interest program period (grace periods are provided), the account does not qualify for the no-interest provision and none of the interest earned is waived. We previously offered 18- and 24-month equal-payment, no-interest finance programs to certain higher credit quality borrowers, which were discounted to their present value at origination, resulting in a reduction in sales and customer receivables, and the discount amount is amortized into finance charges and other revenues over the term of the contract. If a customer is delinquent in making a scheduled monthly payment (grace periods are provided), the account begins accruing interest based on the contract rate from the date of the last payment made.

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

The following tables present, for comparison purposes, information about our managed portfolio (information reflects on a combined basis the securitized receivables transferred to the VIEs and receivables not transferred to the VIEs):

	As of July 31,	
	2016	2015
Weighted average credit score of outstanding balances[1]	595	596
Average outstanding customer balance	$ 2,365	$ 2,366
Balances 60+ days past due as a percentage of total customer portfolio balance[2]	9.6%	9.2%
Re-aged balance as a percentage of total customer portfolio balance[2]	15.3%	13.0%
Account balances re-aged more than six months (in thousands)	$ 69,415	$ 52,688
Allowance for bad debts as a percentage of total customer portfolio balance	13.0%	11.3%
Percent of total customer portfolio balance represented by no-interest option receivables	33.3%	36.1%

	Three Months Ended July 31,		Six Months Ended July 31,	
	2016	2015	2016	2015
Total applications processed	334,854	311,995	649,232	604,597
Weighted average origination credit score of sales financed[1]	611	617	610	617
Percent of total applications approved and utilized	35.4%	44.9%	36.1%	44.6%
Average down payment	3.3%	3.3%	3.6%	3.7%
Average income of credit customer at origination	$ 41,500	$ 40,600	$ 40,900	$ 40,500
Percent of retail sales paid for by:				
In-house financing, including down payment received	71.8%	82.5%	73.6%	83.9%
Third-party financing	17.2%	7.0%	14.9%	4.9%
Third-party rent-to-own option	4.9%	4.1%	5.1%	4.6%
	93.9%	93.6%	93.6%	93.4%

(1) Credit scores exclude non-scored accounts.

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

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

For customer accounts receivable (excluding restructured accounts), the allowance for uncollectible accounts as a percentage of the outstanding portfolio balance rose from 9.5% as of July 31, 2015 to 10.8% as of July 31, 2016. The percentage of non-restructured accounts greater than 60 days past due increased 30 basis points over the prior year period to 8.1% as of July 31, 2016. We expect delinquency levels and charge-offs to remain elevated over the short-term. The increase in delinquency and changes in expectations for customer performance and cash recoveries on charged-off accounts are reflected in our projection models, resulting in an increase in the level of losses we expect to realize over the next twelve months.

For restructured accounts, the allowance for uncollectible accounts as a percentage of the portfolio balance was 35.6% as of July 31, 2015 as compared to 37.0% as of July 31, 2016. This 140 basis point increase reflects the impact of higher delinquency rates and charge-offs from a year ago.

The percent of bad debt charge-offs, net of recoveries, to average portfolio balance was 11.7% for the three months ended July 31, 2015 compared to 14.3% for the three months ended July 31, 2016. The increase was primarily due to the higher level of delinquency experienced over the past twelve months and included an adjustment of $3.9 million based on a revised estimate of the amount of sales tax recovery from previously charged-off accounts that we expect to claim with particular taxing jurisdictions, which resulted in an 110 basis point negative impact.

As of July 31, 2016 and 2015, balances under no-interest programs included within customer receivables were $513.9 million and $524.1 million, respectively. We recently shifted our18- and 24-month no-interest programs to a third-party and removed 12-month no-interest program eligibility for certain higher risk customers. As a result, a decline in the proportion of accounts financed under no-interest programs is likely to result in an increase in the overall yield recognized.

Liquidity and Capital Resources

We require liquidity and capital resources to finance our operations and future growth as we add new stores and markets to our operations, which in turn requires additional working capital for increased customer receivables and inventory. We generally finance our operations primarily through a combination of cash flow generated from operations, the use of our revolving credit facility, and periodic securitizations of originated customer receivables.

In September 2015, we securitized $1.4 billion of customer accounts receivables by transferring the receivables to a bankruptcy-remote variable-interest entity (the "2015 VIE"). The 2015 VIE issued asset-backed notes at a face amount of $1.12 billion secured by the transferred portfolio balance, which resulted in net proceeds to us of approximately $1.08 billion, net of transaction costs and restricted cash held by the 2015 VIE. The net proceeds were used to pay down the outstanding balance on our revolving credit facility, to repurchase shares of the Company's common stock and Senior Notes, and for other general corporate purposes.

In March 2016, we securitized $705.1 million of customer accounts receivables by transferring the receivables to a new bankruptcy-remote variable-interest entity (the "2016 VIE" or together with the 2015 VIE, the "VIEs"). The 2016 VIE issued two classes of asset-backed notes at a total face amount of $493.5 million secured by the transferred customer accounts receivables. This resulted in net proceeds to us of approximately $478.0 million, net of transaction costs and reserves. The net proceeds were used to pay down the outstanding balance on our revolving credit facility and for other general corporate purposes.

Under the terms of the securitization transactions, the customer receivable principal and interest payment cash flows will go first to the servicer and the holders of the securitization notes, and then to the residual equity holder. We retain the servicing of the securitized portfolios and are receiving monthly fees of 4.75% (annualized) based on the outstanding balance of the securitized receivables. We currently hold all of the residual equity for the VIEs and hold the third class of asset-backed notes of the 2016 VIE. In addition, we, rather than the VIEs, will retain all credit insurance income together with certain recoveries related to credit insurance and repair service agreements on charged-offs of the securitized receivables, which will continue to be reflected as a reduction of net charge-offs on a consolidated basis for as long as we consolidate the VIEs.

We are working to fully implement our new direct loan program across all Texas locations by the end of this fiscal year. The state of Texas represents approximately 70% of our recent originations, which under our current offering has a maximum equivalent interest rate of approximately 21%, compared to 30% under our new direct loan program. Additionally, we are working through the regulatory framework to raise our interest rates in certain other states that represent 14% of our originations. In states where regulations do not generally limit the interest rate charged, we recently increased our rates to 29.99%. These efforts are expected enhance the profitability of our credit segment.

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

Operating cash flow activities. During the six months ended July 31, 2016, net cash provided by operating activities was $131.9 million as compared to net cash used in operating activities of $13.4 million during the prior-year period. The increase in net cash provided by operating activities was primarily driven by the lower growth rate in our customer portfolio balance, working capital improvements, and an increase in the amount of tenant improvement allowances received, partially offset by the decrease in net income when adjusted for non-cash activity, including the increases in provision for bad debts and uncollectible interest and amortization of debt issuance costs and the change in deferred income taxes.

Investing cash flow activities. During the six months ended July 31, 2016, net cash used in investing activities was $31.3 million as compared to $29.6 million during the prior-year period. Purchases of property and equipment increased year-over-year related to the timing of construction activities for new stores, as well as store remodels and relocations.

Financing cash flow activities. During the six months ended July 31, 2016, net cash used in financing activities was $97.3 million as compared to net cash provided by financing activities of $37.7 million during the prior-year period. During the six months ended July 31, 2016, the 2016 VIE issued asset-backed notes resulting in net proceeds to us of approximately $478.0 million, net of transaction costs and reserves. The net proceeds were used to pay down the revolving credit facility. Also during the six months ended July 31, 2016, we made payments of $537.8 million on asset-backed notes from proceeds received on the securitized receivables. During the six months ended July 31, 2015, financing activities were primarily limited to the use of the revolving credit facility.

Senior Notes. On July 1, 2014, we issued $250.0 million of unsecured Senior Notes due July 2022 bearing interest at 7.250%, pursuant to an indenture dated July 1, 2014 (the "Indenture") among Conn's, Inc., its subsidiary guarantors (the "Guarantors") and U.S. Bank National Association, as trustee. During the year ended January 31, 2016, we repurchased $23.0 million of face value of the Senior Notes for $22.9 million. The effective interest rate of the Senior Notes after giving effect to offering fees and debt discount is 7.7%.

The Indenture, as amended, restricts the Company's and certain of its subsidiaries' ability to: (i) incur indebtedness; (ii) pay dividends or make other distributions in respect of, or repurchase or redeem, our capital stock ("restricted payments"); (iii) prepay, redeem or repurchase debt that is junior in right of payment to the notes; (iv) make loans and certain investments; (v) sell assets; (vi) incur liens; (vii) enter into transactions with affiliates; and (viii) consolidate, merge or sell all or substantially all of our assets. These covenants are subject to a number of important exceptions and qualifications. Specifically, limitations for restricted payments are triggered only if one or more of the following occurred: (1) a default were to exist under the indenture, (2) if we could not satisfy a debt incurrence test, and (3) if the aggregate amount of restricted payments would exceed an amount tied to the consolidated net income. These limitations, however, are subject to two exceptions: (1) an exception that permits the payment of up to $375.0 million in restricted payments, and (2) an exception that permits restricted payments regardless of dollar amount so long as, after giving pro forma effect to the dividends and other restricted payments, we would have a leverage ratio, as defined under the Indenture, less than or equal to 2.50 to 1.00. Thus, as of July 31, 2016, $190.2 million would have been free from the dividend restriction. However, as a result of the revolving credit facility dividend restrictions, which are further described below, no amount was available for dividends. During any time when the Senior Notes are rated investment grade by either of Moody's Investors Service, Inc. or Standard & Poor's Ratings Services and no default (as defined in the Indenture) has occurred and is continuing, many of such covenants will be suspended and we will cease to be subject to such covenants during such period.

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

Asset-backed Notes. In September 2015, the 2015 VIE issued asset-backed notes secured by the transferred customer accounts receivables and restricted cash held by the 2015 VIE. The asset-backed notes consist of the following securities:

- Asset-backed Fixed Rate Notes, Class A, Series 2015-A ("2015-A Class A Notes") in aggregate principal amount of $952.1 million that bear interest at a fixed annual rate of 4.565% and mature on September 15, 2020. The effective interest rate of the 2015-A Class A Notes after giving effect to offering fees is 6.8%.
- Asset-backed Fixed Rate Notes, Class B, Series 2015-A ("2015-A Class B Notes") in aggregate principal amount of $165.9 million that bear interest at a fixed annual rate of 8.500% and mature on September 15, 2020. The effective interest rate of the 2015-A Class B Notes after giving effect to offering fees is 12.8%.

The 2015-A Class A Notes and 2015-A Class B Notes were offered and sold to qualified institutional buyers pursuant to the exemptions from registration provided by Rule 144A under the Securities Act. If an event of default were to occur under the indenture that governs the notes, the payment of the outstanding amounts would be accelerated, in which event the cash proceeds of the receivables that otherwise might be released to us as the holder of the residual equity would instead be directed entirely toward repayment of the 2015-A Class A Notes and 2015-A Class B Notes. The holders of the notes have no recourse to assets outside of the 2015 VIE. Events of default include, but are not limited to, failure to make required payments on the notes or specified bankruptcy-related events.

In March 2016, the 2016 VIE issued asset-backed notes secured by the transferred customer accounts receivables and restricted cash held by the 2016 VIE. The asset-backed notes consist of the following securities:

- Asset-backed Fixed Rate Notes, Class A, Series 2016-A ("2016-A Class A Notes") in aggregate principal amount of $423.0 million that bear interest at a fixed annual rate of 4.680% and mature on April 16, 2018. The effective interest rate of the 2016-A Class A Notes after giving effect to offering fees is 6.8%.
- Asset-backed Fixed Rate Notes, Class B, Series 2016-A ("2016-A Class B Notes") in aggregate principal amount of $70.5 million that bear interest at a fixed annual rate of 8.960% and mature on August 15, 2018. The effective interest rate of the 2016-A Class B Notes after giving effect to offering fees is 9.8%.

The 2016-A Class A Notes and 2016-A Class B Notes were offered and sold to qualified institutional buyers pursuant to the exemptions from registration provided by Rule 144A under the Securities Act. If an event of default were to occur under the indenture that governs the notes, the payment of the outstanding amounts would be accelerated, in which event the cash proceeds of the receivables that otherwise might be released to us as the holder of a third class of asset-backed notes issued by the 2016 VIE ("2016-A Class C Notes") and the residual equity would instead be directed entirely toward repayment of the 2016-A Class A Notes and 2016-A Class B Notes. The holders of the notes have no recourse to assets outside of the 2016 VIE. Events of default include, but are not limited to, failure to make required payments on the notes or specified bankruptcy-related events.

Revolving Credit Facility. On October 30, 2015, Conn's, Inc. and certain of its subsidiaries (the "Borrowers") entered into the Third Amended and Restated Loan and Security Agreement with a syndicate of banks that provides for an $810.0 million asset-based revolving credit facility (the "revolving credit facility") under which availability is subject to a borrowing base. The revolving credit facility matures on October 30, 2018.

On February 16, 2016, the Borrowers entered into a first amendment to the revolving credit facility, which resulted in various changes, including:

- Excluding non-cash deferred amortization of debt related transaction costs from interest coverage ratio; and
- Extending from 6 months to 18 months the time frame subsequent to the closing of a securitization transaction in which the Cash Recovery Percent covenant will be determined.

On May 18, 2016, the Borrowers entered into a second amendment to the revolving credit facility, which resulted in various changes, including:

- Amending the minimum interest coverage ratio covenant, so long as the borrowing base reduction discussed below is in effect, to:
    - Reduce the minimum interest coverage ratio covenant to 1.0x for the second quarter of fiscal 2017 through the first quarter of fiscal 2018; and
    - Reduce the minimum interest coverage ratio covenant to 1.25x for the second quarter of fiscal 2018 through the third quarter of fiscal 2019.
- Modifying the conditions for repurchases of the Company's common stock, including the addition of a requirement to achieve a minimum interest coverage ratio of 2.5x for two consecutive quarters; and
- Reducing the borrowing base by $15.0 million beginning on May 31, 2016, reducing the borrowing base by $10.0 million for any month beginning with July 31, 2017 so long as the interest coverage ratio is at least 1.25x, and no borrowing base reduction at any time the interest coverage ratio is at least 2.0x for two consecutive quarters.

As of July 31, 2016, loans under the revolving credit facility bear interest, at our option, at a rate of LIBOR plus a margin ranging from 2.5% to 3.0% per annum (depending on quarterly average net availability under the borrowing base) or the alternate base rate plus a margin ranging from 1.5% to 2.0% per annum (depending on quarterly average net availability under the borrowing base). Pursuant to the second amendment, the margins increased by 25 basis points subsequent to July 31, 2016. The alternate base rate is the greater of the prime rate announced by Bank of America, N.A., the federal funds rate plus 0.5%, or LIBOR for a 30-day interest period plus 1.0%. The effective interest rate on borrowings outstanding under the revolving credit facility after giving effect to offering fees is 5.5%. We also pay an unused fee on the portion of the commitments that are available for future borrowings or letters of credit at a rate ranging from 0.25% to 0.75% per annum, depending on the outstanding balance and letters of credit of the revolving credit facility.

The revolving credit facility provides funding based on a borrowing base calculation that includes customer accounts receivable and inventory, and provides for a $40.0 million sub-facility for letters of credit to support obligations incurred in the ordinary course of business. The obligations under the revolving credit facility are secured by substantially all assets of the Company, excluding the assets of the VIEs. As of July 31, 2016, we had immediately available borrowing capacity of $97.7 million under our revolving credit facility, net of standby letters of credit issued of $5.3 million. We also had $407.5 million that may become available under our revolving credit facility if we grow the balance of eligible customer receivables and our total eligible inventory balances.

The revolving credit facility places restrictions on our ability to incur additional indebtedness, grant liens on assets, make distributions on equity interests, dispose of assets, make loans, pay other indebtedness, engage in mergers, and other matters. The revolving credit facility restricts our ability to make dividends and distributions unless no event of default exists and a liquidity test is satisfied. Subsidiaries of the Company may make dividends and distributions to the Company and other obligors under the revolving credit facility without restriction. As of July 31, 2016, under the revolving credit facility, as amended, no amount was available for dividends. The revolving credit facility contains customary default provisions, which, if triggered, could result in acceleration of all amounts outstanding under the revolving credit facility.

Debt covenants. We were in compliance with our debt covenants, as amended, at July 31, 2016. A summary of the significant financial covenants that govern our revolving credit facility, as amended, compared to our actual compliance status at July 31, 2016 is presented below:

	Actual	Required Minimum/ Maximum
Interest Coverage Ratio must equal or exceed minimum	1.03:1.00	1.00:1.00
Leverage Ratio must not exceed maximum	2.63:1.00	4.00:1.00
ABS Excluded Leverage Ratio must not exceed maximum	1.52:1.00	2.00:1.00
Cash Recovery Percent must exceed stated amount	4.77%	4.50%
Capital Expenditures, net, must not exceed maximum	$26.0 million	$75.0 million

All capitalized terms in the above table are defined by the revolving credit facility, as amended, and may or may not agree directly with the financial statement captions in this document. Compliance with the covenants is calculated quarterly, except for the Cash Recovery Percent, which is calculated monthly on a trailing three-month basis, and Capital Expenditures, which is calculated for a period of four consecutive fiscal quarters, as of the end of each fiscal quarter. The revolving credit facility provides for 18 months subsequent to the closing of a securitization transaction in which the Cash Recovery Percent will be determined based on the portfolio of contracts subject to the (i) securitization facilities; and (ii) a lien under the revolving credit facility.

Capital expenditures. We lease the majority of our stores under operating leases, and our plans for future store locations include primarily operating leases, but do not exclude store ownership. Our capital expenditures for future new store projects should primarily be for our tenant improvements to the property leased (including any new distribution centers and cross-dock facilities), the cost of which is estimated to be between $1.0 million and $1.5 million per store (before tenant improvement allowances), and for our existing store remodels, estimated to range between $0.5 million and $1.0 million per store remodel, depending on store size. In the event we purchase existing properties, our capital expenditures will depend on the particular property and whether it is improved when purchased. We are continuously reviewing new relationship and funding sources and alternatives for new stores, which may include "sale-leaseback" or direct "purchase-lease" programs, as well as other funding sources for our purchase and construction of those projects. If we are successful in these relationship developments, our direct cash needs should include only our capital expenditures for tenant improvements to leased properties and our remodel programs for existing stores, but could include full ownership. During the six months ended July 31, 2016, we opened nine new stores and we plan to open one additional new stores for a total of 10 new stores for fiscal 2017. Our anticipated capital expenditures for fiscal year 2017 are between $37.0 million and $42.0 million, which does not take into account any potential proceeds from the sale of owned real estate.

Off-Balance Sheet Liabilities and Other Contractual Obligations

We do not have any off-balance sheet arrangements as defined by Item 303(a)(4) of Regulation S-K.

The following table presents a summary of our minimum contractual commitments and obligations as of July 31, 2016:

		Payments due by period			
(in thousands)	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Debt, including estimated interest payments:					
Revolving credit facility [1]	$ 325,531	$ 11,573	$ 313,958	$ —	$ —
Senior Notes	325,024	16,458	32,915	32,915	242,736
2015-A Class A Notes [2]	232,344	8,925	17,851	205,568	—
2015-A Class B Notes [2]	224,401	14,102	28,203	182,096	—
2016-A Class A Notes [3]	260,365	11,282	249,083	—	—
2016-A Class B Notes [3]	83,405	6,318	77,087	—	—
Capital lease obligations	2,340	902	1,438	—	—
Operating leases:					
Real estate	470,593	27,617	112,894	107,650	222,432
Equipment	3,755	2,039	1,645	71	—
Contractual commitments [4]	106,525	105,116	1,409	—	—
Total	$ 2,034,283	$ 204,332	$ 836,483	$ 528,300	$ 465,168

(1) Estimated interest payments are based on the outstanding balance and the interest rate in effect as of July 31, 2016.

(2) The payments due by period for 2015-A Class A Notes and 2015-A Class B Notes were based on the maturity date of September 15, 2020 at their respective fixed annual interest rate. Actual principal and interest payments will be provided based on the proceeds from the securitized customer accounts receivables.

(3) The payments due by period for 2016-A Class A Notes and 2016-A Class B Notes were based on the maturity date of April 16, 2018 and August 15, 2018, respectively, at their respective fixed annual interest rate. Actual principal and interest payments will be provided based on the proceeds from the securitized customer accounts receivables.

(4) Contractual commitments primarily includes commitments to purchase inventory of $93.0 million and capital expenditures of $4.5 million, with the remaining relating to commitments for advertising and other services. The timing of the payments is subject to change based upon actual receipt and the terms of payment with the vendor.

Critical Accounting Policies and Estimates

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires us to make estimates that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Certain accounting policies are considered "critical accounting policies" because they are particularly dependent on estimates made by us about matters that are inherently uncertain and could have a material impact to our consolidated financial statements. We base our estimates on historical experience and on other assumptions that we believe are reasonable. As a result, actual results could differ because of the use of estimates. The description of critical accounting policies is included in our Annual Report on Form 10-K for the fiscal year ended January 31, 2016.

Recent Accounting Pronouncements

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Loans under the revolving credit facility bear interest, at our option, at a rate of LIBOR plus a margin ranging from 2.5% to 3.0% per annum (depending on quarterly average net availability under the borrowing base) or the alternate base rate plus a margin ranging from 1.5% to 2.0% per annum (depending on quarterly average net availability under the borrowing base). Pursuant to the second amendment to the revolving credit facility, the margins increased by 25 basis points subsequent to July 31, 2016. The alternate base rate is the greater of the prime rate announced by Bank of America, N.A., the federal funds rate plus 0.5%, or LIBOR for a 30-day interest period plus 1.0%. Accordingly, changes in our quarterly average net availability under the borrowing base and LIBOR or the alternate base rate will affect the interest rate on, and therefore our costs under, the revolving credit facility. As of July 31, 2016, the balance outstanding under our revolving credit facility was $299.5 million. A 100 basis point increase in interest rates on the revolving credit facility would increase our borrowing costs by $3.0 million over a 12-month period, based on the balance outstanding at July 31, 2016.

For additional information regarding quantitative and qualitative market risks, as updated by the preceding paragraphs, see Item 7A. "Quantitative and Qualitative Disclosures about Market Risk," of our Annual Report on Form 10-K for the fiscal year ended January 31, 2016.

ITEM 4. CONTROLS AND PROCEDURES

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

For the quarter ended July 31, 2016, there have been no changes in our internal controls over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

As of the date of the filing, there have been no material changes to the risk factors previously disclosed in Part I, Item 1A, of our Annual Report on Form 10-K for the year ended January 31, 2016.

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

During the three months ended July 31, 2016, we did not engage in any share repurchase activity under our share repurchase program.

On September 9, 2015, we announced that the Board of Directors of the Company ("Board of Directors") authorized a repurchase program of up to an aggregate of $75.0 million of (i) shares of the Company's outstanding common stock; (ii) the Senior Notes; or (iii) a combination thereof. On November 2, 2015, we announced that the Board of Directors authorized an additional $100.0 million towards the repurchase program for purchase of shares of the Company's outstanding common stock, Senior Notes, or a combination thereof. During fiscal 2016, we purchased 5.9 million shares of common stock, using $151.6 million of the $175.0 million repurchase authorization. Additionally, we utilized $22.9 million of the repurchase authorization to acquire $23.0 million of face value of our senior notes. As a result of the second amendment to our revolving credit facility executed on May 18, 2016, we must achieve a 2.5x minimum interest coverage ratio for two consecutive quarters before we will be permitted to make any further stock repurchases.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

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

SIGNATURE

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

CONN'S, INC.

Date: September 8, 2016

By: /s/ Lee A. Wright

Lee A. Wright

Executive Vice President and Chief Financial Officer

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

EXHIBIT INDEX

Exhibit Number	Description of Document
3.1	Certificate of Incorporation of Conn's, Inc. (incorporated herein by reference to Exhibit 3.1 to Conn's, Inc. registration statement on Form S-1 (file no. 333-109046) as filed with the Securities and Exchange Commission on September 23, 2003)
3.1.1	Certificate of Amendment to the Certificate of Incorporation of Conn's, Inc. dated June 3, 2004 (incorporated herein by reference to Exhibit 3.1.1 to Conn's, Inc. Form 10-Q for the quarterly period ended April 30, 2004 (File No. 000-50421) as filed with the Securities and Exchange Commission on June 7, 2004)
3.1.2	Certificate of Amendment to the Certificate of Incorporation of Conn's, Inc. dated May 30, 2012 (incorporated herein by reference to Exhibit 3.1.2 to Conn's, Inc. Form 10-Q for the quarterly period ended April 30, 2012 (File No. 001-34956) as filed with the Securities and Exchange Commission on June 5, 2012)
3.1.3	Certificate of Correction to the Certificate of Amendment to Conn's, Inc. Certificate of Incorporation (as corrected December 31, 2013) (incorporated herein by reference to Exhibit 3.1.3 to Conn's, Inc. Form 10-K for the annual period ended January 31, 2014 (File No. 001-34956) as filed with the Securities and Exchange Commission on March 27, 2014)
3.1.4	Certificate of Amendment to the Certificate of Incorporation of Conn's, Inc. as filed on May 29, 2014 (incorporated herein by reference to Exhibit 3.1.4 to Conn's, Inc. Form 10-Q for the fiscal period ended April 30, 2014 (File No. 001-34956) as filed with the Securities and Exchange Commission on June 2, 2014)
3.1.5	Certificate of Designations of Series A Junior Participating Preferred Stock of Conn's, Inc. (incorporated herein by reference to Exhibit 3.1 to Conn's, Inc. Current Report on Form 8-K (File No. 001-34956) filed with the Securities and Exchange Commission on October 6, 2014)
3.1.6	Certificate of Elimination of Certificate of Designations of Series A Junior Participating Preferred Stock of Conn's Inc., dated September 10, 2015 (incorporated herein by reference to Exhibit 3.1 to Conn's, Inc. Current Report on Form 8-K (File No. 001-34956) filed with the Securities and Exchange Commission on September 11, 2015)
3.2	Amended and Restated Bylaws of Conn's, Inc. effective as of December 3, 2013 (incorporated herein by reference to Exhibit 3.2 to Conn's, Inc. Form 10-Q for the quarter ended October 31, 2013 (File No. 001-34956) as filed with the Securities and Exchange Commission on December 6, 2013)
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	Second Amendment to Third Amended and Restated Loan and Security Agreement, dated May 18, 2016, by and among the Conn's, Inc., as parent and guarantor, Conn Appliances, Inc., Conn Credit I, LP and Conn Credit Corporation, Inc., as borrowers, certain banks and financial institutions named therein, as lenders, and Bank of America N.A., in its capacity as agent for lenders (incorporated herein by reference to Exhibit 10.1 to Conn's, Inc. Current Report on Form 8-K (File No. 001-34956) filed with the Securities and Exchange Commission on May 20, 2016)
10.2	Offer of employment from the Company to Lee A. Wright, dated as of May 31, 2016 (incorporated herein by reference to Exhibit 10.1 to Conn's, Inc. Current Report on Form 8-K (File No. 001-34956) filed with the Securities and Exchange Commission on June 2, 2016)
10.3	Executive Severance Agreement by and between the Company and Lee A. Wright, dated as of May 31, 2016 (incorporated herein by reference to Exhibit 10.2 to Conn's, Inc. Current Report on Form 8-K (File No. 001-34956) filed with the Securities and Exchange Commission on June 2, 2016)
10.4	Form of Restricted Stock Unit Award Agreement (Time-based and Performance-based Vesting) under the Conn's, Inc. 2016 Omnibus Stock Incentive Plan
10.5	Form of Restricted Stock Unit Award Agreement (Time-based) under the Conn's, Inc. 2016 Omnibus Stock Incentive Plan
31.1	Rule 13a-14(a)/15d-14(a) Certification (Principal Executive Officer)
31.2	Rule 13a-14(a)/15d-14(a) Certification (Principal Financial Officer)
32.1	Section 1350 Certification (Chief Executive Officer and Chief Financial Officer)
101	The following financial information from our Quarterly Report on Form 10-Q for the second quarter of fiscal year 2017, filed with the SEC on September 8, 2016, formatted in Extensible Business Reporting Language (XBRL): (i) the consolidated balance sheets at July 31, 2016 and January 31, 2016, (ii) the consolidated statements of operations for the three and six months ended July 31, 2016 and 2015, (iii) the consolidated statements of cash flows for the six months ended July 31, 2016 and 2015 and (iv) the notes to consolidated financial statements

EXHIBIT 10.4

RESTRICTED STOCK UNIT AWARD AGREEMENT

CONN'S, INC.
2016 OMNIBUS INCENTIVE PLAN

THIS RESTRICTED STOCK UNIT AWARD AGREEMENT (this "Agreement") is made by and between CONN'S, INC., a Delaware corporation (the "Company"), and [___________] ("Recipient") as of [____________], pursuant to the Company's 2016 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 the number of Restricted Stock Units ("RSUs") set forth in Exhibit "A", on the terms and subject to the conditions set forth in Exhibit "A", 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. ***Award of Restricted Stock Units***. The Company hereby grants to Recipient, subject to the terms and conditions set forth in the Plan and in this Agreement, the number of RSUs, effective as of [_____________] (the "Date of Grant"). Each RSU represents the unfunded, unsecured right to receive one share of the Company's $0.01 par value common stock, subject to the terms and conditions set forth in the Plan, in Exhibit "A" and in this Agreement. The shares of stock that are issuable upon vesting of the RSUs granted to Recipient pursuant to this Agreement are referred to in this Agreement as the "Shares".

2. ***Vesting***.

2.1 Except as otherwise provided in the Plan or in Section 2.2, the RSUs will vest as described in Exhibit "A".

2.2 In addition to the vesting provisions contained in Section 2.1 above, the RSUs will automatically and immediately vest in full if Recipient's employment with the Company is terminated within a period of [_____________] following a Change in Control (i) by the Company for a reason other than Cause, as defined in the Plan, or (ii) by Recipient for Good Reason, as defined below.

2.3 For purposes of this Agreement, “Good Reason” shall have the meaning, and be subject to the terms and conditions, as set forth in the severance agreement between the Company and the Recipient or the severance plan in which the Recipient is eligible to participate, as applicable.

3. ***Delivery upon Vesting***.

3.1 Subject to Section 3.3, within thirty (30) days following vesting of an RSU, the Company or, at the Company’s instruction, its authorized representative, will deliver to Recipient the underlying Share. Unless otherwise determined by the Committee, delivery of Shares 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 Recipient.

3.2 The delivery of Shares is net shares after any applicable withholding taxes in accordance with Section 12 of the Plan.

3.3 This Agreement is intended to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”), and shall be interpreted and construed consistently with such intent. In the event the terms of this Agreement would subject Recipient to taxes or penalties under Section 409A of the Code (“409A Penalties”), the Company and Recipient shall cooperate diligently to amend the terms of the Agreement to avoid such 409A Penalties, to the extent possible; provided that in no event shall the Company be responsible for any 409A Penalties that arise in connection with any amounts payable under this Agreement. To the extent any amounts under this Agreement are payable by reference to Recipient’s “termination of employment,” such term shall be deemed to refer to Recipient’s “separation from service,” within the meaning of Section 409A of the Code. Notwithstanding any other provision in this Agreement, if Recipient is a “specified employee,” as defined in Section 409A of the Code, as of the date of Recipient’s separation from service, then to the extent any amount payable under this Agreement (i) constitutes the payment of nonqualified deferred compensation, within the meaning of Section 409A of the Code, (ii) is payable upon Recipient’s separation from service and (iii) under the terms of this Agreement would be payable prior to the six-month anniversary of Recipient’s separation from service, such payment shall be delayed until the earlier to occur of (a) the six-month anniversary of the separation from service or (b) the date of Recipient’s death.

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

5. ***Restrictions on Transfer of RSUs***. The RSUs 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***. Except as set forth in the Plan, neither Recipient nor any person claiming under or through Recipient shall be, or have any of the rights or privileges of, a

stockholder of the Company in respect of a Share issuable pursuant to this Award unless and until such Share shall have been delivered.

7. ***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.

8. ***Clawback***. The RSUs and any cash payment or Shares delivered pursuant to this Agreement are subject to forfeiture, recovery by the Company or other action pursuant to any clawback or recoupment policy which the Company may adopt from time to time, including without limitation any such policy which the Company may be required to adopt under the Dodd-Frank Wall Street Reform and Consumer Protection Act and implementing rules and regulations thereunder, or as otherwise required by law.

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 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: ______________________________________

____
____

Electronic Mail: ________

If to Company: Conn's, Inc.

Attn: Office of General Counsel

4055 Technology Forest Blvd., Ste. 210
The Woodlands, TX 77381
Electronic Mail: generalcounsel@conns.com

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.* Recipient acknowledges and agrees that the grant of the RSUs 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.

[***Signature Page Follows***]

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

CONN'S, INC.,
a Delaware corporation

By: ______________________________________
Name: ____________________________________
Title: ____________________________________

RECIPIENT

____

EXHIBIT “A”

[NAME]

Restricted Stock Units (“RSUs”)

Awarded by the Compensation Committee effective [DATE]

BASE GRANT:

Subject to the terms of the Agreement to which this Exhibit “A” is attached, RSUs will vest in four equal installments over a four-year period, the first installment vesting on [_____________], and on each [_____________] thereafter through [_____________] when the final installment shall vest. The total RSUs granted under the Base Grant are [_____________].

PERFORMANCE GRANT:

Subject to the terms of the Agreement to which this Exhibit “A” is attached, RSUs are granted in amounts to be determined by the Return on Invested Capital (“ROIC”) achieved by the Company over the twenty-four month period ending [_______________], based upon the audited financial statements. The number of RSUs granted will be determined as follows:

- If ROIC achieved is equal to [__]: [____] RSUs will be issued (“Target”).
- If ROIC achieved is equal to [__]: [____] RSUs will be issued (“Threshold”).
- If ROIC achieved is equal to [__]: [____] RSUs will be issued (“Maximum”).
- In the event the ROIC achieved falls between the Threshold and the Maximum, but not specifically equal to the predetermined rates of ROIC detailed above, the RSUs issued will be prorated between the respective ROIC specified percentages.
- In the event the Threshold is not attained, no RSUs will be deemed to have been issued under the Performance Grant.
- In the event the Maximum is exceeded, the RSUs deemed to have been issued will be those for the Maximum.

Subject to the achievement of these set performance goals of the Company measured by ROIC, the deemed issued RSUs, if any, will vest 0% at [______________], 50% at [___________], 25% at [_____________] and 25% at [______________].

In the event of a Change in Control prior to [______________], Target Level achievement will be assumed, and shares shall be issued based thereon.

EXHIBIT 10.5

RESTRICTED STOCK UNIT AWARD AGREEMENT

CONN'S, INC.
2016 OMNIBUS INCENTIVE PLAN

THIS RESTRICTED STOCK UNIT AWARD AGREEMENT (this "Agreement") is made by and between CONN'S, INC., a Delaware corporation (the "Company"), and [_______________] ("Recipient") as of [________________] pursuant to the Company's 2016 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 Restricted Stock Units ("RSUs") 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. ***Award of Restricted Stock Units***. The Company hereby grants to Recipient, subject to the terms and conditions set forth in the Plan and in this Agreement, [___________] RSUs, effective as of [__________________] (the "Date of Grant"). Each RSU represents the unfunded, unsecured right to receive one share of the Company's $0.01 par value common stock, subject to the terms and conditions set forth in the Plan and in this Agreement. The shares of stock that are issuable upon vesting of the RSUs granted to Recipient pursuant to this Agreement are referred to in this Agreement as the "Shares".

2. ***Vesting***.

2.1 Except as otherwise provided in the Plan or in Section 2.2, the RSUs will vest ratably in [____] equal annual installments commencing on the first anniversary of the Date of Grant.

3. ***Delivery upon Vesting***.

3.1 Subject to Section 3.3, within thirty (30) days following vesting of an RSU, the Company or, at the Company's instruction, its authorized representative, will deliver to Recipient the underlying Share. Unless otherwise determined by the Committee, delivery of Shares 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 Recipient.

3.2 The delivery of Shares is conditioned on Recipient's satisfaction of any applicable withholding taxes in accordance with Section 12 of the Plan.

3.3 This Agreement is intended to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and shall be interpreted and construed consistently with such intent. In the event the terms of this Agreement would subject Recipient to taxes or penalties under Section 409A of the Code ("409A Penalties"), the Company and Recipient shall cooperate diligently to amend the terms of the Agreement to avoid such 409A Penalties, to the extent possible; provided that in no event shall the Company be responsible for any 409A Penalties that arise in connection with any amounts payable under this Agreement. To the extent any amounts under this Agreement are payable by reference to Recipient's "termination of employment," such term shall be deemed to refer to Recipient's "separation from service," within the meaning of Section 409A of the Code. Notwithstanding any other provision in this Agreement, if Recipient is a "specified employee," as defined in Section 409A of the Code, as of the date of Recipient's separation from service, then to the extent any amount payable under this Agreement (i) constitutes the payment of nonqualified deferred compensation, within the meaning of Section 409A of the Code, (ii) is payable upon Recipient's separation from service and (iii) under the terms of this Agreement would be payable prior to the six-month anniversary of Recipient's separation from service, such payment shall be delayed until the earlier to occur of (a) the six-month anniversary of the separation from service or (b) the date of Recipient's death.

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

5. ***Restrictions on Transfer of RSUs***. The RSUs 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***. Except as set forth in the Plan, neither Recipient nor any person claiming under or through Recipient shall be, or have any of the rights or privileges of, a

stockholder of the Company in respect of a Share issuable pursuant to this Award unless and until such Share shall have been delivered.

7. ***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.

8. ***Clawback***. The RSUs and any cash payment or Shares delivered pursuant to this Agreement are subject to forfeiture, recovery by the Company or other action pursuant to any clawback or recoupment policy which the Company may adopt from time to time, including without limitation any such policy which the Company may be required to adopt under the Dodd-Frank Wall Street Reform and Consumer Protection Act and implementing rules and regulations thereunder, or as otherwise required by law.

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 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:

____

____

Electronic Mail: ________

If to Company: Conn's, Inc.

Attn: **Office of the General Counsel**

4055 Technology Forest Blvd., Ste. 210
The Woodlands, TX 77381
Electronic Mail: generalcounsel@conns.com

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.* Recipient acknowledges and agrees that the grant of the RSUs 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.

[***Signature Page Follows***]

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

CONN'S, INC.,
a Delaware corporation

By:__
Name:_________________
Title:_________________

RECIPIENT

____

EXHIBIT 31.1

CERTIFICATION

I, Norman L. Miller, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Conn's, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Norman L. Miller

Norman L. Miller
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)

Date: September 8, 2016

EXHIBIT 31.2

CERTIFICATION

I, Lee A. 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/ Lee A. Wright

Lee A. Wright
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: September 8, 2016

EXHIBIT 32.1

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

In connection with the Quarterly Report of Conn's, Inc. (the "Company") on Form 10-Q for the period ended July 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Norman L. Miller, Chairman of the Board, Chief Executive Officer and President of the Company, and Lee A. Wright, Executive Vice President and Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge:

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

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

/s/ Norman L. Miller

Norman L. Miller
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)

/s/ Lee A. Wright

Lee A. Wright
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: September 8, 2016

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.